

Hindustan Oil Exploration Limited
Q2 FY24 Earnings Conference Call
November 13, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 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 star, then zero 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 Mr. Sonpal.

Anuj Sonpal: Thank you, Michelle. Good morning, everybody, and a very warm welcome to you all. Also, wish you a Very Happy Diwali. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor relations of HOEC Limited. On behalf of the company, I'd like to thank you all for participating in the company's earnings call for the Second Quarter and First Half of financial year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be 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 beliefs 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. R Jeevanandam -- Managing Director; Mr. Krishnan Raghavan -- Chief Technical Officer.

Now, without any further delay, I request Mr. Jeevanandam to start with his opening remarks. Thank you and over to you sir.

R Jeevanandam: Thank you, Anuj. Good morning. Wishing you a very happy Diwali. Hope everyone has received the updated earning's presentation. It's in our website for your reference. I have with me Mr. Krishnan Raghavan, Chief Technical Officer, heading the operations and subsurface team. We will be strengthening our team by inducting a CFO, Senior Production Engineers, Senior Drilling Managers, and technical advisors to increase the operating and managerial capability of the company. Some of the technical persons have already joined and others will also join shortly.

We are pleased to inform you that Q2 gas offtake from Dirok has increased to an average of 23 million standard cubic feet per day from 10 million standard cubic feet per day in the previous quarter. I will start with the operational update from the Eastern region.

Dirok gas sale is 0.56 BCF and condensate is 10,350 barrels compared to 0.24 BCF of gas and 4,573 barrels of condensate in the previous quarter. Though, this field can produce about 50 mmscfd, we have to restrict the production due to lack of demand and the volatility in offtake due to break-down plant maintenance of major consumers. This is further compounded by dual pricing for gas produced from the nominated fields of OIL and private players. The ceiling price fixed by GOI for nominated field is US\$ 6.5 per MMBTU, whereas for private producers and for non-nominated fields, the price fixed by PPAC is \$9.20 per MMBTU as on Oct 2023. Therefore, the customers who are mostly public sector undertakings would like to avail the low-price gas of \$ 6.5 per MMBTU before availing the gas from private players at a higher price. This has caused lower offtake of Dirok gas, and the situation would get reversed once the gas line of IGGL, GAIL and DNPL are connected and commissioned. We believe that this could get completed latest by first quarter of 24-25. Once IGGL lays its own line from Duliajan to Numaligagrh which is 180 Kms, the demand constraint would further be eased out and the connectivity with the gas grid in central India will be fully established. This will ensure an increased and stabilised offtake from 2025 onwards.

In order to keep ourselves prepared and to ramp up production, three legacy wells Dirok-1, 2 and 4 will be worked over to enhance the production as well as to get additional data. This program is expected to start in the 4th Quarter of this financial year. I am happy to inform that the re-processed seismic data is quite encouraging and the material balance in the field would be higher than expected. In-house G&G study is in progress which will get validated by third party reserve auditors and the new reserve numbers would be updated as soon as the study is completed. Data from workover results would also be included with the production data to re-estimate potential of the block. After these workovers, we plan for drilling two additional producers to ramp up to 70 MMSCFD subject to the growth of demand and connectivity to National gas grid.

As informed earlier, the balance 50% share capital of GeoEnpro is transferred and is now a wholly owned subsidiary of HOEC. GeoEnpro is the operator to Kharsang block and HOEC will have both directly and indirectly 35% participating interest in the block.

There are 70 wells drilled in the block, out of which 28 wells are on production, 9 are gas wells and 4 exploration wells were abandoned. The wells were drilled and produced from Upper Girujan. No wells were drilled and tested to know the potential of deeper formations such as lower Girujan, Tipam and Barail. This block is producing from Upper Girujan formation for over 40 years. Current production is about 432 barrels against about 350 bbls in previous 6 months

average. This was possible after some acid jobs and workover in some wells. Approved work program already exists for drilling 6 wells to the depth of about 1500 meters, to target additional production from upper Girujan. Tangibles required such as wellheads, x-mas trees and tubulars were already procured. On obtaining EC clearance, which is expected by end December 2023, we should be drilling these six wells, which should increase the production to about 1000 barrels per day.

Substantial upside has been identified and evaluated by GCA both in the lower Girujan, Tipam and Barail formations. While drilling 6 development wells, we will finalise an appraisal program for deeper formations by drilling a well to a depth of 3000 meters by obtaining consent from JV partners. The deeper formations are expected to be gas and on discovery, monetising gas will not be difficult. We believe, by that time, eastern regional pipelines will get connected to the National gas grid.

Block -19, an exploration block called Greater Dirok, where seismic reprocessing is completed, our team will release the Geo Technical Order before this month end. GTO of the exploration well will be evaluated and risked before the commencement of drilling. This block is located between Dirok and Kharsang, which is 100% owned by HOEC.

We have work program lined up for drilling 6 development wells and one exploration well in Kharsang, and one more exploration well in Block-19. In addition, planned for intervention of 2 wells for workover in 2024-25. We also plan for 2 development wells in Dirok and 1 appraisal in Kharsang in 25-26. The expected capital out lay for the next two financial years is about 200 Crores.

Cambay blocks

In Cambay, all three blocks are having marginal production and total contract area is about 38 square kilometres., with 34 drilled wells, and the data is available. In-house G&G and reservoir team is re-evaluating the potential of all three blocks to enhance the production. Currently, these fields are breaking even with a meagre contribution to the P&L account.

In Palej, planned to have artificial lifts in all three wells and the required SRP's are being sourced. After seeing the results and on signing the PSC for R-2 contract area, we intend to have 3D seismic acquisition and drilling of additional wells.

In North Balol, we are producing from two wells one drilled by ONGC and one by HOEC. We plan to drill additional two producers immediately after getting the environment clearance. Similarly, to drill two producers in Asjol and, the number of wells will increase based on the drilling results.

Offshore blocks:

In B-80, we have removed the wax deposition in the export line and restarted the production from D2 well. Production from this field is only for 1.5 months in this quarter. D2 well production is little over 1000 barrels per day and the gas is about 5 MMSCF per day. D1 well was producing before the cyclone and was shut-in during the cyclone. Post cyclone, we were trying to open the well for production, but it could not be activated. It is believed that there could be some mechanical obstructions, which needs to be removed. We have engaged Baker Hughes to study the issue and come out with a solution. Baker Hughes has commenced the study and based on their recommendation we will do the remedial action to restore the production from D1 well.

Under-buoy hoses have been received and kept in stock. Replacement work will begin after securing a DSV for this job. We endeavor to carry out this work before the onset of monsoon. We are currently focused on activating the D-1 well.

Presently, the total oil in stock in the FSO is about 372,000 barrels. Revised samples were sent for analysis and the results are expected by the end of November 23. We have engaged M-Junction, an auction platform to auction the crude among potential buyers. This process is expected to be completed by Dec 2023 and the first offtake could be in Jan 2024.

In PY-1 offshore, US\$ 383 million was invested and mostly impaired but this block has 8 slot platform, 56 Km pipeline, onshore processing facilities for about 55 mmscfd with storage tanks for oil. Currently, this field is producing less than 1 mmscfd to breakeven. Seismic data of this block was re-processed, and our in-house G&G team is reviewing. After the in-house studies, we will engage a third-party expert in fractured basement reservoirs in London to review and confirm the proposed well locations. We plan for three development wells and if everything goes as per plan, drilling first well will commence in the end of first quarter of 24-25.

Now I will update the financial results of this quarter:

We report that the standalone revenue for this quarter is Rs. 72.56 crores compared to Rs.108.69 crores in the previous quarter. Revenue from offshore B-80 block is Rs.19.03 crores and the previous quarter it is Rs. 83.44 crores. This reduction is mainly due to shutdown of the field for want of cleaning the oil export line, which took about one and half months.

In case of Dirok, revenue in this quarter is 49.68 crores compared to Rs.21.17 crores in the previous quarter.

The total reduction of Rs. 36.13 crores in sales, is due to shut-down of B-80 field for a substantial period in this quarter. We have an improved offtake of Gas in Dirok but this volatility in offtake will end once Duliajan gas station is connected to the national gas grid.

Field operating expenses for this quarter in the standalone account is 50.46 crores compared to 73.07 crores. This reduction is mainly due to non-operating days of B-80 field. Total expenses excluding DDA, finance costs including stock adjustment is Rs. 21.78 crores compared to Rs 62.64 crores in the previous quarter. DDA for this quarter is 4.77 crores compared to 8.85 crores in the previous quarter.

Oil in stock in FSO as on 30th June 2023 is 2,92,000 barrels and now increased to 329,000 barrels as on 30th Sep 2023. Out of which 60% belongs to HOEC.

Stock adjustment and credit for the current quarter is Rs. 43.52 crores, whereas it was Rs.27.70 crores in the previous quarter. This difference is mainly because of price of crude oil, which is US\$ 74.93 per barrel on 30th June 2023 and US\$ 93.54 per barrel on 30th Sep 2023.

Standalone EBITDA is 49.05 crores compared to 37.82 crores and the profit after tax is 38.74 crores compared to 21.34 crores in the previous quarter.

In consolidated account, the total revenue for this quarter is Rs. 119.74 crores compared to Rs. 187.14 crores in the previous quarter. This was due to loss of day rates for FSO and MOPU of Rs 33.77 crores due to shut-down of the B-80 field.

Operating expenses including facilities in the consolidated account for this quarter is 63.63 crores compared to 84.38 crores in the previous quarter. This reduction in cost is due to reduction in field operating costs due to shut down of B-80 field for about one and half months. Total costs excluding DDA, finance costs and including stock adjustment in consolidated account for this quarter is 42.91 crores compared to 77.43 crores in the previous quarter. DDA for this quarter is 18.37 crores compared to 20.06 crores in the previous quarter.

Consolidated profit after tax is Rs. 43.17 crores against Rs. 66.07 crores in the previous quarter. EBITDA for the current quarter in the consolidated account is Rs.70.64 crores compared to Rs. 96.86 cores in the previous quarter.

This reduction is mainly due to shut-down of B-80 field and the loss of production from D-1 well as well the charter rates for FSO and MOPU.

Geoenpro Petroleum Limited hitherto an associate of HOEC is consolidated in the current quarter, which makes the consolidated book value of equity shareholder's to Rs 1090 crores.

As of Oct 2023, the outstanding loans in the standalone books are Rs. 112.34 crores and in the subsidiary books is Rs. 77.50 crores. Company has obtained "A" stable rating for Rs. 500 crores bank loan from India Ratings. With the current cash position and with the continued production, we will meet all our obligations including the proposed work program for the coming three years as planned.

Our discretionary planned capital expenditure for the next three years is estimated to be Rs 835 Crores from 2024-25 to 2026-27. This is mainly for drilling 11 development wells, two exploration wells and 5 rig intervention for work over in 2024-25. We planned 5 development wells in 2025-26 and 3 development wells in B-80 in 2026-27. This capex can be met by internal accruals and when necessary additional equity will be raised.

Moderator: We will now begin the question-and-answer session. We'll take the first question from the line of Rikesh Parikh from Rockstud Capital LLP. Please go ahead.

Rikesh Parikh

Rockstud Capital LLP: I would just like to understand the problem on B-80 D1. So exactly what is the nature of the problem, when it was being impacted and kind of what will be the cost to remediate it and when do we expect it to restart?

R Jeevanandam: Two possibilities, one mechanical issue, second reservoir issue. Based on in-house analysis, it is a mechanical issue. It is being studied by Baker Hughes and we expect a solution to this issue shortly. So, this is not going to be a very expensive proposal at this moment, and once the study is completed, we will have a full update on this.

Rikesh Parikh

Rockstud Capital LLP: Sir, when the problem has occurred and when do we expect it will be activated?

R Jeevanandam: When we recommence the production, after opening the D2 well we plan to open the D1 well. Well is not getting activated, since then we have been addressing this problem with the various experts in-house and third-party experts from outside. Finally, we engage the Baker Hughes to carry out the study and advise.

Rikesh Parikh

Rockstud Capital LLP: My understanding is that the D1 well is largely an oil producing well. So, the oil production capability at B-80 will be majorly hampered because of this, right?

R Jeevanandam: That's right till the last quarter.

Rikesh Parikh

Rockstud Capital LLP: Second, regarding the Dirok field, it's a good progress we have made 85% completion. Just wanted to understand how fast can we increase the ramp up the production to 50 mmscfd, assuming that the Indradhanush pipeline get activated from 4Q?

R Jeevanandam: So, as stated, we are going to work over three wells. Right now, these wells are capable of producing up to 50 mmscfd. Workover will not take longer time, with the three wells workovers and the existing three new producer, we will be able to go with the 50 mmscfd.

Rikesh Parikh

Rockstud Capital LLP: But will be like three to six months or post our connectivity to Indradhanush.

R Jeevanandam: And as soon as the connectivity is ready, we will be able to do that.

Rikesh Parikh

Rockstud Capital LLP: And on the PY-1, what is the estimate we are taking for the drilling of the three wells cost and do we presume that the timeline approvals will be in 4Q?

R Jeevanandam: We estimate the total well drilling and facilities to be US\$50 million and in the next financial year, we'll be drilling the first well.

Rikesh Parikh

Rockstud Capital LLP: In next financial year, weather window will be open in the -?

R Jeevanandam: Before October the weather should be good, we should be able to do.

Moderator: The next question is from the line of. Abhishek Menon from Motilal Oswal. Please go ahead.

Abhishek Menon

Motilal Oswal: So, first question is if I look at slide 5 in the presentation, so your gross production is sort of 6,694 BOEPD in first quarter, 6,531 BOEPD in the second quarter, but net production has gone down quite a bit. So, why is there a decline in net production but not so much in the gross production?

R Jeevanandam: The net production is the right number and the gross production I have to check, I'm sorry about it because of the B-80 and Assam increase and probably the right number. Gross production of Assam was increased, and our share is only 27%. So that's why the gross number is correct and the less number for our share is due to the B-80.

Abhishek Menon

Motilal Oswal: Second, I think my understanding is in B-80,, one of the wells started towards the end of September. So, if you could let us know gross and net production from that well?

R Jeevanandam: As I told in my presentation, it is currently about more than 1000 barrels of oil and about 5 million cubic feet of gas per day from the D2 well, and D1 well, we are working on to activate.

Abhishek Menon

Motilal Oswal: So, you should have a full contribution in the October to December quarter?

R Jeevanandam: It's difficult to state a timeline for the D1 well. We are waiting for Baker study. Once the study is completed, then what type of intervention is required decide the timeline.

Abhishek Menon

Motilal Oswal: So, basically Q2 production would at least be maintained and will be slightly higher than in Q3, right, that's a good number to work with?

R Jeevanandam: We believe that so.

Abhishek Menon

Motilal Oswal: I also want to check your standalone versus consol, so standalone numbers have gone up, but consol has gone down. So again, what has happened over there -- is that Assam, which is contributing to this or is there something else?

R Jeevanandam: When you look at in standalone, we had a better revenue from Assam Dirok field and that's the reason it has gone up. In the consol it is less because we are not able to get the full production from D1 well, second thing is MOPU and FSO charges are getting reduced to 50%. That's the reason for this reduction.

Moderator: The next question is from the line of Peter Shah from Unique Stock Broking. Please go ahead.

Peter Shah

Unique Stock Broking: One is just for an information. Mr. Elango joined Deccan Gold in the form of non-executive director, but I think in the last con call he said he is retiring completely, and he wants to give time to the family. So, I really did not understand why he joined over there and why did he not continue at Hindustan Oil. On a personal level if you are aware of something you can throw some light? Questions are, one is this D1 gas production, I think we had a contract with GAIL where we are getting 22% of the value of the oil. Now, in the March '22-23 quarter, they had a call where they said for the first year of the contract there is no penalty, it is taken or leave kind of thing, but second year there is a penalty clause which will be considered at the end of the

year looking at how much we were able to supply and not supply. But I'm saying in the last con call what Mr. P. ELango said, there is no penalty as such. So, why there is divergent in both the statements? So, if you can clarify how much penalty will be levied? The second thing on Dirok, what is the average top line that we are expected to generate that is starting from '24-25 onwards and do we not again face the problem of the dual pricing when the whole gas grid is connected?

R Jeevanandam: On your first question, I have no idea. And the D1, this is an oil well, and the D2 is the gas producer. we have a gas sales agreement with the GSPC, not with GAIL. This will be valid till March '24. It is an year-end adjustment. So, we have got six more months to go on and we expect that at the end of the year we will be knowing whether we are short, or we are oversupplied. So, there is in between one-month shutdown by GSPC also. In overall, we should be in a position to say that number is not a big one and we believe that there may not be any penalty. In case of Dirok the current production numbers are given to you; it is a little over 20 mmscfd for the gross 100%, and once the three lines are getting connected, we should be able to ramp up our production to 50 mscfpd. Once the IGGL line is get connected to the national gas grid and is fully established, we will be able to ramp up the production to 70 mscfpd effectively from the financial year of '25-26.

Moderator: We'll move on to the next question, which is from the line of Ajit from Nirdal Securities. Please go ahead.

Ajit

Nirdal Securities: How is this stock valued like whether at cost or NRV whichever is less or some other way?

R Jeevanandam: It is mark-to-market, Ajit. Whatever the price is on the closing date of the books, that price will be taken into account.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri

Crown Capital: So just wanted to know, sir, with our B-80 field shut down, I think you mentioned the figures of how much revenue was around 33 crores, right?

R Jeevanandam: It should be more than 33 crores because the reason for it is the differential amount in totality. There is an improvement in Dirok and there is a reduction in B-80.

Darshil Jhaveri

Crown Capital: My line just got disconnected. Sorry, sir. Could you repeat, sir?

R Jeevanandam: There is an increase in the revenue in Dirok and there is a reduction in the revenue for about one and half months in the B-80. So, the overall net reduction amount which I told you is 36 crores.

Darshil Jhaveri

Crown Capital: From the field maintenance shutdown of B-80, how much would it be at? Will that come in Q3 because of maintenance shutdown?

R Jeevanandam: No, I don't think Q3 shutdown is not expected for a longer duration because the D2 well production will continue.

Darshil Jhaveri

Crown Capital: So maybe can you quantify how much would we be able to increase our top line by Q3?

R Jeevanandam: I think it's too difficult to put some numbers. It depends on the price, it depends on the quantity and let us not presupposes with any number and you can do the math.

Darshil Jhaveri

Crown Capital: I think we have faced some issues in the current year, but FY25 onwards we would be going in full swing sir, like we would not have any other issue that we could foresee, right, we'll be on back to the run rate that we were before the cyclone, right, so that would be a fair assumption?

R Jeevanandam: I think all technical experts are working at the moment. We have given to the best company, Baker Hughes International, it's a reputed company and we believe that we will have a solution to the D1 well. Once that comes on it and better offtake from Dirok, we'll be doing better numbers from. '24-25 onwards.

Moderator: The next question is from the line of Riten Shaf, an individual investor. Please go ahead.

Riten Shaf: My question is on B-80 field. So, B-80 field has not produced on both the wells with full potential since the commissioning and had some technical challenge like separator leakage and flow line wax choking problem. So, when can we expect the production from both wells continuously -- is it an operational team problem or a geology and a reservoir issue, so could you throw some light on this like what is the future operational plan?

R Jeevanandam: As I told you, our technical team is very confident that there is no reservoir issue. They're believing that there's only mechanical issues which they are discussing with the various people. Now the Baker is engaged and with that we should be able to get a resolution to this issue. On the top side, there is quite a lot of improvement has been made and some small issues are still coming up, which are getting addressed properly. So, we are talking to the contractor to keep

the spares ready so that top side issues will get eased out by March, I don't think any problem on this. D1 well, we will be trying to work it through with Baker and get a solution. If you look at, the total production from the field is less than 12-months. So, the problems are coming one-by-one. We are trying to address it and normally it will take about two years for any field to get a stable production. There are issues and every time we come out and say some issues and we also feel for it. We are trying to get it resolved by getting some experts from different fields such as production, process and reservoir, and all these guys are working on it., We'll come out with a solution shortly.

Riten Shaf: And this should also help us in reassessing this full potential of the field since we've engaged with Baker now, will that also help?

R Jeevanandam: Once the issue is resolved, then we'll have a production data and after two years of production data, we will go back to the same reserve auditors to re-estimate the material balance. We are planning for the additional three wells in the block, that will be in '26-27. This whole process will start after that. Now it's more of a firefighting and on getting this sorted out on D1 well.

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

Ashwin Reddy

Samatva Investments: My first question is on PY-1. So, for the incremental volumes that can come on PY-1 post the work that we plan to do, do we have pricing flexibility and freedom or do we need to sell it to GAIL at the current prices which we have for the incremental volume?

R Jeevanandam: The incremental volume from the new production would be at the market price or PPAC price, whichever is higher. We have already discontinued the GAIL contract which has the price of \$3.66 per mmbtu.

Ashwin Reddy

Samatva Investments: So, this is not the APM price at what you sell, this is actually the market price?

R Jeevanandam: It's a market price and the market may take the PPAC price as the benchmark.

Ashwin Reddy

Samatva Investments: My second question is on B-80. So, I remember seeing that we are going for a fresh crude assay. So, has really changed in terms of the field, the quality in terms of perspective or what prompted this fresh crude assay, because I believe already had done one in quality of the oil and to get insight?

R Jeevanandam: I think we have done one assay. Now what is happening is we need to have an assay of the whole volume. Right now, about 70,000, 80,000 barrels from the D2 well. The companies and M-junction are looking for a revised assay. We will be giving sample to refineries from the stock for their own assay . So that, it should be matching with their assay. That's why we have given to the third-party now to get an assay and expected to get the results by the end of this month. Once assay is given to M-Junction, we will ask to put it for the auction among the potential buyers.

Ashwin Reddy

Samatva Investments: So, to clarify, this will give us again better impact on the quality and that will determine the price of what you get from the M-junction?

R Jeevanandam: You're right.

Ashwin Reddy

Samatva Investments: Finally, like on Dirok, so if I understand Q1 '24 is when the last linkage also will be done and then we'll have access to the end market or what are the timeline for us to get full linkages to the end market where there is no constraint on the demand?

R Jeevanandam: So, what is happening, in our area most of the gas goes to Duliajan Gas station. In Duliaja. From Duliajan, it goes to Numaligarh, from Numaligarh it goes to Guwahati, from Guwahati it goes to Barouni. The GAIL line is up to Guwahati, from Guwahati to Numaligarh by IGGL. From IGGL, who is planning to have one more line, having capacity of about 3.5 million cubic meters per day. This line is coming upto Duliajan, with all approvals it is expected by 2025. Before that DNPL is having a line which can carry up to 2.4 million cubic meters per day which get connected to the Numaligarh IGGL line. Therefore, additional demand will get opened up in that area. We will be little eased out once these three lines are getting connected and operational. Then the next line of 180 kilometers of IGGL comes in, whole issue could get resolved. This will ramp up further demand as the total production from Duliajan GSAT can go to the national grid. That is what we believe. if that comes on time, there would not be any restriction.

Moderator: The next question is from the line of Mihika Barwe from BQ Prime. Please go ahead.

Mihika Barwe

BQ Prime: If you could please lay down more details in terms of the CAPEX spend. You did mention for the next two to three years. So, what will be the CAPEX allocation for the different development while you are planning to foresee?

R Jeevanandam: One workover is on the current financial year will get completed in Dirok, two more workovers are planned for '24-25 , six development wells are planned in the Kharsang, and one deep well up to 3,000 meter is also planned in Kharsang, to appraise the deeper formations. PY-1, we are planning for one development well. North Balol we are planning for two wells. In Asjol we are planning for two wells and Palej we are looking for three well interventions by putting the artificial lift. In addition, we are looking for an exploration well in B-19. These are the Work program for '24-25, In '25-26 we will be drilling two wells in Dirok to ramp up the production. We are believing that the market will be there to absorb the gas up to 70 mmscfd. We are also planning for one more deeper well in Kharsang. So, the three wells in Northeast and PY-1, if the first well is being successful, we will drill two more wells in '25-26. Five wells program on '25-26, and '26-27 we will be having three wells for B-80. This completes our work program for the next three years. The capital outlay we plan for the three years is in the order of 835 crores.

Mihika Barwe

BQ Prime: I just have one follow up question on this capital outlay. What mode of financing will you all be employing?

R Jeevanandam: We believe that with our current cash flow we would be able to meet all our obligations through internal accrual, and if any shortfall comes, we will go back to our shareholders.

Moderator: We'll take the next question from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza

RoboCapital: So, my question is with respect to the PY-1. So, when are we looking to start your drilling work here? And also, if you could let me know like what is the production capacity and when can we commence the work here?

R Jeevanandam: See, reprocessed seismic data has been received by our G&G team. Now, they are looking into the data and they may do the revised geological model which will be given to RPS Energy at London for further fine-tuning the location. We will be looking for a jackup rig and our endeavor is to start end of the first quarter or the second quarter of '24-25. Volume estimates, we cannot do at this stage, either way, we will be wrong because the production potential of this well can be established only after drilling.

Moderator: The next question is from the line of Aditya Pati, an individual investor. Please go ahead.

Aditya Pati: Just to follow up on the earlier question, just wanted to understand what kind of mechanical issues have been predicted by Baker like any foresight for now?

R Jeevanandam: This well has been shut in initially for about six months and subsequently for about one and half months to two months in the current year. Technical people are stating that there is an

obstruction in the tubing b wax or some other things. This needs to be resolved. That's the reason we gave this entire study to the Baker just to come out with the issue as well as the solution to this problem.

Aditya Pati: My next question would be on like we have only now D2 which is the flowing well, so how is the, the reservoir conditions like improving going forward, like you said about 1000 barrels, but what are the reservoir conditions over there?

R Jeevanandam: Reservoir is better than expected, but we need to observe it for a longer period.

Moderator: The next question is from the line of Abhishek Menon from Motilal Oswal. Please go ahead.

Abhishek Menon

Motilal Oswal: Just on the day rate revision, if you can give us some details, my understanding was earlier it was in the range of I think \$40,000 to \$50,000 per day. So, what is the day rate now?

R Jeevanandam: Same day rate, there is no change in the day rate. Only the day when we are not operating and if there is no production, we don't charge any day rates.

Abhishek Menon

Motilal Oswal: So, in that sense, the income is lower by whatever days we are out of-?

R Jeevanandam: Current quarter was lower because of that.

Abhishek Menon

Motilal Oswal: So, next quarter that should improve as well?

R Jeevanandam: We have completed only about 44 days now and now we have to look for another 46 days. With continuing production revenue should continue.

Abhishek Menon

Motilal Oswal: On the balance sheet, there is an investment I think associates which you used to have 18 crores that has gone away. So, is that because of GeoEnpro acquisition or is there something else?

R Jeevanandam: GeoEnpro acquisition, because it has become a wholly-owned subsidiary, and it has been consolidated.

Moderator: The next question is from the line of Ralston Lewis, an individual investor. Please go ahead.

Ralston Lewis: My question is related to the Dirok where we had mentioned that because of the customer shut down the production was 1/3 which was predicted to be 2/3 in this quarter, and I think we have crossed a little bit more than that. Can we consider that for Q3 onwards, we come back to your normal 28 to 30 for gas, that's for D1? And considering that in B-80 we were having a production of around 1,200 to 1,400 barrels in the last couple of quarters, which are substantially reduced, can we expect the production to be around 1,000 barrels per day is what we just now heard? The second question is with regards to OIL INDIA. They also are coming up with a lot of capacity expansion and they would also go live in a couple of years. So, because your pricing is much better in the Northeast, would that be a limiting factor as far as our offtake is concerned considering that we are premiumly priced? If you can just comment a bit upon the \$1.36 million related order that was given by the Port of Malaysia?

R Jeevanandam: Oil India is a partner to the block with 44%. So, they are also interested to sell this gas at a premium. When I tell you that '25 onwards that the Duliajan gas stations will get connected to the national grid, then it will not be a localized demand, the demand of the nation will get into play a role. So, in that case whatever the capital program which we do in association with Oil India and similarly the Oil India has its program also, all these additional productions can go to the market. So, there should not be any issue on this account. We expect to continue the production of the second quarter from the D2 well. There should not be any issue on it. That's what we believe in it. The third one you are talking about the Malaysian Court. The matter is pending before the Gujarat high court. It's sub judice and it is not fair to me to comment..

Ralston Lewis: If you can just repeat that particular point on the Dirok, would it be coming back to your 28, 30 considering that your customers are all online for the Q3?

R Jeevanandam: Yes, once it is connected to the National Grid, we should be able to get substantial demand. Whatever gas from Duliajan gas station can go to the national market. So, there should not be any constraint after that.

Ralston Lewis: The D2 well, you mentioned that it could come back to around 1,000 barrels considering that we will be having to complete 90 days of operations in Q3?

R Jeevanandam: As we speak, it is about 1,000 barrels per day and about 5 mmscfd.

Moderator: The next question is from the line of Rikesh Parikh from Rockstud Capital LLP. Please go ahead.

Rikesh Parikh

Rockstud Capital LLC: I wanted to understand what is the minimum offtake commitment we have with GSPC in terms of how much production we have minimum required to offer to them?

R Jeevanandam: It is about 10 mmscfd with the plus/minus of 10% over a period of 365 days, that's what I remember.

Rikesh Parikh

Rockstud Capital LLC: Current production is 5 mcf?

R Jeevanandam: Yes, right now, but previously we have supplied more than 10 mmcfd.

Moderator: The next question is from the line of Pratik Banthia, an individual investor. Please go ahead.

Pratik Banthia: So, my question was related to the B-80 field. Like do we have any phase-2 development plan for it? And are we planning any water injection to maintain reservoir pressure for the long-term?

R Jeevanandam: Thanks for the question. We are planning for drilling three additional producers. That will be on '26-27. Before that, we would like to see the performance of these two producing wells. After that we will decide any water injection is required or not. Water injection will enhance the recoverable reserves, it is still being examined by our team.

Pratik Banthia: If both the wells produce continuously in the B-80 field, can we match the 5,000 barrels per day as was expected initially?

R Jeevanandam: Yes, I think that's our plan as such, but we should now activate the well D1 to have a better production.

Moderator: The next question is from the line of Amrit Kabra, an individual investor. Please go ahead.

Amrit Kabra: My question was, D1 well is inoperative. A), what time do you think will it get back on track? And is the management taking any steps that D2 well does not face a similar fate?

R Jeevanandam: See I told you clearly that D1 well is being looked at by Baker Hughes and D2 well is on production. So, we are taking all possible precautions, whatever is required to be done will be done.

Amrit Kabra: Also, if we get both the wells operative at the same time like they are operation together, do you think you'll be able to achieve the target level of 5,000 barrels as you had expected initially?

R Jeevanandam: I just now answered to another investor that we will be waiting for activating the D1 well. We will be updating after seeing the well activated.

Moderator: The next question is from the line of Ajit from Nirdal Securities. Please go ahead.

Ajit

Nirdal Securities: I just have a follow up question on the valuation of the inventory. Sir, how much is M2M charge this quarter and the same quarter last year and QoQ if you can give the numbers?

R Jeevanandam: Last quarter "Increase or decrease in stock" was 26.87 crores and the Q2 '23-24 was 42.7 crores.

Moderator: The next question is from the line of Prashant Dahiya, an individual investor. Please go ahead.

Prashant Dahiya: I want to understand from you, we've recently seen in the global peer like Exxon making a big 60 billion acquisition of Pioneer Natural Resources and a lot of M&A happening. Given the nature of the industry, we are in the phase of the sunset industry over the next 10 to 15 years, being a bit aggressive in terms of exploration, in terms of kind of looking at the resources is essential, right, are we looking at some global partners who can come, take a stake in but also bring in their expertise and knowledge, but also help us with the capital and generally kind of help to explore the potential which is out there because in the next few years, it looks like a missed opportunity as well? That's one. And the second thing on that the government is also coming out with some new exploration licenses, right. Is the company looking to kind of pick up some new fields or new exploration areas, anything you can shed light on?

R Jeevanandam: I think it's not a sunset at the moment. It will take some more time at least two decades more. That's our belief. The second thing, we are always looking for technical expertise in the rest of the world. As you see, most of those fields are producing and discovered one, except one which is also between the Dirok and Kharsang, that's called greater Dirok, this is an exploration. We believe that we can do a reasonably good job. That's why we lined up the work program 12 wells in the '24-25, five more wells in '25-26 and three more wells in '26-27. We also lined up the work program to monetize the discovered ones. Any opportunity, we will be looking at, when new licensing comes, we will be definitely bidding. We will be looking for more and more consolidation.

Prashant Dahiya: Given the fact that we are very dependent now on these two, three big fields and production areas, do we also take insurance for the production loss or loss of revenue or any other means so that once you have established production, any loss should get covered like from that perspective?

R Jeevanandam: (LOP) loss of profit policy is not available for the loss of production, but if you have got an accident or anything happened due to accident which caused a loss of production, that can be covered under the insurance. So, there is no insurance exists for it. But as rightly said by you we are depending on the revenue of two blocks. That situation we wanted to reverse. That's why we are concentrating on the block in the Northeast Kharsang to increase the production and similarly we are looking at PY-1. We are also going to ramp up the production from the

western region. So, we don't want to have the dependence of two blocks, it will be now more of five blocks from 2026-2027.

- Moderator:** The next question is from the line of Pashwa, an individual investor. Please go ahead.
- Pashwa:** Initially, our vision was to get the company debt-free by selling the oil parcels. I think we have some 400 crores debt, including the long term and short term, some taken last December due to working capital issues and before that for B80 which was supposed to pay I think 15 months from the day of announcement. So, just wanted to understand when we sell this oil parcel how much rupees will HOEC get as their share which will be reflecting in cash flow which you will be paying back to the bank leading to somewhat debt pressure less on our company?
- R Jeevanandam:** See, it's not 400 crores, the total debt as October '23 is 112 crores in the standalone and about 78 crores in the subsidiary books, total is about 190 crores that is the bank loans. These are the long-term loans and our total exposure on this is very much limited. It is payable once in a quarter, and there's no issue on debt servicing. Second thing, we are not going to borrow anymore for investments. It will be mostly from internal accruals and if required we will raise equity from our shareholders.
- Pashwa:** So, sir, I didn't understand that when you sell the oil parcel, how much money will HOEC get to the cash flow?
- R Jeevanandam:** Whatever it comes from sales, including our partners payable adjustments, we should be getting about 150 crores. That's what we believe. It depends on the price at that point in time of sale.
- Pashwa:** So, I mean I can assume approximate 150 crores and will we use that to pay off the debt by any chance?
- R Jeevanandam:** No, we don't want to use this, because of long-term debts and we don't want to repay it at this stage, with one bank loan. We have already A stable rating for 500 crores for bank loan from India Ratings. Cost of funds is lesser than 10%. We will be leaving this loan at the books for the time being.
- Pashwa:** My second question is on the Dirok. I understand 85% of the line is already being constructed. So, when coming to the remaining 15%, that will be how much kilometers if you can help me understand?
- R Jeevanandam:** This is our own line of 18-inch which is a connecting line to Duliajan gas station. Out of that forest area is 15 kilometers, which has already been laid. The balance 15 kilometers we have to get the right of way and some acquisition of land, which is to be completed. This is not going to stop our ability to sell the gas because we are requesting Oil India to make a tie-in line of the

already completed 15 kilometers in a Kathalgudi, where this can get into the Oil India line. For additional that 15 kilometers, we need two seasons one this year and the second next year. It will get completed at the end of '24.

Pashwa: So, if I understand you correctly, sir, total the distance is 30 kilometers, out of which 15 kilometers we have already placed a line which we can get it connected to the Oil India, am I correct?

R Jeevanandam: Yes, we will be connecting it to the Oil India line once the 18-inch line is fully tested.

Pashwa: This will happen by March 2024, is my understanding correct?

R Jeevanandam: We are working on it. As such it is not a stumbling block to us because if the demand comes up, we should be ready with this line. Meanwhile, we are getting the necessary right of way and other things to get on to the balance 15 kilometers.

Pashwa: So, if I understand you correctly, sir, we have no issues now that we can produce 50 mm on the Dirok field, because we are already done with 15 kilometers and currently 23 we are producing which can go up to 50 without any workover or any further enhancement of the current well at the Dirok, am I correct?

R Jeevanandam: Yes, with current wells we can go for, but on a safer side we are going for workovers also.

Pashwa: Two months, three months, any idea?

R Jeevanandam: It will be hardly about 15,20 days that will be for each well. We are planning one well in the month of March in the current financial year, two wells back-to-back will get completed on the first quarter of the next financial year.

Pashwa: So, from this can I assume that the 50 mmscfd production from Dirok can start happening by second quarter of next financial year, would that be fair to assume on a safer side?

R Jeevanandam: As explained earlier, this is more of a demand driven not supply constraint from our side.

Pashwa: But since we get connected to the National Grid after getting it connected to the Oil India pipeline, so there would not be any constraint in demand, right?

R Jeevanandam: There is no constraint in demand once connected to National Grid. We will do material balance and we'll come out with revised reserves with that, we can go up to 70 mmcfd.

Pashwa: The last question will be FSO and MOPU, B-80 revenue would be the same considering only one well is on or would we be charging only half of the revenue?

R Jeevanandam: It is on full revenue mode as long as production from the field continues.

Pashwa: So even if one well is on, we would charge full revenue, right?

R Jeevanandam: Only we have got two wells now, one well we are producing 1,000 barrels and 5 mmscfd. we will be charging on 100%.

Pashwa: So that will be \$50,000 every day?

R Jeevanandam: That is as per the rate which we have already communicated.

Pashwa: While repairing the D1 well, would we be shutting down the B-80 plant by any chance, would that be a requirement to shut down the plant when we fix the D1 well?

R Jeevanandam: For activating the D1 well, we don't require to shut down the plant.

Pashwa: But for fixing the mechanical issues in the D1 well, do we need to shut down the plant?

R Jeevanandam: No need to shut down.

Pashwa: So, it is fair to assume that we will not be expecting any further shutdowns in the next coming quarters?

R Jeevanandam: We will take it as it comes because certain unforeseen circumstances, we may. we can't predict much in oil field operations.

Pashwa: Now that we have hired Baker Hughes, is it fair to assume, VNET is no more engaged with our company for maintenance purpose?

R Jeevanandam: What is it? I couldn't get your question.

Pashwa: So now that we have hired Baker Hughes for study purposes and fixing the well for B-80, is it fair to assume VNET Energy from UK is no more associated with our company?

R Jeevanandam: Each one is looking according to their specialization. Baker Hughes is a company they have expertise in drilling, completion, reservoir, and many other things. BEINIT Energy is the construction contractors. Both will continue.

Moderator: The next question is from the line of Rushab, an individual investor. Please go ahead.

Rushab: Namaste sir. B80 what is the matter with D1 Well, why is not starting, it stops again and again. It starts and again it stops so now is the part of an equipment is broken or there is a problem with the wax in the well? What is it?

R Jeevanandam: No, the problem has occurred only once and not many times. Because of cyclone we have closed and after removing the wax we have reopened but it did not flow. We are thinking there is a mechanical issue means there is some problems with wax in the tubing. We have asked Becker to work on this and they will give us the report and also tell us also what to do?

Rushab: Is the tube has problem?

R Jeevanandam: No, the pipe is not damaged, there is some blockage in the pipe due to dirt. That's what we are thinking.

Rushab: We can clear by putting chemical in that no or by putting hot water in that.

R Jeevanandam: We are doing that, but we tried to do in our own but thought better that an expert investigates it. That is why we went to Baker.

Rushab: It would take approximately three months what do you think.

R Jeevanandam: We are trying, if it's done, we will come back to you. I will inform you.

Moderator: We will take the next question from the line of Jaisal Shah, an individual investor. Please go ahead.

Jaisal Shah: Apna Greater Dirok, what are your plans to start production and do you have a pipeline which will again join to Dirok or it will again join to Duliajan, what is your planning for the pipeline from that production?

R Jeevanandam: This is all going through the Oil India line now. it will continue , whatever the line we are having will get in to tie in with the Oil India line.

Jaisal Shah: When are you planning to get production of Greater Dirok?

R Jeevanandam: I explained to you that there is a demand constraint. Once that gets sorted out, the three lines, DMPL line and the IGGL line and the GAIL line are getting connected and commissioned, it will get into the National Grid. Once get into the National Grid there should not be any issue, the demand constraint will be eased out.

Jaisal Shah: In between, in GAIL Rs.6 crores gas issue is there. Has it been solved?

R Jeevanandam: That's an old issue which we collected the money from them.

Moderator: The next question is from the line of Mehul Panjwani from 40 Cents. Please go ahead.

Mehul Panjwani

40 Cents: I have two questions. One is on fundraise. You did mention that right now there is no need for a capital for the company, but if there is a need, instead of borrowing, you will be considering equity. So, will it be private equity or will it be rights, can you please throw some light? I know that this is a very sensitive thing whatever you would be sharing with us. And also, what is the tentative timeline you will be considering for the fundraise, I mean, depending on the various wells which you have already mentioned in your plan?

R Jeevanandam: Our capital program is as per our estimates, we don't need any fund requirement. When the programs are going on, if we don't have the money, that point in time we look at this. immediate future, I don't think any fundraising is planned. So, we will be comfortable in carrying out the work program with internal accruals.

Mehul Panjwani

40 Cents: So, tentatively when again would be any consideration, maybe six months or a year's time when you'll be looking at this particular aspect?

R Jeevanandam: I don't have any timeline on it and when we have the resources, we will go ahead for the program. You should also understand this is more of a discretionary capital, this is not a committed work program or minimum committed work program to the government or others. This being a discretionary capital, we should be able to work with our internal accruals and when we got better results from the drilling of the wells and we wanted to quicken the process and shorten the duration and if we need any money, at that point in time, we will go to the investors.

Moderator: We'll take the next question from the line of Manan Patel, an individual investor. Please go ahead.

Manan Patel: So D2 well was expected to be primarily a gas well, but from the production data that you are sharing, it looks like a lot more oil is being produced. So, can you throw some light on, has the reservoir composition changed or the expectations now different versus before? Second question is, can you share what is the current levels of production in Dirok? and without Indradhanush coming in, can we expect 25 mmscfd sort of production from Dirok?

R Jeevanandam: To your first question, it is the D2 well we were expecting as a gas well. Gas production maintained at 5 million at the moment. It was initially higher, now also we are maintaining at 5, that should be stable.. This well, if you could see the test results, it was about some 800 to 900 barrels. Now it's doing better than by about 1,000 barrels. What we need is at least two-year production data or at least continuous production of one-year data to reevaluate these wells. So, we are waiting for it. Our priority is to activate the D1 well. On Dirok, as I told you, it is volatile; someday it goes to 0.8 mmscm. It means about 25 mmscfd. It is getting averaged out about 20 mmscfd.

Moderator: The next question is from the line of Rikesh Parikh from Rockstud Capital LLP. Please go ahead.

Rikesh Parikh

Rockstud Capital LLP: Sir, in our previous release we have talked about plant shut down in this quarter. So, anything planned for the B-80 field in this quarter?

R Jeevanandam: In this quarter we may go for the shutdown only when we identified a DSV. If not, it will be in the next quarter.

Rikesh Parikh

Rockstud Capital LLP: Sir, the D2 production means can it be increased because we were limiting the production of D1 and D2 initially because we have a capping on the revenue share, so by any chance is it possible to increase the production of D2?

R Jeevanandam: Our people are working on it. Considering the health of reservoir, we don't want to increase the production. We have to ensure the longevity. We are producing over 1,000 barrels and about 5 mmscf of gas, that's what we will continue.

Moderator: The next question is from the line of Aditya Pati, an individual investor. Please go ahead.

Aditya Pati: So just a follow up on my previous question, just wanted to understand that you mentioned about the wax choking that could be anticipated by Baker. Wanted to understand if there would there be a rig intervention requirement and if so then what would be the expenses for it and when would that be?

R Jeevanandam: Actually, we are waiting for the study to be completed by Baker. After that only we will get to know.

Moderator: The next question is from the line of Rahul Mehta from Envision Capital. Please go ahead.

Rahul Mehta

Envision Capital: I have two questions. One is a) when do you expect to commission the National Grid project? Second, you just said that there would not be a demand constraint after it gets commissioned. So, what kind of difference we can observe in the numbers of the offtake in terms of financial year '24 in comparison to financial year '25 after it gets commissioned?

R Jeevanandam: In '24-25, we are expecting DNPL pipeline, an older line, which will get connected to the IGGL line, so that we will ramp up to 50 mmcf per day. Once the IGGL of 180-kilometer new line gets connected, then we will be able to ramp up our production to 70mmcfpd. We believe that would be from '25-26.

Rahul Mehta

Envision Capital: There would not be a demand constraint issue after we connect to the National Grid, right sir?

R Jeevanandam: Country needs natural gas. Once moves to tariff system from northeast to Gujarat or any other part of central India, then I don't think there will be any demand constraint.

Rahul Mehta

Envision Capital: And when do we expect it to get commissioned?

R Jeevanandam: This line we are expected to get commissioned by '24-25; another one line will be '25-26. That's what we are believing. First quarter or second quarter of '24-25 DNPL line may get connected with the IGGL, that will ease out the demand issue and the line that capacity is about 2.4 million cubic meters per day., This is what I understood. If the new line gets connected, that will ramp up to 3.5 million cubic meters per day. Additional 1 million cubic meters will be added. With this connectivity will be established with Central India gas grid. There should not be any demand constraint per se. That's what we believe in.

Moderator: The next question is from the line of Mehul Panjwani from 40 Cents. Please go ahead.

Mehul Panjwani

40 Cents: I have two questions. First question is how long the study anticipated to be completed by Baker? Second question is on the demand. You just answered in the previous question that you are looking at Q1 or Q2 of FY24-25. Can we safely assume that the demand constraints will not be there by September 2025?

R Jeevanandam: Demand constraint will not be there if there is a connectivity established to the National Grid. So, they are commissioning the three lines and if that get connected, there will be an immediate ease out of the demand. That will help us to get up to our 50 million cubic feet target. IGGL line of 180 kilometers, which is to be constructed, if that gets connected to the Duliajan gas station, further, about 1 to 1.5 million cubic meters of gas can pump into that line.

Mehul Panjwani

40 Cents: When is the first milestone... what calendar year?

R Jeevanandam: I couldn't get your question.

Mehul Panjwani

40 Cents: When is the first milestone in terms of calendar year for the demand to get eased out?

R Jeevanandam: The first milestone, it is not done by us, it is by the government companies, who are working on it. The indications given to us is on the first quarter of '24-25 for the connection of the DNPL line with the IGGL and to the GAIL line. IGGL's own line will start work sometime in end of this quarter and they may take about a year plus. It will come into operation by '25 or '26. Exact timelines depending on these companies.

Moderator: Ladies and gentlemen, this will be the last question for today, which is from the line of Pashwa, an individual investor. Please go ahead.

Pashwa: So, wanted to understand that if the D1 well start, how would you manage the pressure for the D1 and D2, there could be a little bit of a hassle for you, so any plans of how to manage it?

R Jeevanandam: First, we wanted to activate the well, and will know the pressure. We know that what was the pressure earlier. We have two separators, but for the gas offtake from low pressure well we may need a compressor, it will be known only when we fully activated the well.

Pashwa: This compressor that you're talking about will cost how much or you already have it?

R Jeevanandam: We have been sourcing it. It should be less than a million dollar.

Pashwa: So, anywhere between 60, 70 crores is a compressor and you have already sourced it, right?

R Jeevanandam: We are yet to source. We are talking to various people. We wanted to activate the well before we commit to the additional cost.

Moderator: Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

R Jeevanandam: Thank you. While we continue to focus on achieving the full production of B-80 and Dirok, we will embark on drilling wells in Kharsang western region and PY-1 to develop these fields to their full potential. This will reduce our revenue dependence on B-80 and Dirok. We will also increase and strengthen our talent pool to sustain the growth momentum and the associated challenges. We once again thank you all for joining us today and wish you and your family a very happy Diwali.

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