

**Hindustan Oil Exploration Company**  
**Q3 and 9M FY22 Conference Call**  
**February 15, 2022**

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**Moderator:** Good morning, ladies and gentlemen, welcome to the Q3 and 9M FY22 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 the operator by pressing \*, then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

**Anuj Sonpal:** Thank you. Good morning, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of HOEC Limited. On behalf of the company, I would like to thank you all for participating the company's earnings conference call for the third quarter of financial year 2022.

Before we begin, let me 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 and 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 call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. P. Elango – Managing Director and Mr. R Jeevanandam – Executive Director and Chief Financial Officer. Without much delay, I request Mr. Elango to give his opening remarks. Thank you and over to you, Sir.

**Pandarinathan Elango:** Thank you Anuj. Good morning, everyone. Happy to connect with you all in this Q3 FY22 earnings call. Jeeva, our CFO and Wholetime Director is with me. Valorem Advisors and Investor Relations Advisors are also on the call. I hope you all have received our updated earnings presentation. We have also uploaded that on our website for your reference. Let me start with the update on B-80. Pre-commissioning team is on board at KGB Offshore Installation now. We need to replace the equipment that will be delivered over the next couple of weeks. Service engineers from original equipment manufacturers will also be joining later this week. Overall,

we target to complete all commissioning and testing activities to commence production by end of March 2022. Commissioning sequence require us to commence the D1 oil well first on production and D2 gas will be followed immediately after that. During December and January, weather window, we safely installed the Calm buoy and completed the installation of single point mooring system.

Post dry dock at Singapore, our floating storage and offloading vessel Prem Pride was mobilized location and it is now connected to the SPM. As of now, all offshore facilities which are weather dependent have been installed and fully integrated. Consequent to the shut-in whole pressure of the new well drilled being much higher than the well drilled by ONGC, we had to replace the equipment for safe operating reasons. These had a longer lead time and mobilizing service engineers from abroad also proved to be more challenging in this pandemic environment. Wave 3 infected quite a few of our employees too. We have crossed all the hurdles now and expect the pre-commissioning works to go smoothly. Due to these uncertainties, until now, we were unable to keep you updated with the realistic schedule. I apologize for that. Overall, executing B-80 project in Western offshore in this pandemic environment has been a major challenge both personally and professionally. We firmly believe the B-80 resource base will transform HOEC sustaining its growth on a long-term basis and making all the struggles worthy of its purpose.

Response to our B-80 gas e-auction has been very encouraging. All major consumers and aggregators have expressed their interest to participate. Taking advantage of the prevailing market conditions, we opted for a brent linked pricing. Bidders are required to quote a premium as a percentage of brent over and above 12% of brent, assuming someone quote 1% premium and if the brent price for the relevant month was \$60 per barrel, then gas price will be 13% of 60 that is \$7.8 per MMBTU. We have kept the flow price of \$6 per MMBTU. Auction will be concluded and gas sales contract will be awarded by end of this month. As advised earlier, we will initially store the oil produced from B-80 to carry out assay of settled group and discover the best market prices to sell the oil on the delivery point at FSO.

At Dirok, we pursued a strategy of value over volume to realize a better gas price. As a result of successful e-auction, instead of Oil India being the sole buyer, we now supply gas to four other consumers. Foam gas is now sold at a premium base in Numaligarh Refinery, in addition to this, Brahmaputra Cracker and Polymers Limited, BCPL and North Eastern Electric Power Company, NEEPCO have started drawing gas recently at premium rate on a fallback basis. Overall, in Q3, premium sales constitute about 20% of the total gas sales, premium realized is more than \$1 per MMBTU. The balance volume continues to be sold to Oil India at government notified prices which are now close to \$3 per MMBTU. We continue to have uninterrupted operation at Dirok with Q3 average at 33 million standard cubic feet per day. We had planned shutdown for maintenance during December that brought the average cycle lower. Our direct contracts with various consumers have enabled us to extract the best possible value without the need for additional capital investment. Status quo continues in PY-1 that the only way to

increase production is to drill additional well. The next drilling campaign in PY-1 will be planned after commercial production from B-80. As indicated earlier, final investment decision will be taken after independent technical assessment and derisking. In our Cambay assets and their approved FDP, we will be drilling development wells in Asjol and North Balol. Towards this, we had initiated the environmental clearance process and a public hearing was held in January. Much delayed R2 PSC amendment in our Palej block has now received the approval of ONGC board and awaiting final clearance at MOPNG. Over the next 2 years, drilling campaign at Cambay will be planned for all three blocks together to optimize the coastal resources. I now invite Jeeva to share the financials.

**Ramasamy Jeevanandam:** Thanks Elango. We report that the company made revenue of Rs. 38.19 crores in the current quarter against 37.23 crores in the previous quarter. In the consolidated account, it is 46.63 crores against 45.13 crores in the previous quarter. Increase in revenue is mainly from increase in sales by gas and higher realization for condensate due to increase in oil prices. The profit on standalone is 17.61 crores against 17.42 crores in the previous quarter. There is an aberration because the other income of 6.18 crores in the previous quarter compared to the normal level of 2 crores in the current quarter.

The total expenses of standalone including the DDA is 20.58 crores comparing 19.83 crores in the previous quarter. Operating cost are not linear and however, the statutory levies royalty and cess are at the level. In the consolidated account, it is 28 crores, comparing 27 crores in the previous quarter including the adjustment of stock. Operating cash flow standalone for the 9 months before the working capital change is 58 crores and the console account is 63 crores. During the quarter, the loan of Rs. 125 crores of Axis Finance Limited, a nonbanking finance was taken over by Axis Bank directly. Average finance cost is in the order of 8% with the cross currency swap. 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 about 33% on the book value of assets with a market gap it is about 15% as on date. With the expected cash flow from B-80, we would be able to liquidate the debt at a faster mode than the tenure agreed with the banks. We would like to be debt free again. With the cash in hand, we have duly installed the single point mooring system and the entire production system is fully integrated. FSO was duly moved with SPM and ready to receive the first oil from KGP. As on date, only 30% of the investment in oil and gas assets in the revenue mode and the 70% is still in capital work in progress. Investment in B-80 for 60% of our share and 100% for the offshore installation that is the KGP and FSO and SPM is about 763 crores. Mobile offshore processing unit that is the, we call it as an after installation and the floating storage offshore and single point mooring system had been acquired and operated through our subsidiary. The wholly owned subsidiaries would be on a revenue mode from the date of commencement of production that will improve the group revenue substantially. On commencement of B-80 production, sales revenue from oil and gas, 11.12 from B-80 ventures for FSO and MOPU were commenced. We submit that better

numbers could be reported on the commencement of production from B-80 which will make a new beginning and our focus thereafter would be on the other dormant assets in the company in Western region as well as in PY-1. Thanks, Elango.

**Pandarinathan Elango:** Thank you Jeeva. Anuj, can we open the floor for questions now?

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Ravi Sundaram from Sundaram Mutual Fund. Please go ahead.

**Ravi Sundaram:** Let me clarify, I represent a family investment and I am not part of Sundaram Mutual Fund. I have been joining your concalls for last several quarters, I have a few questions, the first question is, as an investor, I was totally in the dark for the last at least 2-3 months about what is happening with B-80 and mainly because we were expecting a window of almost towards end of November or mid of December for B-80 to commence and we had no clue to understand how the progress was and any communication from you would have really helped at least to clear there and what is happening here, but anyway, let me come to my question, sir, do you see any risks in the current timeline of March that we are looking at?

**Management:** In the last quarterly call, we had explained that we would be mobilizing the offshore spread and subject to whether we would hope to complete all the installation during December January and at that time, we are anticipated by the commissioning work would be over in about a month's time. We had basically indicated end of January as our target date of commencement subject to weather conditions in our last call. Unfortunately, two things had happened during the period, one is the offshore work which is the most critical and weather-related work, until it is fully completed there is a uncertainties about the timing as such. Once we complete it, then we mean when we come back with the communication, we tell the investors and the market about when do we expect to commission the production because that is the most important information people will be interested to know. Unfortunately, until now, we had no clarity on that because there were some equipment which needed to be replaced, there was issues on the delivery time related to that, it is very difficult to get the service engineer from abroad to come under this wave 3 and some are also down with COVID, so all that have led to a bit of a noncommunication. The noncommunication was not really intentional. We thought it is better we come with the clear communication at the end of the quarterly call rather than giving another day which we are unable to meet. That is the context and to answer your question, right now, all the radar related risks have been mitigated fully, all weather related information have been completed, we are much more certain about completing the remaining pre-commissioning and commissioning activities. So we are more confident now that we should be able to complete everything by end of March and commence the production. That is going to be our endeavor. At this stage, we don't see any risk to that schedule.

**Ravi Sundaram:** Sir, next question is, I noticed that we are having an e-auction tender from B-80 for 0.3 MMSCMD, pardon the pronunciation if I don't pronounce it well, so why only a small quantity there and why not a bigger volume?

**Management:** As you know, our guided production was 50 million cubic feet per day, out of that after internal consumption, we expected to sell about 12 million cubic feet per day. The market understand the million cubic meters, so 12 million cubic feet is rough about 0.3 million cubic meters, so we went in for that and we have also kept the option to play some volumes on the exchange, if at all there is any excess volume depending on once the production stabilizes. So point 3 is roughly equivalent to 12 million cubic feet per day.

**Ravi Sundaram:** That is almost the full production after excluding the internal consumption?

**Management:** Correct.

**Ravi Sundaram:** Sir, my last question, maybe I will come back in the queue, so if production commences in March 2022, when will the revenues actually hit the P&L, is there going to be a lag between extracting, storing and then actually selling it?

**Management:** See, gas are such the billing cycle goes from 30 days, so suppose we get the gas revenue on the 15th of April or so because that would be on 30 days production, but oil, we will be storing it for a minimum period of about 2 months, with the two months volume, then we will make an offtake somewhere around the end of May and first revenue realization would be in the third week of June. That is what we expect to.

**Ravi Sundaram:** So Q1 is when you are seeing the revenue hitting from B-80 into your P&L, right?

**Management:** Yes.

**Ravi Sundaram:** Sir, you have been doing lot of hard work and this have been following here for several years, best wishes, Thank you.

**Moderator:** Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:** Sir, just wanted to sort of reiterate the question the early participant asked, we have had many slippages in terms of our deadline with regard to P&L, because this is not the first one, this is the third or fourth one, just wanted to understand is there in your view any risk and what actually has gone wrong and precaution would have taken to ensure that these delays don't happen and how are we going to ensure that there isn't any other slippage now because I believe that at least third or fourth time it has happened?

**Management:** Riddhesh, we embarked on this project as a very ambitious schedule and we need to achieve the schedule. We could have completed during the last season, but for that we had everything else in place. This is something we cannot control and post that I think it may be difficult in market to understand. In our business when we do an offshore project, it is like snake and ladder game, you go up the range and once you are bitten by a snake, you are back to square one, you go to mobilize everything else within the limited resources that we have to do that and we are now, I am sure you all will have your own take on this, but as professional, we are very relieved that we have achieved the most important milestone in the project which is weather related one and completed that without any major safety issues or any major incidents also. So we had relieved on that point of view.

**Riddhesh Gandhi:** Are there any other snake, is there any risk of some other snakes as we reach closer and closer to with the 100 on the snakes and ladder board?

**Management:** Look, in this business, if somebody is investing in oil and gas, one should be prepared for all kinds of risks. I am saying as far as the execution comes, there are no weather-related risks, our best estimate is we should be able to complete the remaining activity which is our confine to changing equipment and testing equipment and on that basis we are giving you an indication that we should be able to commence that. At this stage, I don't see any risks.

**Riddhesh Gandhi:** Sir, the other question is, if you could also keep updated, any update on amount that we have in reserve which we have there and any indication on if it is in line ahead of estimates, under estimates with regards to our pre cost in terms of oil and gas?

**Management:** There is no further update on that. We would focus on getting the production and stabilizing the production and stabilizing the operation and with oil and gas price is looking good, overall it should all look good.

**Riddhesh Gandhi:** That is why there would be some amount of estimate with regards to reserves and some amount of the information out there which we could share would help us sort of understand where we are?

**Management:** After obtaining some production we give, what is given has been given, any update we will update definitely, once we have -.

**Moderator:** Thank you. The next question is from the line of Abhishek Nigam from B&K Securities. Please go ahead.

**Abhishek Nigam:** Sir, just a couple of questions, so one, if you can tell us production numbers on entitlement basis after B-80 starts for HOEC as a whole that would be very helpful?

**Management:** As far as in B-80, we have 60% stake now, we expect the oil production to be around 5000 barrels of oil and gas sales about 12 million cubic feet per day, total production will be about 7000 barrels of oil equivalent as far as the B-80 is concerned, so currently we are doing roughly about similar volume from our other gross assets, so total with the commencement of production, our total gross production will double to about 15,000 barrels of oil equivalent. That is the gross. Our overall share would be about close to, it will be more than double to about 5000 barrels of oil equivalent, net to HOEC.

**Abhishek Nigam:** So this is the only bulk of oil equivalent projects, right?

**Management:** Yes, correct.

**Abhishek Nigam:** And FY24 should more or less be similar or can I expect some increase, decrease something?

**Management:** FY24, we plan to drill a well there, so with that we will be able to, because as I told you earlier also in previous call, we wanted to make the revenue stability rather than the production stability. So production volume is linked to the price as such which will be there. The oil price is maintained at the same level, we will be continuing with the same production level, though we will drill one well more than after this.

**Abhishek Nigam:** So more or less same 5000 odd in both the years, probably assuming pricing in it. Okay, and second question is, if I look at a per barrel basis for HOEC, it should give us some sense of where will the depreciation cost and production expenses of barrel and cess will be, that is my last question?

**Management:** Normally, what we are looking at, whenever there is a price as such, but the revenue to the government is linked to the price and now that is roughly around 32-33% that goes to the government both royalty and the government share. Then the balance operating cost is about say roughly around \$15 per barrel, so assume your royal price is \$80 and \$30 goes to the government and \$20 goes to the operating cost, that is the maximum I am putting the number, \$30 will be your net price.

**Abhishek Nigam:** And the cess arrangement is 30% odd broadly?

**Management:** Right now, it is that the revenue profile as such. If I am talking about 30%, that is on an average, so my topline would be around say \$19 million, so it is about 675 crores and the government share that is on the revenue sharing model and the royalty put together would be around say roughly 230 crores to 240 crores. The balance would be on 440 crores and your operating cost would be 140 crores and your net cash would be 300 crores and your depletion would be roughly in the order of say 10% that is around 65 crores. So, your P&L would be around 235 crores. Now, in our case, the best advantage is that whatever is operating that is the entire operating cost, out of that about 75 to 80% comes back to the group revenue because the FSO

and FU is owned by us, the floating storage offshore and SPM is owned by us the one side in the book adjustment at the block level, we will be charging to the block and out of that the entire amount will come back to the group through its subsidiary since the revenue to add. So that will make its own revenue to the extent of 125 crores. So, we will be taking a net cash in the order of say 400 crores and P&L impact would be about say 100, 125 crores. The profit after tax at the console level would be minimum of 300 crores. This is what our projection there are. At the current price, normally the oil price is \$95, we will reduce \$10, that is \$85 we would take it as the thing and gas price minimum we take it as \$6 as a base.

**Moderator:** Thank you. The next question is from the line of Varadarajan Sivakrishnan from Antique Limited. Please go ahead.

**Varadarajan Sivakrishnan:** Sir, as we have been increasing the debt in the current quarter, would you be able to give and how much of interest has been capitalized?

**Management:** There is no increase in the debt in this quarter, our total borrowing is about, we have indicated which is 375 crores and that is all the numbers which we borrow and for completing the B-80 endeavor. We have no intention to borrow any more. Capitalizing the interest is also about some 20 crores, 26 crores.

**Varadarajan Sivakrishnan:** And in terms of production, given the fact that right now, oil prices are at a high, so are you sticking to the 5000 barrel a day or will you look to?

**Management:** I told you, we wanted to keep the revenue at constant number. Accordingly, we will be keeping some oil below the ground. We don't want to bring oil up and pay to the government the maximum revenue share. First, you should understand the revenue share starting from 12% it goes up to 55%, so we wanted to bring it to the level of say, around 21 to 22%, we go up to a maximum 25%, so accordingly we will adjust the volume of the production as such and gas as such we have a good market there, so we will not be planning any gas associated gas fall after that.

**Moderator:** Thank you. We will move onto the next question that is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

**Rohith Potti:** I hope the COVID related issues are over in the company and all are well and there has not been any major issue at the employee level, sir, my first question is on the asset, the rental assets that we are having for B-80, is the rental linked to oil price in any way in the sense that higher oil prices, does it result in higher rental or is it broadly stable across the production period of the asset?

**Management:** The two major assets, in any oil and gas the two important assets is the after installation that is the floating production unit and floating storage unit, these both are owned by us. Now,



normally what happens if the oil price goes down also, we get the same revenue, if the oil price goes up also we get the same revenue. They should be in roughly opinion earning an IRR in the order of around say, 30% and accordingly once the price fixed would be stable for the 7 years. It will not be linked to the oil price and gas price.

**Rohith Potti:** And sir, the second question is, what is the total asset block that will be generating rent, so I remember you mentioning a number of 763 crores in the opening remarks as the asset base, so will the entire 763 crores asset base be producing the rental revenue? And second, that number seems higher from as compared to the number that you mentioned, I think one or two years back in the conference call that we will be spending around 400 odd crores is what I remember the last time number, so if you could reconcile these that would be helpful?

**Management:** I can tell you that the total investment which is on the B-80 field as such, you remember that we have 50% stake initially that we subsequently increased to 60%. The total block asset at the moment is for well facilities and everything put together in the order of say excluding the capitalizing is the 600 crores, so HOEC share would be in the order of the 400 crores plus 60% there on. Then, the 400 crores you continue to earn 60% of the field revenue thereon. Then, the facilities, like offshore installation that is KGB, we spend about 155 crores and FSO and SPM about 200 crores. Total there is about 350 crores, this 350 crores would be 100% owned by us, that would be on a 100% revenue mode, 100% revenue will accrue to HOEC's group. So in effect out of 763 crores because 400 crores for field cost and the facilities like MOPU and SPM and others owned by us is about 353 crores, total about in the books we have 763 crores which would be on the revenue mode once the production starts.

**Rohith Potti:** And sir, last question, to the previous question you gave a breakup of the revenue and cost for the field 161 crores revenue more, I just wanted to confirm that the numbers that you shared what will accrue to HOEC, so the field 60%, just want some?

**Management:** 60% of the field revenue comes to us, 40% goes to the partner, but the affording production unit and that is the MOPU and the FSO comes to 100%. So in that we will be making net cash about 123 crores for us.

**Rohith Potti:** And the 300 crores that you mentioned towards the end is the net profit and it is not the net cash for the company. The net cash for the company should be higher, right?

**Management:** Net cash would be about 425 crores.

**Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

**Sunil Jain:** Sir, my question relates to more of the auction pricing which you had put up the proposal for B-80, you had given one example at \$60, if suppose the gas price at least the brent prices come

down to say \$40, then what could be the price of cash at 1% premium or what could be the price at \$80 also?

**Management:** Sunilji, what we have done is to protect from any down side scenario, we have kept a floor price of \$6 per MMBTU, so irrespective of the oil price, minimum price that we will get is \$6, the rest is depending on what the people quote, but people will have quote over and above 12% of the brent, 12% we have kept it as the base price when they decide to quote and they will have to quote a premium whatever they think is that they can afford. So we have a protection at the floor level of \$6 and then the rest depends on who hosts highest price. We have also put a condition that we wanted a single customer to take the entire volume because we would be using the ONGC facility to deliver the volume. So that also we have put as a condition, but overall response has been quite good from almost all the major players have shown interest to participate. So that is about that plan.

**Sunil Jain:** But what is the current price in Surat area or whatever the exit point?

**Management:** Right now, in Gujarat, you have different ONGC, for example sales at \$2.9 MMBTU, common notified prices. Private customer different people are selling if it is under the long-term contract, \$5, \$6, \$7, depending on volume and where the field is located is being sold and of course the imported LNG prices are at a much more premium and spot LNG prices are much higher as well. So after talking to the market players, the players preferred a brent linkage to the pricing which we have, that is why we came up with this model of straight away easy linkage to brent with a floor price protecting the onset.

**Sunil Jain:** So you are confident of this process going through means at 12 or plus we can get?

**Management:** Yes.

**Sunil Jain:** And the second question related to Dirok, Dirok the cash which we had sell through auction is at around 20%, so what was the average realization for Dirok and how much maximum auction pace we can sell in a total percentage?

**Management:** With the premium of about some 20%, we are getting an average price of \$3.35 per MMBTU, but this will increase substantially once the volume of the premium goes up. Currently, it is only 18 to 20% and we are expecting it will double in the coming quarters, so we will be able to realize the price which is somewhere closer to 3.7 or 3.8.

**Moderator:** Thank you. The next question is from the line of Ankit Kumar from Alpha Capital. Please go ahead.

**Ankit Kumar:** Most of my questions will be to B-80 have been answered, so I just wanted to check what about our life after B-80 as in what are the fields to be developed and how do we expect our net production to grow post B-80 completes?

**Management:** Ankit, just give us one more quarter time, the last two years, more than 2 years in fact, all of us have been, fully has put all our efforts and focused on B-80 and we faced multiple challenges which we kind of overcome them, we just want to get B-80 fully stabilized with good oil prices and much better than expected gas prices. We just wanted to ensure we stabilized everything as Jeeva pointed out in his opening remarks that we want to get back to our debt free status and stabilize all our operation and focus on some of the existing assets as I said in the past, we have within our existing portfolio the ability to double our production post B-80 over the next 2 to 3-year timeframe. We wanted to take up, but that will require strengthening the organization as well. We will do all that and come up with the clear business plan after getting the B-80 on production mode.

**Moderator:** Thank you. The next question is from the line of Pankaj Khanna from Varun Investments. Please go ahead.

**Pankaj Khanna:** I just wanted on page 6 of your presentation, you mentioned gross production for Q3 is 7684 and net production is 2364, could you just share light on what is this?

**Management:** The gross production of 7600 barrels of oil equivalent is basically what we produce from all our fields together which include the share of the JV partners also. Net production reflects what ultimately gets to our topline and bottomline which is the HOEC entitlement out of these productions.

**Pankaj Khanna:** And this Dirok plant shutdown is over and how many days was that shutdown for?

**Management:** It was about a week.

**Pankaj Khanna:** And this 0.33 MMSCMD that you put up for auction, can we multiply that by 6 to arrive at the daily figure or no?

**Management:** Yes, you can multiple by 6 to calculate.

**Pankaj Khanna:** And besides this gas, what is the likely oil outflow that you plan to store and sell every 2 months? What is the flow of oil is the question I am asking?

**Management:** The oil production is expected to be 5000 barrels of oil per day and as Jeeva was explaining depending on the prices and we are looking for variation, but that is a daily production, but we have the capacity to store 6 months of production in the vessel, but we will be selling once we do the initial sales and we will be through sale of the parcels to the refineries.

**Moderator:** Thank you. We will move on to the next question that is from the line of Nirbhay Mahawar from N Square Capital. Please go ahead.

**Nirbhay Mahawar:** Just wanted to understand for the oil sales we will have to get into some kind of arrangement or agreement with the ONCs and how much time would it take?

**Management:** Nirbhayji, what we are planning is typically the refineries look for large volumes of sample of what is called settled crude, the crude samples, small volumes that we have which was taken during the well testing, it will not be really sufficient to determine the Q1 proper value. Otherwise, it trend to show more water in the crude and unless we will get better in discount . So our plan is to because we have this option of storing the crude, our plan is to initially start the production, allow the crude to settle, then the crude assay can be then prepared in about 20 days or so. We already identified the agencies which are acceptable to both refineries and us and they will prepare the crude assay which we will share it with the refineries and we were thinking of conducting an auction, may be on a similar mode to what we are doing in the sort of gas by sharing the technical details and crude assay with the interested refineries and then putting the delivery point as that of our FSO and then encouraging people to participate. That is our plan and we should be able to complete that fairly quickly.

**Nibhay Mahawar:** Sir, on Dirok, with the higher prices probably because of the shutdown we are not seeing that kind of revenue ramp up, but how do you see the run rate production going forward? What kind of key production you can get and I was expecting a much higher profitability because our realization will virtually double, so what is the mismatch here?

**Management:** I think in terms of volume, we are right because of more than a week period that we had a shutdown, the average volume has come down. In terms of the offtake, the trend we see is obviously this whole model of premium gas sales is new to the sector, they had participated, there we kind of positioned to ensure, encourage participation. We kind of positioned Dirok as a peak demand supplier. We said, look, you can bid on a firm volume basis as well as on fall back basis which is when you need more gas, you tell us, we will be able to deliver, but you have to pay a premium and we put a base price premium of a dollar, so people have bid for both smaller volume under firm basis and more volumes under fall back basis and everybody knows that when they need more gas they can go to Dirok, that is all, but we also wanted to ensure that we continue to produce the volume and we don't suffer any reduction in volume due to this change, so we continued our arrangement with Oil India where we supply the balance volume. So Oil India, all the consumers are dominantly dominant of India consumers. They are reliable consumers, but they are government, so the shipping has taken a little more time because we don't have any of our own facility to distribute individual consumer, we are relying on Oil India facilities to do that. So people also would be just like a merit order of our power sector, people would first take the oil, cheap gas available from Oil India, then go to the premium gas from us, but we have got the facilities and we are seeing the 20% share to increase further as we move the quarters as such. So our expectation earlier was on a total basis, we

should be realizing about \$4 per MMBTU, now we are looking at somewhere around 3.75 to 4 and bear in mind the government notified prices have also set to rise from 1st April, so overall one can look at a better realization from Dirok. We are very glad that we have moved from relying on a single buyer in Oil India to almost 4 buyers now we are supplying and I must add that Dirok field performance has been very consistent, very good, so we are the first would be to ensure better realization for all the volume before we bring in more volume to the market.

**Nirbhay Mahawar:** In terms of volume sir, would it be fair to expect 40 MMSCMD from Dirok going forward?

**Management:** We are roughly producing about 1.1 BCF for our share from the Assam and the last quarter because of the field shutdown and other reasons of the other shutdown onset by the purchases of our gas, we reduced our volume by 25%. Even after 25% reduction in the volume, we could be able to get the same revenue base as such with the increase in price and roughly if we take it around 35 or 36 MMSCMD is the standard quantity which we are operating at the moment that will set to increase. Our field is having the capacity to produce up to 40 at the moment, so we are doing some work over and with the work over we may be coming out with different production profile depending on the market. If the market is able to absorb more volume, then we will be able to absorb more volume. We should be taking it from 35 to 45.

**Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Barclays Securities India Private Limited. Please go ahead.

**Rikesh Parikh:** Sir, my question is relating to the \$6 MMBTU, the base price what we have kept for the debt price, do we see sufficient demand for the full quantity offtake in your reach?

**Management:** Yes, Rikesh, we in fact, the response has been very good, lot of people, serious players have expressed their interest to participate and we have taken their feedback and some of them wanted more time for submission, we have extent the big submission day by a week or so. So we are very pleased with the response that we are very sure that you will get to the right customer.

**Rikesh Parikh:** And by when we will be able to complete this, means in next week or so we will be able to?

**Management:** By end of this month, because it is fairly a simple process, the process involves, we have already got the model gas sales contract as part of the bidding document and so by end of this month we will conclude the process.

**Rikesh Parikh:** And in terms of realization, any revenue we need to share with ONGCs because we will be using ONGC network for bring it to the Hazira?

**Management:** We will be sharing a tariff which is notified by the DDH, the tariff agreement we are negotiating with ONGC and we will be signing that.

**Rikesh Parikh:** So what could be approx., any ballpark number?

**Management:** We will let you know because we are negotiating it, we will let you know.

**Rikesh Parikh:** Secondly, now, probably, now we are all set our revenues, have we able to test any kilometer or something in this pre-commissioning stage by now based on this current status as such?

**Management:** Yes, whatever equipment that we were to change, we have already sourced them and they are at the delivery now. Taking all that into account only we are guiding the market for start by end of March.

**Rikesh Parikh:** Last question, on the PY-1 there was nominal production, are we able to do any further production over there on the PY-1?

**Management:** PY-1, I think we will be once the realization unit is in place then we would be able to produce about a million **(Inaudible) 53.05** so we are going to the drawing board again on the block because that is one of the blocks which will facilitate us because we can work on the marginal cost basis. So the marginal cost is going to be smaller because facilities are there already in place, but the geologists are seriously working on it. Once they are finalizing the home plan, then we will be drilling the well, having stabilizing our financial position there on without further borrowing.

**Moderator:** Thank you. The next question is from the line of Manan Patel from Airavat Capital. Please go ahead.

**Manan Patel:** Sir, first quick question is, you got the public hearing clearances in the Cambay well, so currently we are producing around 78 barrel of oil equivalent oil if I am not wrong, so what is the potential over the next 2 years, I just heard you will drill more well, so what will be, will it move the needle for HOEC especially after B-80 comes in?

**Management:** Manan, what we really wanted to do was these two blocks are quite very marginal, very small volume. We expect little more potential in the Palej block for which there has been lot of delay by the government in amending the PSC because this was the first of its kind type of amendment where we have sought surrendered area back. With the support of GSPC, we are able to get the approvals in the government, but the process has taken much more. Our idea was to, we are expecting, now the ONGC board has also approved that used to be signed definitely within a month or so. So once that is also done, we thought we will combine all the three blocks together and undertake a program and obviously the idea is to, it is not a needle mover to borrow your works, but certainly we just wanted to ensure that instead of playing very marginal players, let us see we can build and do something more also in that region because the opportunities are both organic and inorganic opportunities are available, our

effort will be to see whether we can build something meaningful in Gujarat onshore as well. It is where we have a large experience.

**Manan Patel:** Next question is, sir, especially on the PY-1, currently sort of we are in a high price environment for oil and gas both, so I wanted to understand because PY-1 is like fixed sort of realization at 3.65, so why not focus on other fields where we can get much higher realization which are market linked and because on the PY-1 we have faced so many issues for many years, so why not focus on other fields where we can get market link realization rather than a fixed realization in PY-1?

**Management:** We will take all that into account, but as Jeeva was pointing out the idea is increases on where we really see there is a block that we are able to operate at a cost-efficient basis and the investment required is only for gaining the value because there are sort of challenges, it is only to drill the well, the rest of the infrastructure is already available, trained people are available, so we will take all that in our account before taking the final investment decision.

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

**Rohit Balakrishnan:** Sir, I have 2-3 questions, one was in terms of, most of the questions have been answered, but just a couple of follow-ups, so in terms of we usually had a plan to increase our production in Dirok from 35-40 MMSCFD to 55 or so, and beyond, so just wanted to get your view that I may just reverse **(Inaudible) 58.07** so just wanted to get an update from you on that?

**Management:** Rohit, in Dirok we have an FDP under which we can drill additional wells and taken the production to from 35 to 55, the field has got the potential. As Jeeva was explaining, what we thought was, in the last 4 years of operating, the operating performance has been very good, the reserve performance has been very good. Our technical team is reassessing the larger potential that we may have in Dirok in terms of individual well production. There are two ways you can increase the production, one is by doing new wells, which is what we are envisaged under the FDP, the other way is to do some work over in the existing wells to improve the productivity. That study is ongoing. That is on the one side which would ensure that we minimize the capital, but still be able to increase the productivity from individual wells. We have 6 wells right now producing, 3 are the new wells, 3 are the old wells. That is one part. The second part is just see, there is still huge variation in the pricing within the country. At Gujarat we are clearly looking at a double-digit price whereas in Dirok we viewed the needle a little bit by increasing the price and I think from 1st April the price is going to be much better as well. So, our idea was to also ensure that we don't flood the market with too much volume and destroy our price. So, the whole idea would be to carefully manage it in a manner that you bring the right volume to the market based on an established increased offtake. So our first milestone will be from doing an average of about 35 to touch 40 and then maintain a 40 which is doable with the existing and then take it further from there based on further from there

based on further technical service we are doing now. Having said all that we are not stopping any of the plan for implementing the FDP, proceeding with the fast clearance as well as environment clearance is already completed, whereas clearance work is always going on. We also wanted to create that pipeline infrastructure to have a more independent access to the customers which we will do.

**Management:** So our idea as we said earlier is to focus more on value than volume in Dirok, but we do have the flexibility to increase the volume by drilling more wells.

**Rohit Balakrishnan:** And sir, just couple of more questions, one was on, just understanding in terms of taxation, so my understanding is that we have tax credits you do previous clauses and we will not have paid taxes, till probably 700-800 crores of PBT, is that understanding correct or if you could just clarify that and second question was on this, on PY-1 I feel that our productions having contract, we got an ad hoc expansion, but just wanted to get your sense that I think that ad hoc extension is only till April of this year, so what is the plan there if you can just share?

**Management:** We have the debt tax adjustment to the extent of about 800 crores that will sale through us about two financial years, but just on the current 2022-23 and 23-24, but the time within two years, we will be looking for some inorganic and some of the other capital expenditure in such a way we will build the tax pool available to us. So, looking at this instead of paying 30% tax, we will be drilling number of wells more through exploration and other things. So overall, we will be doing an effective tax management in a way that we will be able to take some risky projects after two years down the line. So, two years, we don't find any tax outflow there for two financial years.

**Rohit Balakrishnan:** So just to be very clear, it is not on a per field basis, I mean you can continue to?

**Management:** No, that is on the corporate level. We have the deferred tax, we can carry it out and second thing whatever the field investments we have got two methods, either charging on taxation or taking a percentage out for the development which will be going through that mode, so effectively I will create some more depreciation available to me for the B-80 assets, then my existing debt carry, both the things can sale through me for two years comfortably. By the time of the third year, when we are going for making the tax payment, we would be in a position to put some more aggressive plan for drilling some wells, high risk excavation wells something like that in a way to build up the portfolio of the assets of the company, so that it fully reduces by 30% of.....

**Rohit Balakrishnan:** And sir, if you can answer on PY-1?

**Management:** On PY-1 we have got ad hoc expansion up to that and we are intending to get the extension. There is a royalty dispute with the government. It has gone to the dispute resolution committee. Now the committee is again to be reconstituted. Based on the outcome of the



committee, we will settle the royalty issue with the government and then we will secure the block for us. We are not willing to lose the block by any means. Whatever be the amount, which is required, we will not get into a dispute mode, we will settle with the government and secure the block for us.

**Moderator:** Thank you. The next question is from the line of Vaibhav Badjatya from Honesty and Integrity Investments. Please go ahead.

**Vaibhav Badjatya:** Sir, just have two questions, firstly on B-80, for the remaining activities, do we need any regulatory approvals and have you historically placed any problems in those kind of the regulatory approvals, that is first question? And secondly, I missed your earlier remark when you said 300 crores is the minimum profit that you expect, so what was the assumption on the oil and gas prices in this estimate?

**Management:** This is well approval as such, I don't think Elango can explain to you, there is no hurdle we face at B-80 as such and normally whatever the current price, we will take \$10 less than that, so today if you look at our oil price is \$95, we take \$85 as the price for oil and the gas price we have taken \$6 that we will be better than \$6 in the Western market and second thing the production volume which we considered was 4000 barrels, not 5000 barrels and this one, gas is about 1 million standard cubic feet per day. This is on a consolidated basis.

**Management:** The regulatory there is no other because it is just offshore field, we don't deal with any state government, so we have all the approvals required from the central government to proceed, it is very supportive.

**Moderator:** Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

**Ashwin Reddy:** Firstly, on B-80, I wanted to understand is there any risk of, say the volumes being lower than what we expected or how do you see it in the next once it start, is there any chance of volume being lower or anything else you can foresee or anything which can go wrong?

**Management:** Actually, this is the way we come out after drilling the two wells and ONGC drilled three wells. Based on the five well data, our scientist has come out, this can produce this much. This has been later verified by another scientist from UK **(Inaudible) 1.7.8** Client Associate, we reached the sub surface right, so we cannot be so certain like a manufacturing at an input output ratio therein, but we are fairly confident and we are sure that in the P90 that we will be able to achieve this volume that is P90 is the 90% probability of achieving it. Then still is a 10% of a failure thereon, even 1% is 1% there, right, so what should be able to do it.

**Ashwin Reddy:** And sir, going to the next level in B-80 what is the amounts that you would need in the next two years? What kind of CAPEX would you need?

**Management:** What we are planning to drill two more wells immediately and after that we will drill one more well. Total about three wells as such, so three wells, we are looking at a capital outlook which is in the order of say \$60 to \$65 million including the connecting program and now after this 6 months production we are planning for a water injection study and if that study turns out to be very good to us, then we may drill couple of wells after the two years there also as such. As such an oil field get bids and continuous drilling and continuous development is the basis for it.

**Ashwin Reddy:** And secondly on PY-3, can you provide any update because last time around we understand the current operating partner had wanted to go ahead and you didn't give the permission to go ahead, so right now what is the status on PY-3?

**Management:** We don't know the status, we are being an nonconsidering party.

**Ashwin Reddy:** But can you still go ahead even if you don't approve because they are majority stake, is that a possibility in PY-3?

**Management:** We always have the possibility there where we always do our project at a cost and we cannot take an unlimited exposure there on, that is the reason we become a nonconsidering party. At the real cost, we will be willing to be considering party at some point in time.

**Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Barclays Securities India Private Limited. Please go ahead.

**Rikesh Parikh:** Sir, just one question I had was that we had planned for increasing the expanding our deal size as such, any progress on that, have you identified the new members to be included in our team?

**Management:** Yes, we have taken some more members to manage the B-80 operations and so our focus is on, we have got all the team to operate the B-80 now, so we will be enhancing our presence in Mumbai, but overall for the organization as a whole you will do that post B-80.

**Moderator:** Thank you. The next question is from the line of Ashok Agarwal, an individual Investor. Please go ahead.

**Ashok Agarwal:** I just wanted to know about this mention of new export one being imported and sort of integrated in the facilities, was this not an original requirement or at what stage this requirement has been sort of arranged?

**Management:** In the original plan, we had planned that the oil also will be connected through a pipeline with the existing ONGC pipeline through an ONGC facility, oil also, but subsequently the ONGC's facility arrival got delayed and we thought depending on ONGC and scrutinizing would delay the project and when the facilities have still not arrived, therefore that is one thing that we

needed to. Our idea was initially to, we will be able to modify the same pump to do the pumping to the Prem Pride FSO, but then that study finally revealed that we have to change out this, we tried to avoid changing out the pump, we did some studies to that effect, but that does not work, so finally we have to change out. That is one, but more importantly the shut-in pressure during this period since we drill the well, we have been monitoring the well pressure, we have got the system now which we can monitor the well pressure. The well pressure has been higher than what originally we saw in ONGC wells based on which the whole system was initially driven. So certain safety reason, certain shutdown was also needed to be changed which once again after detail studies, our effort was to avoid changing the equipment and see whether we can at least initially start with the existing equipment. When the safety studies pointed out now it will be unsafe to do that and we have to go in for new equipment that took some time to identify for that price.

**Ashok Agarwal:** So when this new export pumps are installed, do we mean that we will not be pumping through this SPM and that system?

**Management:** No, we will be pumping with the new pump, we will be pumping through the SPM to the FSO system.

**Ashok Agarwal:** The new pump is needed for pumping to the FSO, not through an ONGC pipeline as mentioned just now?

**Management:** Our initial plan was to collect it with the ONGC pipeline, so that changed. We thought that pump also do this job. Further study reveals that cannot be done, so we have to change it which we are changing.

**Ashok Agarwal:** So is it that we can think the delay which is awkward has partly been because of this export pumps, it is not clearly whether related?

**Management:** No, this is a very small equipment, right, this is whatever delayed that has occurred is purely weather related.

**Management:** But what we did not want to do is parallelly we were not pursuing various activities. We just wanted to ensure the highest risk activity is mitigated first. That is the call we took that we will focus on ensuring that the major risk activity which are weather related, which are very, could turn out to be, there is a lot of safety issues associated and addressed properly first which we have done.

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

**Nirbhay Mahawar:** Followup on PY-1, I probably misunderstood it, what is the total accumulated tax process we have in PY-1 and at corporate level?

**Management:** That PY-1 as such there are two ways, when you look at Oil India company as if all the assets put together what if my carry forward loss or depreciation there on. That is at the corporate level is the goal that comes around some 860 to 900 crores, so that will be using as my carry forward loss adjustment for the subsequent period. PY-1 per se as such I have got a substantial cost carry with me, so I don't say any profit altogether. That is all the difference.

**Nirbhay Mahawar:** But that will be the field specific advantage?

**Management:** Yes, it is not actually in India, it is not the field wise taxation doesn't exist, it is a corporate taxation as a whole.

**Moderator:** Thank you. The next question is from the line of Sushil Agarwal, an Investor. Please go ahead.

**Sushil Agarwal:** Mr. Elango, the pumps and shutdown well were required for B-80, whether they have arrived in Bombay at site?

**Management:** Not, they are on way, I had mentioned in my call also by end of this month, we expect those to arrive and taken to those site and right now the engineering work is going on.

**Sushil Agarwal:** On the follow-up, I think that if you store this oil in the FSO and then during the monsoon period whether we will be able to transfer this oil to the small anchors?

**Management:** Yes, we have the system in place and there should not be any problem for offloading in that. That is why we have got self **(Inaudible)** [1:17:05] has been offloading when it was doing the Panna Mukta also. There should not be any problem there.

**Sushil Agarwal:** My second question on PY-3, I know we are **(Inaudible)** [1:17:17] partner, but because the prices are high, it may help us in good revenue. I know we are **(Inaudible)** partner, but it would help us in this high oil price scenario?

**Management:** I think we have answered this question. This oil price as such stable for how long we have to look at the cost, the field is ready to flow tomorrow then we are having a different plan, the field is to flow on next year, we have a different plan, after two years, then we have another plan. We have to wait and watch what is happening there.

**Sushil Agarwal:** My last thing, because now the company is expanding, maybe we will need some more teams, for that we can work on 2-3 projects simultaneously?

**Management:** Yes, Sushilji that is our plan post B-80, this will be increasing.

**Sushil Agarwal:** Sir, last thing, this again, the Kehm, **(Inaudible)** Umatara field, some updates can be put later?

**Management:** Later, we will give you the update on that, right now there is no activity.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Elango from Hindustan Oil Exploration Company Limited for his closing comments.

**Pandarínathan Elango:** Ladies and gentlemen, you all have been very patient, trust me when we say this, we also wanted to ensure the B-80 is brought in production much earlier than we have originally thought, but certain challenges held us from really achieving that. Some it is just like we could have done differently, but that is life, that is how you cannot do some of the past, but all I can say is we have not spared any effort. Within our capabilities and limitations we have done everything possible and the entire team has been really waking up and sleeping on B-80 for the last 2 years, lot of struggles and sacrifices and I really thank you all for the patience and I know we should have been much more forthcoming in updating on the status of the project. The only reason we didn't do is what the world is so full of uncertainties and there is no point in giving detailed status without telling you when the oil and gas will be produced, so we really wait to ensure that we have a strong schedule that is committed by everyone else who is involved in commissioning the plant as such. So as I said in the beginning, it has been a challenging project, but I am sure when we bring it on production, every stakeholders who is looking forward to that would feel and we would also feel all the struggle has been worth its effort. At the macro level, prices of both oil and gas are strong and expected to remain so, so that will greatly support our ability to invest and unlock the potential in our existing portfolio by strengthening the organization further. We will roll out the business plan to guide the next pace of growth post commissioning production from B-80. Thank you for being so patient and thank you for joining the call today. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Hindustan Oil Exploration Company Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.