Hindustan Oil Exploration Company Limited
Earnings Conference Call
November 12, 2021

Moderator: Ladies and gentlemen, Good Day and welcome to the Q2 FY22 Earnings Conference Call of Hindustan Oil Exploration Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mrs. Vinita Pandya from Valorem Advisors. Thank you and over to you, Mrs. Vinita Pandya.

Vinita Pandya: Thank you Margaret. Good morning everyone and a warm welcome to you all. My name is Vinita Pandya – AVP of Valorem Advisors. We represent the investor relations of HOEC Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the second quarter of financial year 21-22.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's concall maybe forward looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now I would now like to introduce you to the management participating in today's earnings conference call and give it over to them for their opening remarks. We have with us Mr. Pandarinathan Elango – Managing Director and Mr. Ramasamy Jeevanandam – Executive Director and Chief Financial Officer. Without much delay I request Mr. Pandarinathan Elango to give his opening remarks. Thank you and over to you, Sir.

Pandarinathan Elango: Thank you Vinita. Good morning everyone. Happy to connect with you all on this Q2 ~~1~~ FY22 Earnings Call. Jeevanandam our CFO and full time director is with me and Valorem Advisors and Investor Relation Advisors are also on the call. I hope you all have proceed enough or updated earnings presentation. We have also uploaded the same on our website for your reference. Let me start by giving an update on B-80. We have identified an Indian flat DP vessel to complete the remaining works of Calmbuoy installation~~Cambay insulation~~ and awarded the contract to an international offshore construction company with relevant experience and competence to execute the work. Safe completion of Calmbuoy~~Cambay~~ requires a calm weather with suitable wave, height and swell.

As on today sea conditions are still rough and the forecast is for conditions to turn conducive by end November or early December. Since the DP vessel identify for the job is already in Mumbai we are mobilizing the rest of the men and material requires targeting to commence the work subject weather by end November early December 2021. Estimated duration of the works is about 4 weeks and actual duration depends on sight and weather conditions. We will make every effort to complete the works and commence the production as early as possible and we will keep you all updated. To store the oil our own floating storage and offload vessel, Prem Pride ~~price~~ has been mobilized to India after successfully completing the dry dock in Singapore.

FSO will be mobilized to B-80 locations to connect with the Calmbuoy~~Cambay~~ post its successful insulation. Gas production and sale will commence in parallel since the gas pipeline from KGB offshore installation has already been connected with the gas export pipeline of ONGC. Using ONGC pipeline B-80 gas will be transported to Hazira terminal in Gujarat. We have shortlisted the empanelled agencies and we will be launching the e-auction later this month and conclude the gas sale arrangement in December. As advised earlier we will initially store the oil produce from B-80 to carry out the SA to settled group to discover the best market prices and sell the oil at the delivery point in FSO.

Overall, we have singularly focused on bringing B-80 on production more safely and are monitoring the weather conditions on a daily basis. On the regulatory~~ed~~ front we are getting the required support both from the DGH ~~[04:59]~~ and from ONGC as every stakeholder is equally keen to expedite production from B-80. At Dirok, we have continued uninterrupted operations and average daily gas offtake during Q2 has been 41 MMSCFD demonstrating a robust demand. Effective 1st October 2021 government notified gas prices have gone up to $2.9 per MMBTU from $1.78 per MMBTU.

Based on the e-auction conducted in June 2021 we have executed direct gas sales contract with three customers and contracts with remaining customer are under various stages of finalization. Terms and arrangements for gas transportation, measurement and delivery through oil India facilities have been agreed with oil India. First direct supply of gas and then e-auction has commenced to NRL Numaligarh Refinery Limited who are drawing about 3.5 MMSCFD by paying a premium of over $1 over the government notified prices. Assam gas company too is drawing gas directly from Dirok based on demand by paying a premium price. Balance volume is continuing to be supply to oil India at government notified prices. Dirok field is now well positioned to meet peak demand of multiple customers directly at a premium price while protecting daily base volumes through the current contract with oil India.

Over the next few months direct supply to more customers at premium prices are expected to commence at Dirok our ~~a~~ strategy of value over volume is now being executed at the field level. Status quo continues in PY-1 month where the only weight increase production is to drill additional well the next general campaign in PY-1 will be planned after first oil from B-80. As indicated earlier final investment decisions will be taken after the independent technical assessment and derisking. In our Cambay assets we have initiated the environmental clearance process to drill additional wells and the execution of f R2 PSC in our Palej block has now received the approval of ONGC board and reached the final stages of execution.

Similarly a draft PSE amendment to reflect the increase in HOEC participating interest from 50% to 60% has been agreed by all the parties including the government of India and it is also in the final stages of execution. At the macro level prices of both oil and gas have gone up reacting to sharp rise in demand signaling revival of economic ~~al~~ growth. I now invite Jeeva to share the financials.

Ramasamy Jeevanandam: Thanks Elango. We report that the company made a revenue of 37.23 crores in the current quarter against 27.56 crores in the previous quarter. In the console account it is 45.14 crore against 31.79 crores in the previous quarter. Increase in revenue is mainly from increase in sale gas in Assam and higher realization for condensate due to the increase in oil prices. The profit on standalone is 17. 4 crores against 11.71 crores in the previous quarter. In the console accounts the profit after tax is 17 crores against 11.11 crores in the previous quarter.

The total expenses of standalone including the DDA is 19.83 crores comparing 15.85 crores in the previous quarter. Operating cost are not linear and however the statutory levies royalty and cess are ad valorem. In the console accounts it is 27 crores comparing 21 crores in the previous quarter including the adjustment of prudent stock. Operating cash flow standalone for the 6 months before the working capital changes is 37 crores and in the consol account is 40 crores. During the quarter the loan of Rs. 125 crores were raised from Axis Finance Limited to meet the capital expenditure of B-80. This rupee loan of 10.75% is swapped~~wrapped~~ with the $US at 8.1% per annum. We have also availed a loan of Rs. 150 crore from HDFC Bank at 10% with the cross currency swap at 6.25% to refinance the loan of 150 crores from **(Inaudible)** [09:49] India Private Limited. We have the support of two Indian banks Axis and HDFC to support the growth of the business.

With the borrowing the company is levered ~~levied~~ by about 33% on the book value of the asset with the market gap it is about 15% as on date with the expected cash flow from B-80 who would be able to liquidate the debt at a faster mode than the tenure agreed with the banks. We would like to be ~~gin the~~ debt free again. Cash in the company is 109 crores in the standalone and 129 crores in the console account this will enable us to complete the B-80 project in a timely manner and to put the field on a revenue mode.

If you look at the books only 30% of the investment in oil and gas assets in revenue mode and 70% in capital work in progress. Investment in B-80 as on date is about 733 crores consists of field investment for oil wells, flow lines, umbilical and oil and gas export lines. Mobile Offshore ~~also~~ processing units floating storage offshore and single point mouring ~~[10:56]~~ system acquired and operated through our subsidiary.

On commencement of B-80 production all these three assets will be on a revenue mode which will move from capital work in progress to oil and gas producing assets. Better numbers would reflect on the commencement of cash flow from these assets which will provide new impetus to the business. Thanks.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: Just had a couple of questions on this B-80 given where expected to start work end of November early December how long is it expected to take the actual production of oil and gas actually is it starts on a commercial basis?

Management: We are expecting the works to take about 4 weeks time. Our first priority was to secure an Indian vessel so that both on the cost and schedule front we are under control. So that we have achieved so the current expectation is depending on whether we will mobilize by end November or early December and the estimated duration of the work is about a month. In parallel the activities in MOPU will also happen and certain commissioning activities will happen once the SEM is installed. So, if all goes well then we should commence a production in January.

Riddhesh Gandhi: We just need to understand obviously because of reasons outside our own control like say COVID on the storm which happened obviously delays has happened, but is there any other slippage risk expected do you think between this or I mean January seeming like a conservative estimate for when we sort of able to start?

Management: We really do not expect further slippages, but both the weather condition as well as the tide ~~size~~ condition will determine the duration of completing the work. The major task is really installing this heavy single point mooring equipment ~~with the installed VAT~~, but that is a task which really requires to complete it safely, requires a very calm weather depending on the weather movement the duration on the right condition the duration will be determined. The contractors they estimate is to do that in about four weeks and we built incentives in the contracts to get it done sooner as well as rate that will not allow delay as such, but priority is really to do it safely.

Riddhesh Gandhi: And just to understand how much are the ongoing rates right now in Gujarat for the gas what we are expected due to supply to?

Management: I think earlier our expectation was about $4 per MMBTU the market price, but with the current prices we are expecting the market to be at least $5 plus with the current ~~heartening~~ hardening of gas prices that is what we expect and we will know once we complete the e-auction, but that is our expectation.

Riddhesh Gandhi: Sir is there any update on actually kind of Kharsang?

Management: On Kharsang currently producing about 600 barrels of oil. It is on ad hoc extension mode. Some of the cost recovery issues are being addressed by the operator with the DGH to reach eventually acceptable solution. One that is resolved then the PSE extension will be granted on a 10 year basis post which the dealing for the development activities will take place. With the oil prices stronger we expect those things also to be completed may be in over couple of months times.

Riddhesh Gandhi: Just a last question on Assam just to understand effectively so given this effective e-auction where we are getting a small amount of premium on how much of our volume would we getting a premium?

Management: Roughly between currently 10% to 20% of the volume is getting the premium, but over the period whenever there is a peak demand we will be first addressing the premium customers while protecting the base oil.

Riddhesh Gandhi: So, net-net on a blended basis we have given the quantity etcetera how much of a premium compared it to the normal would we be receiving?

Management: Overall we are targeting a realization of about $4 MMBTU on a mixed basis right now it is 2.9 on a gross calorific value on 3.2 on a net calorific value for existing and the premium will be about a dollar.

Moderator: Thank you. The next question is from the line of Nirbhay Mahawar from N Square Capital Advisors. Please go ahead.

Nirbhay Mahawar: Just wanted to understand what would be the time required from first oil production to first oil sales ~~storage~~ what would be the duration?

Management: So we expect about the storage capacity is about $900,000. So even if we look at 5,000 barrel production per day it is about $150,000 a month ~~I will not say 80,000 barrel a month~~. So, normally we look at after two months we will like to make an offtake of about 150,000 ~~103,000~~ barrels. So after that will be a continuous offtake and first off take will take two months.

Nirbhay Mahawar: So, when we are saying that we will be able to do first oil singles in FY22 we are expecting production definitely to begin by first early January, would it be correct?

Management: Yeah that is right correct.

Nirbhay Mahawar: Another follow up the longer-term outlook we have mentioned that earlier we have mentioned that our B-80 will take ~~out~~ our net oil production to 7,000 barrels and then we have scope of taking this to 14,000 barrel by our existing fields, so what would be the timeframe and if we can give some sort of direction on like how this will move from 7,000 to 14,000 by which field and when?

Management: What we are targeting is first of all it is 7,000 barrels of oil equivalent including oil and gas component that is one and what we stated is really our existing discovered resources in Dirok, PY-1 as well as minor ~~minus~~ Fields in Cambay together they will be able to contribute to this doubling of ~~up~~ production and our target is to do that in about 24 months after first one. So, to that extent we have initiated the environment clearances processing across all these three assets both Dirok we have already secured the environmental clearance PY-1 and Cambay environmental clearance process is already initiated and progressing well.

Nirbhay Mahawar: So, would it be fair to let us say project exit run rate of let us say FY22 exit run rate of net oil production of 7,000 barrels which in FY23 will become probably 10.5 and then 14 is that math correct?

Management: We will give you asset wise update post the B-80, but it is there to project an exit run rate of 7,000 barrel of equivalent at the end of this financial year. After that our priority will be between the three assets where we are ahead as far as the Dirok is concerned in terms of the regulatory clearances, PY-1 is also our priority, Cambay also. So, our plan is to run multiple campaigns at the same time by briefing up the organizational capacity and we will give you update asset wise after B-80.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Just couple of clarification firstly you know my basic understanding is that monsoon has already been over, so is it only the weather because of which we are targeting to start the work from December or is there any other reason as well?

Management: It is purely weather because this installing these Calmbuoy~~Cambay~~ will require a particular ~~the~~ wave height to the below 1 meter that we are forecasting by end of November. So, we will be ready to mobilize by end of November and wait for couple of days to see if ~~is~~ whether conditions are stable I have to move because the vessel is already in India and it is available for mobilization. We are in parallel mobilizing through men, but we get an advance forecast on weather condition particularly the wave condition in all locations based on that we are planning end of November will be suitable because mobilizing earlier would involve heavy risk.

Dixit Doshi: I mean second thing is you have earlier in the May last year May month you were saying only 8 to 10 days work is left and now we are targeting that the work will last for almost 4 weeks so what has changed?

Management: I think last year when we left the job undone if we had a continuous 7 days, 8 days we could have finished the job, but now when we have to restart the whole thing the another survey need to be done as spread cost. So, we have engaged with the best consultant and the contractor and this is the best estimate that we got. So, unlike if we had continued the job in the previous campaign it will take only 7 days, 8 days, but now they need to go position themselves at the appropriate places etcetera make sure all the tools are required or rigged up, etc. It is about continuing the job when you are fully mobilized between starting remobilization that is the thing.

Dixit Doshi: Just one last thing you mentioned just a clarification did I hear correctly that let us see the first oil comes out in Jan the revenue in the P&L will start from March after 2 months?

Management: When I have a stock in trade is mark-to-market so it will be reflected in the revenue, but cash realization comes after two months.

Dixit Doshi: And for both oil as well as gas?

Management: Even that revenue cycle would be little earlier for gas because gas cannot be stored it will be sold as such, but we will be taking a month realization earlier all will take two months this will take one month.

Moderator: Thank you. The next question is from the line of Akshay Ajmera from Nirzar ~~Nirvan~~ Securities. Please go ahead.

Akshay Ajmera: We are hearing that through media that petroleum ministry is keen that ONGC should involve private and foreign partners to develop especially the small discovered sales in Bombay high and basin region, so how big is it opportunities for companies like us and who else do you think can be the potential bidders domestically or foreign if you can share that and my second question is linked to the first one that what is the probability of these kind of discussions moving in a right direction because so far we have seen a lack of desire from ONGC and giant like PSUs like ONGC it is really very rarely seen that logical things to happen swiftly or at least we have very different thought process so what are your views on these two things?

Management: See in terms of the opportunity set I think the government has been quite vocal and clear that because 90% of the ONGC production has contributed by 10% of its field and 10% of its production come from the 90% of the field. The government is very keen that it involves private sector both international as well as domestic private sector players. Now as far as the international scenario is concerned that you will see that you are not seeing trend in which companies are entering any new countries existing players may look at the opportunity that is one part. In terms of the opportunity set within ONGC both there is onshore and offshore. Onshore there are multiple smaller players in India who can look at these opportunities. In offshore we see there were only very limited players with offshore production experienced other than Vedanta, Reliance and HOEC and nobody else has got the experience of producing from offshore. Therefore, the competition for offshore would be generally limit~~-~~ed onshore is slightly more. As far as HOEC is concerned as we said our focus is first is to bring B-80 on production immediately after that to look at expediting, drilling, campaigns across the Dirok, PY-1 as well as Cambay basin within our existing resources potential and then as we build look at other opportunities and we believe that we are well positioned because of our experience in offshore both in western and east coast to look at these opportunities, but on the second part of your question yes there is a government stated objectives and how much of it gets into real actions from what we have seen in the past with enhanced contracts or enhanced recovering oil has not gone down too well because the commercial terms were not attractive, but we do find attractiveness in the discover small field root which the government is optioning directly. So, if the government ultimately decides to take the nomination field back to its old and roll it out as a discover small field may be that will ensure a faster execution that is my personal take.

Akshay Ajmera: Just a quick follow up so how according to you would be this opportunity in terms of volume that what you have mentioned is the 10% of the ONGC production is from 90% of the small discovered field, so how much that will be the volume or the size of that opportunity that is one and second you know if the government is auctioning the field directly then what is the percentage of the total discovered field which government can directly auction to players like HOEC?

Management: You see what is happening is ultimately all the fields belongs to the government including ONGC. ONGC also gets the license to explore from the field from the government. So, ultimately the government issues a license to go to ONGC. There are two regimes so ONGC used to get it under what is called nomination regime directly from government and subsequently you have three NELP and one NELP which is the bidding~~-~~rounds ~~(Inaudible) 29.51~~. So, what is the point I was making is so far ONGC directly taking partner that root has not been very effective that is the track record so far, but when the government auction it out it has a set policies and procedures and you have seen that doing it much better that is a limited point I was making that the government takes over or takes back proceed and auction it out that from the execution point of view that has a much better clarity that is one. In terms of the size obviously it is very difficult to say, but typically any field which has got potential to produce more than 10,000 to 20,000 barrels of oil per day I am sure ONGC would be focusing and developing them typically fields which is below 10,000 barrel range are the ones which we have not got the adequate attention particularly in offshore because it is challenging to develop small fields in offshore. It is not easy it is not something that everybody can play. Our own experience has been despite of this effort we could not complete it at one season that is the fact because something are in your control, something is out of your control. So, I will typically expect fields of 10,000 barrel at the site that is one. The second thing is what is the undiscovered potential in the block in these blocks is something to be look for. Our own experience in B-80 has been quite interesting that in addition to the known areas we are able to identify more resources which would be targeting in future, but the overall point is to remain very sharply focused for any company to be successful the moment you acquire more than what you can handle you will end up losing the focus.

Moderator: Thank you. The next question is from the line of Rohit Suresh from Samatva Investment. Please go ahead.

Rohit Suresh: My first question was on PY-3 so are we still associated with the development process of that field just wanted a clarification on that?

Management: Rohit our stake in the production sharing contract is intact. We are a party to that production sharing contract or our stake is very much intact. As far as the current development is concerned we had not supported the development as was being presented by the operator we have not consented that to method I do not want to get into detail, but we have not given our consent to proceed on that basis, but the other two parties in turn decided to proceed and the remaining parties are proceeding in terms of deciding few tenders etcetera so that is where it stands. We have a right to get back to the block depending on what progress and certain terms and condition. So, what we had decided is to really stay focused on B-80 for the time being complete that and look at what way the field is being developed and then take a decision on that basis.

Rohit Suresh: Sir because I read somewhere that the new FDP for PY-3 there were planning to increase it the production from 4,500 to around 11,000 so just wanted to get an understanding that whether we will benefit from that if it successful or not.

Moderator: Thank you. The next question is from the line of Tejas Shah from Unique Stock Broking Limited. Please go ahead.

Tejas Shah: Can we understand what is the cost overrun that we have done on the B-80 project since your 150 crore is already utilized and you have taken another 125 crore loan and you already had a cash balance of some 675 to 100 crores, so what is the total cost overrun that we are having on this project right now?

Management: Cost overrun in this project is in the order of about 100 crores and that is the reason we look for additional resources of 125 crores to put the field back on production. So, with the increase in volume support and this cost overrun came to the business which we are in subsea development. So, it is not quite alarming which is within the manageable limits.

Tejas Shah: Can you understand what is the amount of oil we are looking at from B-80 and amount of gas and if you can quantify it in terms of rupees means let us say 100 crores will be oil or 50 crores will be gas if you can give some and what is the base average price realization that we are looking at?

Management: The price we cannot determine that will be determined by the market as such only overall market scenario only we are looking at average prices. We are looking at gas at $5 in Gujarat and about $70 to $80 oil price for the volume of oil which we will be selling on it and this will make us about a net cash towards about 25 to 30 crores per month. So, with that we will be able to repay all the debts and other things within a year. So, we will be back on business with no debt at least within a year.

Tejas Shah: Overall we are targeting 100 crores bottom line from the B-80 per quarter?

Management: I told you this is 25 to 30 crores per month at the current pricing.

Tejas Shah: That will include oil and gas both?

Management: Both.

Moderator: Thank you. The next question is from the line of Sai Das ~~Dad~~ from Knightstone~~Whitestone~~ Capital Management. Please go ahead.

Sai Das ~~Dad~~: I just have a book keeping question so the profit from your associate for this quarter we have shown a loss of around 2 crores, can you please throw some light on it please?

Management: They have not closed the books of accounts as on 31st March when we have given our accounts to….and subsequent to it they wanted to make some tax adjustment which will help ~~held~~ them under cash flow we said okay so with that process there is a loss on the previous year on the audited accounts which we have got accounted in the current year.

Sai Dad: So basically, it was perhaps a book keeping entry from previous year am I right?

Management: That is right and that will improve the cash flow of the associates.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from iThought PMS. Please go ahead.

Rohit Balakrishnan: Sir I joined a bit late in the call I just wanted to know for the B-80 in terms of our cash price what is it that we are looking at if you can share that?

Management: We said we are looking at $5 per MMBTU the current market.

Rohit Balakrishnan: Sir you mentioned I think in the last question answer that you are looking at 25 to 30 crores of monthly from B-80 at the current price levels as a final net profit or net that final this is for us for HOEC or the field you are talking about?

Management: It is for HOEC.

Moderator: Thank you. The next question is from the line of Pradyumna Dalmia from Landsowne ~~Lanco~~ Investment. Please go ahead.

Pradyumna Dalmia: I just wanted some clarification on refinancing of debt that was mentioned could you just maybe repeat that once more and you know also there was some loan taken from related party so are you saying that has been refinanced and paid ~~take~~ back as well?

Management: So we have taken about 150 crores loan from related party **(Inaudible)** 40.25 and with that the accrued additional 10% of the participating interest and some other capital expenditure requirement at a 12% interest rate. Now this is getting refinanced by HDFC bank at 10% with cross ~~gross~~ currencies I am getting around 8% debt of the company. So, that is why we refinanced the entire 150 crores. The additional debt that we added is about 125 crores from asset finance to meet the capital commitment of B-80. So, effectively the 150 is for refinance, 125 for additional capital.

Pradyumna Dalmia: And the additional 125 is at what rate?

Management: It is about 10.75 with a cross currency swap it is about 8.1%.

Pradyumna Dalmia: And the entire 150 has been paid back?

Management: Yes it has been fully paid back.

Pradyumna Dalmia: And the primary reason for this was for which the refinancing was done to save the interest the money was not called from the related party or it was not that important?

Management: No more related party investments in the company particularly on the loan side.

Moderator: Thank you. The next question is from the line of B Prasad from Equity Strategies. Please go ahead.

B Prasad: My question is now that I think we are very sure that the oil will be out in late November or early December. The only thing I want to understand from you is in terms of the risk assessment in actual oil production scenario what is the risk level at the final stage I mean you end up getting more gas instead of oil or it could be a total disaster also that where whole studies have gone wrong in terms of risk happening. The probably could be very less it could be 1%, but still what are the risk elements that once actual oil comes the scenario could be totally different than what you anticipated earlier?

Management: In our business the disastrous scenario really occur at the exploration stage that you spent million of dollars to drill well let us say you look at a deep water well we are investing a $100 million or $50 million to drill a well and you may find it right and that is a disaster situation. Typically once you go into development drilling you are very sure about the existence of the resource because that has already been established. In the B-80 case specifically ONGC had drilled the well and textured the oil based on which they did not assessed such resource based which for the restudy we drilled a well and test up the oil as well. Right now from our MOPU we cannot see the oil, but we can feel the oil in terms of the pressure profile. We have got a special instrument we can monitor the pressure right now. Therefore the risk of opening the well and well not producing is zero. Now because we have done extensive testing before determining the rate of oil as well as gas we expect it to pretty close to our estimates which is 5,000 barrels of oil per day and about 12 million to be sales gas per day. Now what post the drilling what we identified for the work is this field is more oil prone field than a gas prone field. So, if at all a scenario will emerge where the oil production may go up slightly and we will be also be prioritizing in future development on oil. So, that scenario of this field not producing does not exist as such. I want to clarify we are only going to mobilize the spread by end November not commence the production by end November and the work that we have to take we have estimated to be about four weeks. As we said we are targeting production after the installation ~~inflation~~ only.

B Prasad: And can you also a light or your future where the possibility of getting oil is more or less established apart from you have very clearly stated in all the presentation, but where the next big find could be after B-80 what are you targeting which is the most lucrative one there is a low hanging fruit about B-80?

Management: Our own business strategy is to focus on low hanging fruit. Therefore we would not take really taken any escalations with all our portfolio of blocks except two of them or else one of them everything has a discovered resources, but each block will have a different size profile as well as the risk profile. Our priority as I said earlier is to focus on our next focus would be after B-80 is on Dirok, PY-1 and Cambay as well as based on about one and half years of 18 months of production from B-80 further drilling in B-80 as well.

Moderator: Thank you. The next question is from the line of Rikesh Parikh ~~Rakesh Parekh~~ from Barclays. Please go ahead.

~~Rakesh Parekh~~ Rikesh Parikh: Just wanted to understand now we are the oil production from the B-80 has been postponed by another one month or so, so when we will start that bidding for the gas distributing or discovering the price for it?

Management: Now we will be launching by in this month so that we will conclude the sales arrangement by December.

Rakesh Parekh: And previously you had been mentioning about that oil production will start, but we will be able realize by March, so can you just clarify means we will be storing it in MOPU and then selling that is why we are mentioning up to March?

Management: We have a floating storage vessel called Prem Pride which has a capacity to store 9,00,000 ~~900, 1,000~~ barrels of oil which is equivalent to 6 months of production what Jeeva was explaining is we would initially take the oil to that storage cell, store it and then we will take a sample of settled group to crude and by the time about two months' time we would have enough volume to sell it to the market as such. In the first month itself should have about 150,000 barrels which we can sell it to the market and realize the price.

Rikesh ~~Rakesh Parekh~~: Post that it will be every two month we will be able to sell one?

Management: Typically the parcel size is about 240,000 barrels, but there are vessels which can take smaller barrels parcel ~~paster~~ size as well, but normal standard size is about 240 barrels Indian refinery use. So, they would be sending the vessel picking up from our tankers. The delivery point will be our FSO ~~FSA~~.

Rikesh ~~Rakesh Parekh~~: And just from your experience what would be the discount the standard price one can expect for our kind of a crude?

Management: Our crude in terms of which quality if this is low sulfur and light crude and typically if I close to brent and then we do proper crude essay and then come out with discount to brent and then engage with the buyer obviously the buyer would be looking at. To ensure that we do correctly we wanted to initially start the production take the sample from settled group not really from the testing period and because there are multiple refinery which can use this crude we could do almost like a e-auction mode to identify buyer on a regular basis and as we finally get used to the crude its valuation will improve.

Rikesh ~~Rakesh Parekh~~: Now with B-80 next one month or so will be behind us the very immediate what will be next plan to or which site we will be planning to get it live as such?

Management: In terms of the regulatory process we are ahead in Dirok and the offtake has also been good, we will give priority to Dirok and PY-1 being a 100% owned by HOEC will also get the priority. So, we would and of course B-80 I think the important thing to understand is the size of the organizations we would strengthen the organization capabilities further to ensure that we are able to take multiple projects at the same time. So far our strategy has been do one project at a time post B-80 we should be able to simultaneously handle two, three projects at a time with three key projects will be Dirok PY-1 as well as in Cambay.

Rikesh ~~Rakesh Parekh~~: In a presentation sir this PY-1 this approval clearance is still awaited for the renewal so do we see any risk over there?

Management: What is happening is the government has taken up position before they grant the renewal for 10 years they would like to reach settlement on whatever is outstanding trends from their point of view royalty or past recovery issue etcetera and different almost every blocks have got some issue out of that. As far as the PY-1 the issue has been deferred to the dispute resol~~l~~ution committee. Therefore we do not see any problem in securing the extension once we resolve that issue. So until then the government is granting ad hoc extension to all the fields and there is not a single field in which the extension has been denied.

Rikesh ~~Rakesh Parekh~~: And sir this Dirok the e-auction so offtake has been as per the what has been committed or how we are seeing the earnings because this is the first quarter where the auction from that we would have sold in the market?

Management: In the auction we have got about 0.3 million cubic meter on a firm basis and the remaining about 1 million cubic meters on fall back basis. The fall back basis whenever there is a peak demand the customers we will have arrangement to sell the gas to them. So, among the three customers who got firm basis two of them have started taking the gas and in next quarter we are expecting more to join and what we need to keep in mind is when we went for the auction the government gas notified by this was 1.7 right now it is already 2 point the customer will take that into account also, but whatever the arrangement we have is quite nice that every day we look at what is the demand for premium gas which is government notified prices plus $1 at least and we meet that demand first the balance gas goes to oil India. So, currently as I told about 10% to 20% of our volume was going in the premium mode and the balance is going to oil India. Our effort would be to increase the premium that is purely determined by the market factors and demand factors.

Rikesh ~~Rakesh Parekh~~: And sir just last question this Dirok phase 2 so when do we see means probably or we targeted to be delivered as such?

Management: I think in Dirok Rikesh ~~Rakesh~~ as earlier mentioned our focus was really to on getting more value than focusing on the volume and with that only we launch the e-auction has been executed successfully. Now we are going through a phase in which we need to ensure we will check the demand at different price point as such. So far the feedback has been good in parallel we are moving ahead with phase 2 though the only thing we are waiting is the forest clearance to lay the pipeline of 38 kilometer that we have not yet secured. We should be getting it in about couple of months time. So, that fits in pretty well with our B-80 completion and post that we will start the work and the entire project there the longest lead critical item is laying that 38 kilometer pipeline which could take about 18 months to 24 months.

Moderator: Thank you. The next question is from the line of Hitesh Doshi from Nirzar Securities ~~[55:44]~~. Please go ahead.

Participant: Sir what kind of ROCE we can generate from B-80 as per current estimate of volume and say reasonable oil and gas price of say $50 and $5 so that is number one?

Management: Our fundamental base is we do not get on oil and gas the return on capital is less than 21% ~~9%~~ post tax ~~from the 1% post that~~. So this will be well fit within that at any oil price.

Participant: But can we see as high as 35%, 40% ROE at $55?

Management: It depends on the price see we cannot increase the volume below the ground, but if the price increases we will be able to increase our vision.

Participant: Assuming oil at $50, $60?

Management: That is what I told you at $35 we look at a 21% post that.

Moderator: Thank you. The next question is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti: My first question is on something that you mentioned on the monthly revenue of 25 crores to 30 crore on B-80, is it including the asset base and subsidiary it would be giving it on lease the entity for production storage or is it excluding the purely the sale of oil and gas alone?

Management: It is purely on the sale of oil and gas. The two subsidiaries would earn revenues on its own for the **[57:44]** which we agreed within the joint venture that means we have a concept of outsource at the block level and resource at the corporate level.

Rohith Potti: So that technically would be additional to the 25 to 30 crore per month that you mentioned?

Management: Absolutely it is fine that should at least give us a million dollar per month that should be about 7.5 to 8 crores.

Rohith Potti: One additional question on B-80 again is let us say you mentioned $70 to $80 oil price so in that assumption what would be the government take on revenues on a per day basis would it be around 35% of revenues produced per day?

Management: Actually this is a progressive model which the government has done that is one called the LOI that is the base rate that is up to 11.1% and then the highest is at 55% over the million dollar, so any revenue which is 12 plus what is between 12 to 55 which would be proportionate to the extent of numerator would be the actual sales and the denominator would be the million dollar. So, in that case if you look at we always getting into a revenue mode of $400,000 per day we would be in the order of around 22% to 25% on the revenue share to the government.

Rohith Potti: So the target it will generate around $400,000 per day?

Management: That is right because that will keep my volume back into the reservoir and when the low price regime I can make more volumes and the less price regime I can increase the volume and high price regime I can lower the volume.

Rohith Potti: On B-80 again the question I had was we are looking to drill additional wells after checking the performance in the field for how long is it 6 months, 12 months I did not get that number correctly?

Management: Actually what happens this is a field which is having both the identified 5 cents and we are producing from the 2 cents additional 3 cents we need to drill additional 3 well so this 3 well we will be targeting ourselves minimum of period of about 16 to 18 months with the 18 months with the production we will know the field potential in a clear manner then accordingly we target to drill additional well. We have got two slot in the prices already in the MOPU which we can connect and the third one we have to work it out the ways and means to connect it then we are also looking at the any opportunity for the water injection to enhance the field recovery itself that is also study is going on. So, unless we put the field on protection for 6 to 12 months our material balance would be little difficult to assume it. So, we are targeting drilling three wells firmly after two years.

Rohith Potti: Do the lead time for additional production from B-80 be as long as it goes for bringing it on stream like today or regulatory and procurement do the timeline is much shorter next time around?

Management: Next time around we have got everything as such now we have got an experience of what we have done for two wells that would be in the order of say less than a year for three wells to visit, but the point of issue is actually we will be able to we do not want to cross the field in such a manner that goes out to substantial volume and we will be maintaining our volume level at the order of around 400,000 barrels so that will increase the field life for about 15 to 20 years that is our target as such that will give us a sustenance revenue for the company for a longer period.

Rohith Potti: Are the regulatory FDP or any approvals will not be required for the additional drill?

Management: On our regulatory approval because this is actually a revenue sharing mode actually then they cannot be force on this because committed well is one well we have already drill two well there would not be any commitment on this, this is purely a discretionary capital which we will be spending on.

Rohith Potti: So the additional three wells the revenue from that be part of this particular sharing that we have or will it be again from zero we do the formula?

Management: It will be still be within the sharing now whatever the wells we are increasing the capital expenditure to increase the life of the field that is our fundamental basic. So any well which will be start depleting after some period and time so whatever depletion it takes will be put on the new well that will get arrested with the claim. In a way the plateau of that field goes up to substantially a longer period so that will give a good substance to the company as such that is what we plan at the moment.

Rohith Potti: So overall we are trying to maintain the 400,000 barrels for as long as possible even with the additional that is the idea?

Management: That is the idea.

Moderator: Thank you. The next question is from the line of Sameer Patel from Savvy Capital Advisors ~~[1:02:57]~~. Please go ahead.

Sameer Patel: Sir I just want to dwell on the volume offtake from Dirok through the e-auction root you said that 10% to 20% is what is currently happening, but how do you see that number going ahead say in next 6 months to 1 year how much volume do you think can go through the premium pricing?

Management: Generally what we have seen Sameer is the offtake in Assam is generally seasonal and really the demand from the power sector and fertilizer sector would kind of determine the increase in volume offtake as such. So our definitely we definitely we expect the mix to increase at least to 50% in about 3 to 6 months timeframe and we will have occasions where the demand we have got a flexibility to also increase the production we have done about 42 million cubic feet per day or sir we have the capacity to do that. So, the whole idea is whatever is the demand in the market from various customers we will be able to meet that as such. So, therefore we have gone into this arrangement where there is a firm offtake for 0.3 million where they will 0.3 million is about 30% of the total production. So, that 30% is firmly committed by three customers. They will have to either take or pay for it. Therefore, that will happen. Now the remaining customers for that basis which means on a particular day they need more gas they can always send the demand and we will be able to meet that as such that is something our current expectation is we should be able to touch the overall 50% mark in about 3 to 6 months time.

Sameer Patel: So that for the current production and whatever we are targeting as the second phase that you think all additional volumes should go through the premium or this is the same mechanism that will work?

Management: The key thing in Assam is the major customers remember the NRL ~~molecular refinery was going for an expansion~~ is going through an expansion and to meet their additional demand the government the demand was planning to bring in imported LNG from Paradeep to a pipeline network all the way to modular refinery that was you all remember the Eastern gas network has been built to bring in gas outside of Assam into to meet some of the demand in Assam particularly ~~**(Inaudible) 1.6.6**~~ **Numaligarh** refinery is a plant and it goes for expansion. In a supply constraint scenario which was prevailing it was like a egg or chicken situation where the companies could not expand their plan because gas was not available or gas production could not increase because demand was not there. So, our target is with the Dirok and followed by us there are few other private players have come in. Oil India is also increasing its production. Therefore, we see a situation where the demand of Assam gas could be met through domestic production by and large. One of the things we wanted to control was the key infrastructure of the pipeline which connects from ~~**(Inaudible) 1:07:20**~~ **Kusijan to Duliajan** that gives us the additional strength. So, let me put it this way so we will control the production in a manner to achieve the premium demand and we will maintain the flexibility.

Sameer Patel: So almost for all the volumes for all new volume generated?

Management: That will be my target, but I cannot today commit because lot of things need to fall in place.

Sameer Patel: And one more last question so this e-auction when you do it must be for a particular period and then you can have an option of doing it again or how is it going?

Management: So for this we have done a two year contract for this auction and we have got an option to extend the contract under the same regime or go for new, but typically the major customers are really the same number of people. There are refineries there are few couple of power sector players there is fertilizers, there is a petrochemical plant. So, these are the four, five and all of them are public sector units. So for them also this is a very major shift to first of all take gas from a private company and second to particular in an e-auction and third they have so please understand we have not build our own infrastructure. Today we are using the entire facilities of oil India to deliver the gas for the single meet up. So, the first priority would always be for oil India to meet the base demand the premium demand will be met by Dirov that is how we have kind of positioned as such.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

Vaibhav Badjatya: In FY23 basically from April 2022 to March 2023 what would be based on the current pricing scenario that you earlier highlighted on a console basis what would be the profit before tax that we can generate assuming that our B-80 is completely operational?

Management: you have mentioned above the price as well as the production online. The bottom line should at least triple that whatever we are having right now that is about 30% of the value now it will increase at least by two times more than that. So, we will be targeting somewhere around additional 200 crores. If everything goes well it is subject to the production online, production off take and then the under price as such in the current environment could give us a variable factors we should be able to reach that additional 200 crores profit.

Vaibhav Badjatya: And you are talking on a profit before tax basis?

Management: Because we have any tax credit already with us couple of years we do not have any problem as such.

Vaibhav Badjatya: So that tax credit will continue for three, four years how many years it will continue?

Management: We have about some 800 crores that will be continue for about three years.

Vaibhav Badjatya: And in this additional 200 crore basically you are saying additional so it will be around 300 crore what would be given that there is a large CWIP which portion of which will be capitalized, what would be depreciation that you are taking in this estimate?

Management: What is that?

Vaibhav Badjatya: The depreciation that you are taking in this estimate?

Management: The depreciation as such it will be in the order of about 70 crores to 80 crores.

Vaibhav Badjatya: Additional or you are talking about the total now?

Management: See we are looking at actually about say 70 crore investment $70 million our volume is about 320 million so it is about $3 per barrel. So, depending on the actual production it will be around in the roughly in the order of about 70 crores, 80 crores.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I now hand the conference over to Mr. Elango for closing comments.

Pandarinathan Elango: Thank you everyone. I just want to reiterate that our first priority is to bring B-80 on production mode safely as soon as possible and we are monitoring the weather very closely. Once the oil from B-80 is achieved our focus will be to drive production growth by monetizing the discovered resources in our existing portfolio. To achieve this we have already filed application to secure environmental clearances to undertake development drilling campaign in Dirok, PY-1 and Cambay assets. Thank all for joining our call today. Thank you.

Moderator: Thank you. On behalf of Hindustan Oil Exploration Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.