

BOARD OF DIRECTORS

Dr. I. G. Patel	<i>Chairman</i>
Mr. B. R. Sule	
Mr. C. K. Mehta	
Mr. Deepak S. Parekh	
Mr. Hasmukh Shah	
Mr. Manu R. Shroff	
Mr. R. Vasudevan	
Mr. Rasesh N. Mafatlal	
Mr. Ronald S. Somers	
Mr. Steve Green	<i>(upto 22nd January 2003)</i>
Mr. Andrew Fawthrop	<i>(from 22nd January 2003)</i>
Mr. Vimal Bhandari	
Mr. Ajit C. Kapadia	<i>Managing Director (upto 31st July 2003)</i>
Mr. Rakesh Jain	<i>Managing Director (from 1st August 2003)</i>

AUDITORS

M/s. S. B. Billimoria & Co., Chartered Accountants, Mumbai

PRINCIPAL BANKERS

ABN AMRO Bank
Corporation Bank
HDFC Bank Limited

REGISTERED OFFICE

'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara-390 020 (India)
Visit us at: www.hoec.com • E-mail: contact@hoec.com

MUMBAI OFFICE

Anand House, Khatwari Darbar Road, Off Linking Road, Khar (West), Mumbai-400 052 (India)

Mr. Ketan Thaker

Assistant Company Secretary

REGISTRARS AND SHARE TRANSFER AGENT

Intime Spectrum Registry Limited
201, Sidcup Towers, Race Course
Vadodara-390 007 (India) • Tele-Fax: 0265-2332474

MANAGEMENT TEAM

Mr. Vipul Bhatt	General Manager	(Engg. & Production)
Dr. Vipul Desai	General Manager	(Corporate Services)
Dr. Udayan Das Gupta	General Manager	(Exploration)
Mr. Amit Shah	Dy. General Manager	(Finance & Accounts)

**DIRECTORS' REPORT****TO THE MEMBERS OF
HINDUSTAN OIL EXPLORATION COMPANY LIMITED**

Your Directors have pleasure in placing before you the 19th Annual Report and Audited Statement of Accounts for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS

	(Rs. in Lac)	
	<u>2002-2003</u>	<u>2001-2002</u>
Sales	4,832.68	4,268.29
Other Income	950.33	1,250.19
Gross Profit before Depreciation/ Depletion/Write offs/Taxation	3,610.56	3,600.58
Less: Depreciation/Depletion	1,441.98	1,281.51
Less: Provisions & Write offs	1,654.46	156.72
Profit before Tax	514.12	2,162.35
Less: Provision for:		
Current Tax	190.00	168.22
Less/(Add): Deferred Tax	(836.67)	446.72
Profit for the Year	1,160.79	1,547.41
Profit/(Loss) brought forward	1,746.40	337.92
Add: Deferred Tax Asset	—	604.81
Profit available for Appropriation	2,907.19	2,490.14
Less: Dividend paid and tax thereon	—	0.10
Less: Proposed Dividend on Equity Shares	469.96	704.94
Less: Dividend Tax	60.21	—
Less: Transfer to General Reserve	—	38.70
Balance carried to the Balance Sheet	2,377.02	1,746.40

The year under review showed higher sales of Rs. 4,832.68 lac as compared to Rs. 4,268.29 lac (net of profit petroleum to Govt.) mainly due to higher crude oil prices. Profit after tax is lower at Rs. 1,160.79 lac as compared to Rs. 1,547.41 lac for the previous year on account of exploration write off of Rs. 1,622.24 lac partly compensated by deferred tax of Rs. 836.67 lac. After considering brought forward profit of Rs. 1,746.40 lac and the profit available for appropriation is Rs. 2,907.19 lac.

DIVIDEND

Considering the performance during the year under review, your Directors recommend dividend @ 8% on the equity shares of the Company for the year ended 31st March 2003. The proposed dividend will absorb Rs. 530.17 lac.

PRODUCTION**PY-3 (CY-OS/90-1)**

During the year under review, the Consortium has produced 1.69 Million Barrels Oil (the Company's share being about 0.36 Million Barrels) from PY-3 field in the Cauvery Offshore area. The daily average production from the field was around 4600 barrels. Till 31st March 2003 cumulative production from the field has been about 12.47 Million Barrels of Crude Oil.

While the rig was working over well PY-3-D3, the incident of violent movement of rig caused serious damage to the well. This required the well to be suspended. Insurers are processing the potential claim arising out of loss of PY-3-D3 well. Consortium is evaluating various options to compensate for the loss of PY-3-D3 well.

ASJOL

Your Company is the Operator in Asjol oil field located in Gujarat. During the year under review, the field has produced around 20,000 barrels of oil (the Company's share being about 10,000 barrels), with a daily average production of 55 barrels from three wells. Till 31st March 2003, the Consortium has produced around 0.14 Million Barrels of Crude Oil. The Company continues its efforts to improve production from the field.

DEVELOPMENT**PY-1**

The negotiations on Gas Sales agreement with Tamil Nadu Electricity Board had to be called off due to concerns pertaining to payment security. The PY-1 Consortium opened dialogue with GAIL (India) Ltd. for sale of gas and on 1st July 2003 the Gas Sale and Transportation Agreement (GSTA) has been executed successfully. The first gas sale is expected after two to three years, subject to necessary statutory environmental clearances and Government approvals. The GSTA will be for a primary term of fifteen years from the commencement date with one year renewal thereafter. The daily contract quantity during the plateau period is 1.26 Million Cubic Meters per day (MMSCMD) on a mutually agreed price structure.

On the matter of default of one of the Consortium partners on account of non-payment of operating funds, the arbitration proceedings are ongoing in London Court of International Arbitration (LCIA), London. The Arbitration Tribunal has given partial award.

SIX SMALL SIZE FIELDS

Subsequent to the grant of Mining Lease from the Government of Gujarat for North Balol field, where your Company is the Operator, various project activities for the field development were undertaken as per commitments to Government of India (Gol).

The Government of Gujarat granted Mining Lease for Dholasan & Kanawara fields on 27th February 2003. For remaining three fields viz. Unawa, North Kathana and Allora, Mining Lease is awaited.

EXPLORATION

The year witnessed additional activities in exploration blocks besides completion of minimum work programme commitments made to Gol.

In Block CB-ON/7, Gujarat, where your Company is the Operator, after completing reprocessing of 2-D seismic data and interpretation of the block, existing well Palej-4 was tested and the well was declared having potential commercial flow rates. Subsequently Pramoda-1 a step out well to Palej-4 was spud on 31st January 2003 and drilled down to 1954m on 23rd February 2003. Drilling encountered oil bearing sands. Testing of one of these sands in the interval at 1815m-1818m resulted in flow of crude oil at rate of 48 cubic meters per day through a 5mm bean. Currently your Company is preparing the Plan of Development to be submitted to Management Committee to take up development and production from Pramoda prospect while Phase-II activities of exploration continues in the Block to discover and prove additional hydrocarbon resources. Government and partners have appreciated the good work put up by the Company.

In Block CB-OS-1, Gulf of Cambay, Gujarat, 3rd well of balance minimum work programme commitment was spud on 5th June 2002. Oil and gas shows were recorded in expected zone however testing result has indicated that zone is devoid of hydrocarbon and well was abandoned on 7th August 2002. Phase-I of the Exploration period expired on 18th November 2002. The Consortium has exercised the option of retaining the discovery areas and relinquishing the balance of the Contract area. BGEPIIL [Operator] has informed the partners that it will not be participating in the appraisal programme of South Harinagar prospect. Your Company is in discussion with BGEPIIL to take over its participating interest and Operatorship on mutually agreeable terms.

In Block AAP-ON-94/1, North-East India, work has progressed at a good pace. Work programme of

reprocessing of seismic data and geochemical survey are completed. The Consortium has identified interesting play types. It was decided to conduct seismic survey in Phase-I to locate drillable prospect. An application has been submitted to Gol seeking for 1 year extension to Phase-I deadline. During the year Government approval was received to changes in participating interest and Operatorship. HOEC handed over Operatorship to Premier Oil North East India BV [a wholly owned subsidiary of Premier Oil Plc., U.K.] on 14th January 2003. Seismic survey of 120 line km. is nearing completion. If analysis of the data is encouraging, the Consortium plans to drill a well in the 1st quarter of 2004.

Your Company has decided not to proceed to Phase-II of Exploration in Block CB-ON-2 [Tarapur], Gujarat, after reviewing the results of Phase-I work.

In Cauvery offshore Block CY-OSN-97/1 [NELP-I], Operator Mosbacher India L.L.C. has carried out preliminary interpretation and a few interesting leads have been outlined. Based on this result 3-D seismic survey will be carried out.

Your Company is evaluating recently announced NELP-IV round blocks on offer and would suitably bid as part of a Consortium if blocks are prospective.

HEALTH, SAFETY AND ENVIRONMENTAL PRACTICES (HSE)

Both at the sites where the Company operates and where the Company is joint venture partner, the management assures that HSE practices are consistent with national and international standards.

HOEC BARDAHL INDIA LIMITED [HBIL] (WHOLLY OWNED SUBSIDIARY OF HOEC)

On account of effective marketing and distribution strategy, the Company could earn a profit of Rs. 34 lac for the second consecutive year as against Rs. 8 lac for the financial year 2001-02.

AUDITORS' REPORT

With reference to the observation made in Auditors' Report regarding unaudited joint ventures' accounts, we have to state that as per PSCs signed with Gol, the Operators have been allowed time up to 30th September to submit audited accounts. Considering this, some of the Operators have not submitted audited accounts till the Company's accounts are audited. Hence, the statements of expenditure/unaudited accounts submitted by those Operators have been incorporated.



Regarding non-disclosure of outstanding payment to Small Scale Industries with respect to joint ventures, we have to state that the requirements of the said disclosure is not applicable to joint ventures and hence the required information is not available.

DIRECTORS

In accordance with the provisions of Articles of Association of the Company and Provisions of the Companies Act, 1956, Mr. Hasmukh Shah and Mr. Vimal Bhandari will retire by rotation at the ensuing Annual General Meeting and they, being eligible offer themselves for re-appointment. Mr. B. R. Sule will also retire by rotation at the ensuing Annual General Meeting but on account of health reasons he has expressed his unwillingness to continue on the Board of the Company. The Board places on record its appreciation for Mr. Sule's association with the Company since inception and for the guidance and valued contribution during his tenure.

The Board of Directors has at their meeting held on 22nd January 2003 and on 29th July 2003 appointed Mr. Andrew Fawthrop and Mr. Rakesh Jain respectively as an Additional Director. The Board welcomes them and looks forward to their valued contribution and guidance.

During the year, Mr. Steve Green, Nominee Director of Unocal Corporation has resigned. The Board places on record its appreciation for the guidance and valued contribution during his tenure.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EARNINGS AND OUTGO.

The Company is engaged in the business of exploration and extraction of crude oil and does not carry out any manufacturing activity. Hence the particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable. Particulars regarding foreign exchange appear in Schedule 13 of the Accounts.

PARTICULARS OF EMPLOYEES

There is no employee covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

The Auditors M/s. S.B. Billimoria & Co., Chartered Accountants, will retire at the forthcoming Annual

General Meeting. As recommended by the Audit Committee, the Board at its Meeting held on 19th June 2003 proposed their appointment as Statutory Auditors to audit the accounts of the Company for the financial year 2003-2004. You are requested to consider their appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently unless otherwise stated and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March 2003 on a 'going concern' basis.

CONCLUSION AND ACKNOWLEDGEMENT

Your Directors place on record their gratitude for the support and co-operation received from Government of India's agencies namely, Ministry of Petroleum & Natural Gas, Government of Gujarat, Consortium Partners and Bankers. We express our sincere appreciation to our dedicated and committed team of employees who have contributed in the growth of the organization.

For and on behalf of the Board

Place : Mumbai
Date : July 29, 2003

Dr. I. G. Patel
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

The petroleum industry in India is one of the oldest in the world. The exploration, production and refining were initially confined to the North-east.

The policies legislated after the independence led to progressive nationalization of Foreign Companies operating in India, setting up of National Oil Companies to explore and produce oil and gas as well as refine the crude oil and market its products. Till the mid 1980's, the work of exploration & production of oil & natural gas was largely confined to the Public Sector Oil Undertakings, but galloping demand, declining indigenous oil production led Government of India to consider the opening up of exploration in identified blocks as well as development of some small and medium sized fields to private and joint sector, both Foreign and Indian.

The efforts for Indian private sector participation were intensified after opening up of the economy from 1991 onwards. HOEC was incorporated to contribute to this effort. Presently HOEC is working with both nationally and internationally recognized oil exploration and production companies and has both Exploration and Production assets. The Company is also constantly on the look out for acquisition of oil and gas properties.

RISK & CONCERNS

The Exploration & Production (E&P) Business is of capital intensive nature.

The initial, exploration phase has generally the highest risk. Once hydrocarbons are discovered, and sufficient resources established, risks would relate to design and implementation of schemes to extract the hydrocarbons, the production behaviour of the reservoir vis-à-vis predictions and the ability to take corrective actions as soon as identified. In remote areas, market and transport could also become impediments.

The ability to innovate and leverage knowledge becomes an important factor to succeed in the business. To cope with complicated concepts, the industry needs to improve performance by mastering technology and business risks in a coordinated manner. As part of new strategy during the petroleum activity exploration phase, the right combination of extensive knowledge, technical and business risk consulting, coupled with technology services satisfying compliance requirements, is important, to be able to shape the

service content and also the method of delivery to meet new challenges. This is a balancing act to safely improve business performance.

Most of the HOEC onshore projects are in Gujarat State, which has been endowed by nature with mineral reserves of oil & gas, both onshore and offshore. Considering the nature of the industry, it would be worthwhile for HOEC to stress on earnings through developing potential oil & gas discoveries in Palej block [Pramoda-1], in CB-OS-1 block [South Harinagar], North Balol, Unawa and PY-1 blocks, maintain the production from existing Asjol & PY-3 blocks and bringing the Assam block on early production. Opportunities should be explored in acquiring the producing assets through farm-in and forming an alliance with other players.

OPPORTUNITIES & THREATS

The two blocks [Asjol, PY-3] under production, two blocks [PY-1 & North Balol] have proved reserves, while two blocks [CB-ON-7 & CB-OS-1] have reported potential commercial discovery.

E&P activities always have a threat associated to Exploration risks in Frontier Basins blocks, developing an un-exploited domestic reserves and establishing an incremental recovery from producing assets and pilferage from the producing blocks. There are good opportunities for joint ventures with Indian & International Companies for incremental productivity, profitability and recovery from producing assets. By forming an alliance, the risk of investments by HOEC in such activities would thus get diversified. Also, HOEC will consolidate its presence in E&P activities by having a stake in assets of greater value. The additional resources generated can then be utilized for galvanizing future investments in acquiring additional acreage.

The ownership of physical assets in E&P sector would get transformed into ownership of financial assets. As the size of the Company will increase, the corresponding returns will improve. The exercise will also bring in global expertise and experience through the private sector alliance partner, which would be beneficial to the region's development.

OUTLOOK

Considering the targets in hydrocarbon production in India, to feed the ever-increasing demand of the country and also the rate at which the consumption of

petroleum product is growing, there is ample scope for the growth of E&P industry. For the Company in particular, no problems are envisaged for sale of oil and natural gas. The Company is well placed in case of hydrocarbon exploration and production. The Company has decided to stick to its core competencies, and is implementing a corporate plan, which includes projects of exploration and developments.

INTERNAL CONTROL SYSTEMS

Internal Audit is an important aid to effective corporate governance practices. Internal control includes, management development and implementation of risk management systems and processes, internal control and governance, reporting to the Board that business operations are well controlled and managed, compliance of business activities with policies and procedures, and laws and regulations. The Company undergoes an Internal Audit at regular intervals being conducted by an Independent firm of Chartered Accountants, for obtaining an objective check on financial reporting process, and the transactions (both operational and financial) are carried out in a transparent manner and an independent appraisal on the effectiveness of the management. The internal control systems are formulated with the co-operation of the Audit Committee and the Management. The Managing Director on behalf of the Management informs the Board at each Board Meeting about the compliance of various laws, rules and regulations, reasons for non-compliance, if any, and the status of litigation.

REVIEW OF FINANCIAL PERFORMANCE

The Company has registered Turnover of Rs. 4,833 lac for the current year as against the previous year Turnover of Rs. 4,268 lac recording a growth of 13% mainly due to higher crude oil prices.

The Company's Other Income for the current year mainly consists of income from Investment of surplus funds. Other Income for the current year has reduced to Rs. 950 lac against the previous year of Rs. 1,250 lac, a fall of 24% due to lower dividend earned on Mutual Fund Investments and their disposals.

Field Operating Expenses for the current year is Rs. 1,774 lac as against the previous year of Rs. 1,716 lac an increase of 3% due to increase in hire charges of the production rig and insurance cost.

Corporate expenses for the year is Rs. 398 lac as against Rs. 192 lac for the previous year. The rise is mainly due to legal expenses at joint ventures level, recruitment expenses, foreign exchange fluctuations and staff expenses.

There is a marginal increase in Profit Before Tax, provisions, depreciation and depletion for the current year, which is Rs. 3,611 lac, as against Rs. 3,601 lac for previous year.

Provision and Write Offs for the current year is Rs. 1,654 lac as against Rs. 157 lac for the previous year as during the year the Company has written off unsuccessful exploration expenses in CB-OS-1 block and the Tarapur block was relinquished.

Depreciation and Depletion for the current year is Rs. 1,442 lac as against Rs. 1,282 lac for the previous year, an increase of 12% mainly due to capital expenditure on drilling of well in PY-3 block.

Profit After Tax for the current year is Rs. 1,161 lac as against Rs. 1,547 lac for the previous year, a reduction of 25% mainly due to provision for write offs, higher corporate expenses, hire charges, depletion and depreciation charge. The reduction in other income has also contributed to the reduction in Profits. However, after considering profit brought forward, the profit available for appropriation for the current year is Rs. 2,907 lac as against Rs. 2,490 lac for the previous year.

HUMAN RESOURCES

The Company has well defined and laid out Human Resource Policies. The Company believes in focusing on the development needs of the employees and deputed employees to various conferences, seminars and training programmes. The Company has young dedicated and motivated team of professional with a zeal to grow.

The number of employees as at 31st March 2003 is 56.

AUDITORS' REPORT

TO THE MEMBERS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

1. We have audited the attached Balance Sheet of **HINDUSTAN OIL EXPLORATION COMPANY LIMITED** as at March 31, 2003, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company. Our comments exclude matters relating to the Company's joint ventures, which are not subject to audit under the Companies Act, 1956.
4. (a) The Accounts have been drawn up in accordance with the statement of Significant Accounting Policies (Schedule 12). Accounting Policy 2 relating to the "Successful Efforts Method" and treatment of exploration and development costs are significant to the oil and gas exploration and production industry.
(b) Categorisation of wells as exploratory and producing and the depletion of producing wells on the basis of proved developed hydrocarbon reserves are made according to technical evaluation by the Management, on which we have placed reliance.
5. (a) The accounts include assets aggregating Rs. 170,580,182, liabilities aggregating Rs. 48,349,865, income aggregating Rs. 21,317 and expenditure aggregating Rs. 316,626,462 relating to the Company's share in five Production Sharing joint ventures, which have been incorporated on the basis of accounts audited by other auditors.
(b) *In respect of four Production Sharing joint ventures, exploration expenditure aggregating Rs. 5,898,086, development expenditure aggregating Rs. 193,331,140, other assets aggregating Rs. 20,815,514 and liabilities aggregating Rs. 6,527,055 have been incorporated on the basis of the information available, in the absence of audited accounts.*
6. Further to our comments in the Annexure referred to in paragraph 3 above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit, *except to the extent of the amounts relating to four Production Sharing joint ventures referred to in paragraph 5(b) above in respect of which audited accounts for the year ended March 31, 2003 have not been received;*
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to non-disclosure of the amounts payable to Small Scale Industrial undertakings as stated in Note 5 and particulars



of stores consumption as stated in Note 14(b), give the information required by the Companies Act, 1956, in the manner so required and, *subject to our comments in paragraph 5(b) to the extent of the unaudited amounts relating to the four joint ventures referred to therein*, give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;
- (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

7. According to the information and explanations given to us and on the basis of the written representations from the directors, taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2003 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Place : Mumbai
Date : June 19, 2003

Nalin M. Shah
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. The Company has maintained proper records showing full particulars, including quantitative details and location of fixed assets. Fixed assets have not been physically verified during the year. However, there is a regular periodic programme of verification, the frequency of which is reasonable.
2. The fixed assets of the Company have not been revalued during the year.
3. The Company carries out its business activity through Production Sharing joint ventures, whose accounts are not subject to audit under the Companies Act, 1956. Under the circumstances, we are unable to comment on the procedures relating to physical verification of stock. However, in our opinion, the valuation of stock of stores and crude oil is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
4. The Company has not taken any loan from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
5. The terms and conditions of loans given to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not *prima facie* prejudicial to the interests of the Company. We are informed that there are no companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
6. In respect of loans given by the Company, parties have been regular in payment of interest, where due, and have also been regular in repayment of principal amounts *except in respect of loans to the subsidiary where the principal amounts have not been received as stipulated*. We are informed that the Management is taking appropriate steps to recover the amounts due.
7. The Company has a reasonable internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and sale of crude oil.
8. According to the register of contracts maintained under Section 301 of the Companies Act, 1956 examined by us, there were no purchases of goods and material or sales of goods, materials and services made in pursuance of contracts or arrangements entered therein and aggregating during the year to Rs. 50,000/- or more in respect of each party.
9. The Company has not accepted any deposit from the public.
10. The internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
11. According to the records of the Company, provident and pension funds dues have been regularly deposited with the appropriate authorities. We are informed that the Employees' State Insurance Scheme is not applicable to the Company.
12. According to the records of the Company examined by us, there were no undisputed amounts payable in respect of income-tax, sales tax, wealth tax and custom duty outstanding as at March 31, 2003 for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
14. In respect of the services rendered by the Company, there is an adequate system of allocation of man-hours to relative jobs.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Place : Mumbai
Date : June 19, 2003

Nalin M. Shah
Partner

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	Rupees	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
SCHEDULE 1			
SHARE CAPITAL			
AUTHORISED			
100,000,000 Equity Shares of Rs. 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
ISSUED			
58,777,910 Equity Shares of Rs. 10 each		<u>587,779,100</u>	<u>587,779,100</u>
SUBSCRIBED AND PAID-UP			
58,744,935 Equity Shares of Rs. 10 each fully paid		587,449,350	587,449,350
Add : Amount paid-up on shares forfeited		<u>160,115</u>	<u>160,115</u>
		<u>587,609,465</u>	<u>587,609,465</u>
 SCHEDULE 2			
RESERVES AND SURPLUS			
Share Premium		1,001,765,038	1,001,765,038
General Reserve			
Opening Balance	3,870,000		0
Transferred from Profit and Loss Account	<u>0</u>		<u>3,870,000</u>
		3,870,000	3,870,000
Balance in Profit and Loss Account		<u>237,701,665</u>	<u>174,640,468</u>
		<u>1,243,336,703</u>	<u>1,180,275,506</u>

SCHEDULE 3
FIXED ASSETS

Name of the Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at March 31, 2002 Rs.	Additions Rs.	Deductions Rs.	As at March 31, 2002 Rs.	For the Year Rs.	Deductions Rs.	As at March 31, 2003 Rs.	As at March 31, 2002 Rs.	
Producing Properties	835,980,983	56,604,561	127,541	563,868,796	199,237,803	0	703,106,599	189,351,404	272,112,187
OTHER FIXED ASSETS:									
Land-Freehold	3,443,132	1,380	0	3,444,512	0	0	0	3,444,512	3,443,132
Buildings	43,789,094	285,486	0	44,074,580	1,596,118	0	16,970,766	27,103,814	28,414,446
Office Equipments	11,546,041	820,411	46,350	12,320,102	869,355	10,127	7,998,473	4,321,629	4,406,796
Computers	14,123,384	1,397,109	204,135	15,316,358	1,776,582	189,525	12,685,739	2,630,619	3,024,702
Office Furniture	7,289,734	5,242	0	7,294,976	249,235	0	6,190,967	1,104,009	1,348,002
Plant & Machinery	65,559,936	49,391	138,987	65,470,340	37,492	127,541	65,382,860	87,480	87,027
Vehicles	3,534,827	3,183,474	2,493,647	4,224,654	955,109	1,648,468	1,490,646	2,734,008	1,350,822
Total (A):-	985,267,131	62,347,054	3,010,660	1,044,603,525	144,721,694*	1,975,661	813,826,050	230,777,475[@]	314,187,114[@]
Capital Work in Progress									
Development Expenditure	186,789,777	19,998,191	0	206,787,968	0	0	0	206,787,968	186,789,777
Exploration Expenditure	152,279,539	134,374,181	182,639,473	104,014,247	0	0	0	104,014,247	152,279,539
Others	0	325,669	0	325,669	0	0	0	325,669	0
Total (B):-	339,069,316	154,698,041	182,639,473	311,127,884	0	0	0	311,127,884	339,069,316
Grand Total (A+B):-	1,324,336,447	217,045,095	185,650,133	1,355,731,409	144,721,694	1,975,661	813,826,050	541,905,359	653,256,430
Previous year	966,205,755	362,375,038	4,244,346	1,324,336,447	128,706,683	561,567	671,080,017	653,256,430	423,270,854
Other Fixed Assets include the Company's share in Joint Venture Assets									
	70,639,804	498,728	530,949	68,346,946	523,802	304,226	68,566,522	2,041,061	2,292,858

* including Rs. 100,360 (previous year: Rs. 261,262) charged to Exploration Expenditure, Rs. 268,722 (previous year: Rs. 294,094) charged to Producing Properties and Rs. 154,720 (previous year Nil) charged to Development Expenditure.

@ including Rs. 1,652,531 (previous year: Rs. 1,835,478) considered for depletion of Producing Properties.

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
SCHEDULE 4		
INVESTMENTS (FULLY PAID)		
TRADE		
LONG TERM		
INVESTMENT IN SUBSIDIARY COMPANY		
50,002 Equity Shares of Rs. 100 each of HOEC Bardahl India Ltd.	5,000,200	5,000,200
QUOTED		
— (31.03.02 : 3,500) Equity Shares of Rs. 10 each of Reliance Petroleum Ltd.	0	50,000
318 (31.03.02 : Nil) Equity Shares of Rs.10 each of Reliance Industries Ltd.*	49,953	0
(* 3,500 Equity Shares of Reliance Petroleum Ltd. having a paid up value of Rs. 10 each converted in to fully paid Equity Shares of Rs. 10 each of Reliance Industries Ltd.)		
UNQUOTED		
— 17.5% Secured Redeemable Non-convertible bonds of Rs. 5,000 each of Sardar Sarovar Narmada Nigam Ltd.	0	980,000
100,000 Equity Shares of Rs. 10 each of Gujarat Securities Ltd.	1,000,000	1,000,000
CURRENT		
UNQUOTED		
— (31.03.02 : 5,519,980.445) Units of Rs. 10 each of HDFC Income Fund	0	57,740,283
— (31.03.02 : 3,122,971.615) Units of Rs. 10 each of Prudential ICICI Income Plan	0	32,888,311
— (31.03.02 : 2,754,820.937) Units of Rs. 10 each of DSP Merrill Lynch Bond Fund	0	30,000,000
— (31.03.02 : 3,000,000.000) Units of Rs. 10 each of Birla Income Plus	0	30,000,000
— (31.03.02 : 3,766,478.343) Units of Rs. 10 each of Alliance Income Fund	0	40,000,000
— (31.03.02 : 3,734,827.264) Units of Rs. 10 each of JM Income Fund	0	40,000,000
— (31.03.02 : 1,522,079.864) Units of Rs. 10 each of IL&FS Bond Fund	0	15,221,205
— (31.03.02 : 2,513,098.690) Units of Rs. 10 each of HDFC-Short Term Plan	0	25,131,000
1,888,404.96 (31.03.02 : Nil) Units of Rs. 10 each of HDFC-Liquid Fund	19,138,133	0
1,584,067.36 (31.03.02 : Nil) Units of Rs. 10 each of JM Short Term Fund	16,624,470	0
	41,812,756	278,010,999
Less: Provision for Diminution in value of Investments	6,000,198	11,043,715
	35,812,558	266,967,284
Aggregate cost of quoted investments	49,953	50,000
Market value of quoted investments	87,911	90,475
Aggregate cost of unquoted investments	35,762,605	266,917,284



	Rupees	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
SCHEDULE 5			
CURRENT ASSETS, LOANS AND ADVANCES			
CURRENT ASSETS			
Interest accrued on Investments		0	69,459
Interest accrued on Deposits		11,460,134	12,559,774
INVENTORIES			
Crude Oil		18,470,458	51,024,378
Stores and Spares		12,474,587	16,916,028
SUNDRY DEBTORS (Unsecured, considered good)			
Due for more than six months		2,075,616	9,048,971
Others		34,916,997	1,672,689
CASH AND BANK BALANCES			
Cash and Cheques on hand	111,933		106,318
With Scheduled Banks			
Current Accounts	11,906,698		28,735,272
Deposit Accounts (See Note 1)	297,157,592		230,079,312
With Non-Scheduled Banks			
Current Accounts (See Note 2)	233,970		19,647,344
		<u>309,410,193</u>	<u>278,568,246</u>
		<u>388,807,985</u>	<u>369,859,545</u>
LOANS AND ADVANCES			
(Considered good, unless stated otherwise) (See Note 3)			
Loans and Advances to the subsidiary [including interest accrued Rs. 196,353 (Previous Year : Rs. 197,844)]		20,138,020	20,139,787
Advances recoverable in cash or in kind or for value to be received (See Note 4)		46,647,072	73,702,312
Claims Recoverable		10,521,306	7,718,689
Inter-Corporate Deposits		787,500,000	550,000,000
Advance Taxes		190,779,909	166,548,460
		<u>1,055,586,307</u>	<u>818,109,248</u>
Less : Provision for Doubtful Claims/Loans [including for loan to subsidiary Rs. 8,642,000 (Previous Year : Rs. 12,942,000)]		12,706,809	17,197,000
		<u>1,042,879,498</u>	<u>800,912,248</u>
		<u>1,431,687,483</u>	<u>1,170,771,793</u>

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
SCHEDULE 6		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors (See Note 5)	72,461,423	149,355,053
Unclaimed Dividend	0	753,397
Investor Education and Protection Fund		
Unpaid Dividend #	2,253,674	0
Other Liabilities	7,275,709	1,952,891
	<u>81,990,806</u>	<u>152,061,341</u>
PROVISIONS		
Provision for Contingencies	10,500,000	10,500,000
Provision for Leave Encashment	2,656,000	2,008,000
Provision for Site Restoration	36,693,583	25,206,043
Provision for Taxation	100,665,562	80,087,730
Proposed Dividend	46,995,948	70,493,922
	<u>197,511,093</u>	<u>188,295,695</u>
	<u>279,501,899</u>	<u>340,357,036</u>

#This does not include any amount due and outstanding, to be credited to Investor Education and Protection Fund.

	Current Year Rupees	Previous Year Rupees
SCHEDULE 7		
SALES		
Sale of Crude Oil	540,652,647	418,843,702
Less: Profit Petroleum surrendered to Government of India	24,830,489	0
	<u>515,822,158</u>	<u>418,843,702</u>

	Current Year Rupees	Previous Year Rupees
SCHEDULE 8		
OTHER INCOME		
Interest Income (Gross) (See Note 6)	77,769,200	71,180,370
Tax deducted at source Rs. 14,736,309 (Previous Year : Rs. 12,998,450)		
Income from Current Investments	7,786,627	27,520,613
Tax deducted at source Rs. 752,941 (Previous Year : Rs. 16,320)		
Income from Long Term Investments	138,155	176,260
Tax deducted at source Rs. 28,854 (Previous Year : Rs. 35,651)		
Net Profit on Sale of Assets (including capital profit : Nil)	341,965	79,441
(Previous Year : Rs. 97,212)		
Profit on Sale of Investments	3,301,315	22,128,309
Gain on foreign exchange fluctuation	0	3,828,869
Miscellaneous Income	5,695,199	105,361
	<u>95,032,461</u>	<u>125,019,223</u>



	Current Year Rupees	Previous Year Rupees
SCHEDULE 9		
FIELD OPERATING EXPENSES		
Hire Charges	147,045,910	143,586,917
Insurance	9,659,620	6,264,900
Fuel, Water and Others	5,474,434	4,515,099
Production Expenses	3,279,213	3,386,317
Other Expenses	9,197,697	10,987,522
Royalty, Cess & Processing Charges	2,731,785	2,859,704
	<u>177,388,659</u>	<u>171,600,459</u>

SCHEDULE 10**CORPORATE EXPENSES****A) STAFF EXPENSES**

Salaries, Allowances and Bonus	15,333,341	11,514,617
Contribution to Provident and Other Funds	2,542,879	1,840,396
Welfare Expenses (including provision for leave encashment Rs. 648,000) (Previous Year Rs. 364,000)	3,027,693	2,312,462
	<u>20,903,913</u>	<u>15,667,475</u>

B) ESTABLISHMENT EXPENSES

Rates and Taxes	427,346	456,299
Repairs and Maintenance	999,272	965,669
General Office Expenses	317,461	135,372
Electricity	1,001,126	1,031,926
	<u>2,745,205</u>	<u>2,589,266</u>

	Rupees	Current Year Rupees	Previous Year Rupees
SCHEDULE 10 (Contd...)			
C) OTHER EXPENSES			
Advertisement and Publicity		1,127,212	75,040
Auditors' Remuneration #			
Audit Fees	300,000		180,000
Tax Matters	97,500		152,500
Other Matters	245,250		102,500
Reimbursement of Expenses	54,542		50,292
Service Tax	42,188		19,750
		739,480	
Bank Charges and Commission		1,324,724	842,481
Books and Periodicals		55,202	55,412
Computer Expenses		382,902	358,407
Directors' Fees		98,000	46,750
Insurance		123,696	75,487
Travelling & Conveyance		4,874,421	3,966,831
Communication Expenses		2,058,787	2,008,523
Legal and Professional Expenses		21,390,161	2,834,889
Membership and Subscription		453,723	463,589
Printing and Stationery		1,083,551	828,220
Loss on foreign exchange fluctuation		1,194,705	0
Miscellaneous Expenses		4,233,563	2,969,880
		39,140,127	15,030,551
D) Less: RECOVERY OF EXPENSES		23,002,981	14,100,186
		39,786,264	19,187,106
# Auditors' Remuneration excludes fees paid to a firm in which the partner of the audit firm is a partner		278,988	164,155

SCHEDULE 11

PROVISIONS AND WRITE OFFS

Provision for diminution in value of current Investments		(5,043,517)	523,290
Provision for site restoration		12,070,488	13,849,848
Provision for doubtful claims/loans		(4,300,000)	0
Exploration Expenses written off (See note 2 of Schedule 12)		162,223,839	0
Share Issue Expenses written off		287,500	1,298,790
Signature Bonus Written off		208,333	0
		165,446,643	15,671,928



SCHEDULE 12

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The Accounts of the Company have been prepared using the accrual concept on a going concern basis consistently.

2. Exploration and Development Costs

The Company generally follows the "Successful Efforts" method of accounting for its exploration and production activities as explained below:

- (i) Cost of exploratory wells, including survey costs, is expensed in the year when determined to be dry/abandoned or is transferred to the producing properties on attainment of commercial production.
- (ii) Cost of temporary occupation of land, successful exploratory wells, development wells and all related development costs, including depreciation on support equipment and facilities, are considered as development expenditure. These expenses are capitalised as producing properties on attainment of commercial production.
- (iii) Producing properties, including the cost incurred on dry wells in development areas, are depleted using "Unit of Production" method based on estimated proved developed reserves. Any changes in Reserves and/or Cost are dealt with prospectively. Hydrocarbon reserves are estimated and/or approved by the Management Committees of the Joint Ventures, which follow the International Reservoir Engineering Principles.

3. Site Restoration

Estimated future liability relating to dismantling and abandoning producing well sites and facilities whose estimated producing life is expected to end during next ten years is provided in proportion to the production for the year and remaining estimated proved reserves of hydrocarbons based on latest technical assessment available with the Company.

4. Joint Ventures

The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on line by basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various joint venture agreements.

5. Fixed Assets

Fixed Assets are stated at cost inclusive of all incidental expenses.

6. Depreciation

- (i) Depreciation is provided on the "Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (ii) In case of additions during the year, depreciation is provided for the full year irrespective of the date of installation and no depreciation is provided in the year of sale/disposal.

7. Investments

Investments are capitalised at cost plus brokerage and stamp charges. Long term investments are valued at cost. Provision is made for permanent diminution in the value of long term investments. Current investments are valued at the lower of cost and market value on individual scrip basis.

8. Inventories

- (i) Closing stock of crude oil in saleable condition is valued at direct cost or net realisable value, whichever is lower.
- (ii) Stores and spares are valued at cost on FIFO basis or market price, whichever is lower.

9. Miscellaneous Expenditure

- (i) Share issue expenses are written off over a period of ten years commencing from the year of issue in accordance with the provision under section 35D of the Income Tax Act, 1961.

- (ii) "Signature Bonus" paid upon signing of Production Sharing Contract is considered as deferred revenue expense to be written off over three to five years commencing from the year of payment, depending on the size of the field.

10. Revenue Recognition

- (i) Revenue from the sale of crude oil, net of the Government's share of profit oil, is recognised on transfer of custody to refineries/others.
- (ii) Sale is recorded at the invoiced price, which is subject to the approval of the Government of India, Ministry of Petroleum & Natural Gas (MOP&NG). The difference between the invoiced price and the final approved price, if any, is adjusted in the year in which the aforesaid approval is received.

11. Retirement Benefits

The Company has defined contribution plan for Provident Fund and benefit-defined Superannuation Fund and the Company's contributions thereto are charged to the Profit and Loss Account.

The Company has participated in Group Gratuity cum Life Assurance Scheme of Life Insurance Corporation of India for gratuity payable to the employees and contribution thereto is charged to the Profit & Loss Account.

Provision for leave encashment is made as per actuarial valuation basis as at the end of the financial year.

12. Foreign Currency Transactions

- (i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.
- (ii) Monetary items denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at the year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the contract.
- (iii) Any gain or loss arising on account of exchange difference on settlement or translation is recognised in the Profit and Loss Account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying costs of such assets.

13. Taxation

The Company adopts full provision basis for deferred tax without discounting, in accordance with the Accounting Standard 22 on Accounting for Taxes on Income. Provision for deferred tax asset/liability is made for timing differences which have arisen but not reversed at the balance sheet date and are expected to reverse in the foreseeable future.

SCHEDULE 13

NOTES FORMING PART OF THE ACCOUNTS

1. Deposit with scheduled banks includes deposit of Rs.19,157,800 (Previous Year: Rs.17,520,000) placed as "Site Restoration Fund" under Section 33 ABA of the Income Tax Act, 1961.
2. The balances with non-scheduled banks represent the balances with Barclays Bank, London. The maximum amount outstanding at any time during the year in respect of this account is Rs. 30,611,771 (Previous Year: Rs. 56,762,895).
3. Out of the total Loans and Advances, amounts aggregating Rs. 292,113 (Previous Year: Rs. 263,646) are secured.
4. Advances receivable in cash or kind or for value to be received include Rs. 1,354,621 (Previous Year: Rs. 1,354,621) paid towards capital commitment.
5. Sundry Creditors include Rs. 12,071 (Previous Year: Rs. 15,478) due to small-scale industrial undertakings to the extent such parties have been identified by the Management from available information. This does not include information of Joint Ventures as the same is not available.
6. Interest Income includes interest on :

	<u>Current Year</u> <u>Rupees</u>	<u>Previous Year</u> <u>Rupees</u>
Deposits	70,633,424	69,178,658
Loan to Subsidiary	1,008,000	1,007,999
Staff Loans	27,791	277,656
Income Tax refund	6,099,985	716,057
Total	<u>77,769,200</u>	<u>71,180,370</u>



7. Remuneration to the Managing Director:

	<u>Current Year</u> <u>Rupees</u>	<u>Previous Year</u> <u>Rupees</u>
Salary	820,000	760,000
Contribution to Provident and Superannuation Funds	221,400	205,200
Perquisites	556,273	557,774
Total	<u>1,597,673</u>	<u>1,522,974</u>

The above figures do not include contribution to Gratuity Fund and liability for leave encashable, as separate figures are not available.

8. Expenditure in Foreign Currency (on cash basis, excluding share in Joint Ventures):

	<u>Current Year</u> <u>Rupees</u>	<u>Previous Year</u> <u>Rupees</u>
Travelling	118,346	349,135
Membership & Subscription	5,967	22,739
Insurance	19,605,241	0
Others	16,772	53,123

9. CIF value of Imports. (Excluding share in Joint ventures)

Capital Items	0	2,247,032
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10. Contingent Liabilities:

In respect of Bank Guarantees	25,520,894	51,186,331
In respect of Guarantee for Housing Loan to employees	6,296,856	5,331,371
Estimated amount of contract remaining to be executed on capital account and not provided for. (excluding Company's share of Joint Ventures' commitments)	3,110,859	3,028,359
Others	1,300,000	0

11. Claims against the Company not acknowledged as debt 112,506,530 12,337,094

12. The Government had encashed the Performance Bank Guarantee of Rs. 101.49 lac for PG Block abandoned by the Consortium under the *force majeure* clause of the Production Sharing Contract (PSC). The Government has also raised an additional demand of Rs. 1,708.76 lac (including interest) (Previous Year: Rs. 1,485.68 lac). The Company has been legally advised that the said actions of the Government are not justified. The Company has initiated legal proceeding as per the provisions of the PSC in the matter. Pending the outcome of this, provision has been made in this regard to the extent of Rs. 105 lac (Previous Year: Rs. 105 lac).

13. The Company has issued letter of indemnity to the Government of India towards claims or damages, if any, arising due to the withdrawal of M/s Amec Process & Energy Limited, U.K. (AMEC) from Consortium of North Balol, Unawa, North Kathana, Kanawara, Dholasan & Allora originally awarded to the Company alongwith Gujarat State Petroleum Corporation Limited and AMEC/Heritage, U.K. [Refer Note 16 (b)].

Due to the nature of the indemnification, its financial impact is not ascertainable.

14. In case of PY 1 block, consequent upon the default in payment of cash call by Energy Equity India Petroleum Pty. Ltd. (EEIPL), partner in PSC, its share in the block has been forfeited. The settlement of the forfeiture is under arbitration before the London Court of International Arbitration. Settlement amount, if any, payable will be accounted on receipt of final award.

15. a) The Company is not a manufacturing company but is a partner in various consortiums engaged in the prospecting, exploring and producing of oil and gas. The information given below as required under items 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 represents the Company's share in the joint ventures.

(i) **SALES TURNOVER**

Description	Unit	Quantity	Value (Rs.)
Crude oil	Bbl.	409,677	540,652,647
Less: Profit petroleum surrendered to Government of India			24,830,489
Net			515,822,158
		(394,361)	(418,843,702)

(ii) **OPENING AND CLOSING STOCK OF GOODS PRODUCED**

Description	Unit	Quantity	Value (Rs.)
Opening Stock			
Crude Oil	Bbl.	69,363	51,024,378
		(73,543)	(43,039,010)
Closing Stock			
Crude Oil	Bbl.	21,701	18,470,458
		(69,363)	(51,024,378)

(iii) **LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION**

Description	Unit	Licensed Capacity Per Annum	Installed Capacity Per Annum	Actual Production for the year
Crude Oil	Bbl.	N.A.	N.A.	362,043 (390,208)

Figures in the brackets relate to Previous Year.

- b) Particulars relating to consumption of stores and spares have not been given in the absence of information in the Joint Ventures' accounts.
16. Details of the Partners and their shares in the respective Joint Ventures entered into by the Company as on March 31, 2003 are as follows:

Joint Ventures#	Partners	Share (%)
(a) Licensed Production Sharing Contracts: CY-OS/90-1 (PY-3)	Hardy Exploration & Production (India) Inc.	18
	Oil and Natural Gas Corporation Ltd.	40
	Hindustan Oil Exploration Company Ltd.	21
	Tata Petrodyne Ltd.	21
Asjol Block	Hindustan Oil Exploration Company Ltd.	50
	Gujarat State Petroleum Corporation Ltd.	50
PY-1*	Mosbacher (India) LLC.	53.85
	Hindustan Oil Exploration Company Ltd.	46.15
CB-OS-1 (Cambay)	BG Exploration & Production (India) Inc.	62.64
	Hindustan Oil Exploration Company Ltd.	17.36
	Oil & Natural Gas Corporation Ltd.	10.00
	Tata Petrodyne Ltd.	10.00



Joint Ventures#	Partners	Share (%)
Pranhita Godavari**	Hindustan Oil Exploration Company Ltd.	75
	Mafatlal Industries Ltd.	25
AAP-ON-94/1	Premier Oil North East India BV	38
	Indian Oil Corporation Ltd.	27
	Hindustan Oil Exploration Company Ltd.	25
	Oil India Limited	10
CB-ON-7	Hindustan Oil Exploration Company Ltd.	50
	Gujarat State Petroleum Corporation Ltd.	50
CY-OSN-97/1*	Mosbacher (India) LLC.	70
	Hindustan Oil Exploration Company Ltd.	30
North Balol	Hindustan Oil Exploration Company Ltd.	25
	Gujarat State Petroleum Corporation Ltd.	45
	Heramec Limited	30
(b) Production Sharing Contracts awaiting Mining Lease license:		
Unawa	Hindustan Oil Exploration Company Ltd.	25
	Gujarat State Petroleum Corporation Ltd.	45
	Heramec Limited	30
Kanawara	Heramec Limited	30
	Gujarat State Petroleum Corporation Ltd.	45
	Hindustan Oil Exploration Company Ltd.	25
Allora	Heramec Limited	30
	Gujarat State Petroleum Corporation Ltd.	45
	Hindustan Oil Exploration Company Ltd.	25
Dholasan	Heramec Limited	30
	Gujarat State Petroleum Corporation Ltd.	45
	Hindustan Oil Exploration Company Ltd.	25
North Kathana	Heramec Limited	30
	Gujarat State Petroleum Corporation Ltd.	45
	Hindustan Oil Exploration Company Ltd.	25

All the Joint Ventures are for the blocks awarded within the territorial limit of India.

* Revised share in respect of these Joint Ventures, as indicated above, is subject to the approval of the Ministry of Petroleum and Natural Gas (MOP&NG), Government of India.

** Approval of MOP&NG, Government of India, for the closure of this Joint Venture under *force majeure* clause of the Production Sharing Contract is awaited (See note 12).

17. As per the Accounting Standard on 'Related Party Disclosures' (AS 18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows:

(A) Subsidiary Company : HOEC Bardahl India Limited.

(B) Joint Ventures : As per details given in Note 16.

As stated in item 4 of Significant Accounting Policies (Schedule 12), the financial statements of the Joint Ventures are incorporated in the Company's accounts. Hence, particulars of transactions with the Joint Ventures have not been separately disclosed.

(C) Key Management Personnel : Mr. Ajit C. Kapadia

The Nature and volume of transactions of the Company during the year with the above parties were as follows:

Particulars	Rupees		
	Subsidiary Company	Joint Ventures' Partners	Key Management Personnel
INCOME			
– Interest	1,008,000		
EXPENDITURE			
– Remuneration			1,597,673
– Recovery of Expenses		12,005,805	
ASSETS			
– Loans & Advances	20,138,020		

18. As stated in item 13 of Significant Accounting Policies (Schedule 12), deferred tax asset and liability has been calculated as under:

	Current Year Rupees	Previous Year Rupees
Deferred tax asset		
Exploration Expenses	155,105,000	103,475,800
Provisions for Contingencies and Doubtful loans	8,395,000	10,178,700
Site Restoration	6,292,000	2,824,600
Provision for diminution in value of current investments	0	1,853,500
Leave encashment	363,000	0
Sub total (A)	170,155,000	118,332,600
Deferred tax liability		
Depreciation on Fixed Assets	2,740,000	2,522,600
Producing Properties	67,939,000	100,001,000
Sub total (B)	70,679,000	102,523,600
Net deferred tax asset (A–B)	99,476,000	15,809,000

19. Particulars of Dividend paid to non-resident shareholders (including Foreign Institutional Investors) are as under:

Year to which the dividend relates	2001-02	2000-01
Number of non-resident shareholders	961	1,126
Number of equity shares held by them	20,966,899	21,086,958
Gross amount of dividend	Rs. 25,160,279	Rs. 10,543,491

20. Earning Per Share:

The basic/diluted earning per equity share is calculated as stated below:

	Current Year Rupees	Previous Year Rupees
Net Profit after tax	116,078,501	154,740,848
Weighted average numbers of equity shares	58,744,935	58,744,935
Basic/Diluted Earnings per Share (EPS)	1.98	2.63
Nominal Value of share	10	10

21. Previous year's figures have been regrouped wherever necessary.



STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

NAME OF THE SUBSIDIARY **HOEC BARDAHL INDIA LIMITED**

1.	The Financial year of the subsidiary ended on	March 31, 2003
2.	(a) Number of Shares held by Hindustan Oil Exploration Company Ltd. (holding company) as on March 31, 2003	50,002 Equity Shares of Rs. 100/- each fully paid
	(b) Extent of interest of the holding company at the end of the financial year of the subsidiary	100%
3.	Date from which it became a subsidiary	March 30, 1992
4.	The net aggregate amount of Profit/(Loss) of the subsidiary so far as it concerns the members of the holding company:	
	(a) not dealt with in the holding company's accounts:	
	(i) for the financial year of the subsidiary	NIL
	(ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary	NIL
	(b) dealt with in the holding company's accounts:	
	(i) for the financial year of the subsidiary	Rs. 3,379,692
	(ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary	Rs. (17,020,525)

Mr. Ajit C. Kapadia <i>Managing Director</i>	Directors
Mr. Amit Shah <i>Deputy General Manager (Finance & Accounts)</i>	Mr. Manu R. Shroff Mr. Rasesh N. Mafatlal Mr. Ronald S. Somers Mr. Vimal Bhandari
Mr. Ketan Thaker <i>Assistant Company Secretary</i>	Place : Mumbai Date : June 19, 2003

Disclosure as required under Clause 32 of Listing Agreement:
Loans and Advances in the nature of loans to Subsidiaries and Associates.

	Name	Amount outstanding as at 31st March 2003§	Maximum Amount outstanding during the year	Investments in Company's Shares (Nos.)
Subsidiary	HOEC Bardahl India Limited	1,15,41,667@	1,15,41,667	Nil
	HOEC Bardahl India Limited	84,00,000*	84,00,000	—

@ Interest Free
* Interest @ 12% p.a.
§ Due for repayment on 31st March 2004

(I) Registration Details

Registration No.	29880
State Code	04
Balance Sheet Date	31.03.2003

(II) Capital raised during the year

(Rs. in Thousand)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

(III) Position of Mobilisation and Deployment of Funds

(Rs. in Thousand)

Total Liabilities	2,110,448
Total Assets	2,110,448

Sources of Funds

Paid-up Capital	587,609
Reserves and Surplus	1,243,337
Secured Loans	NIL
Unsecured Loans	NIL

Application of Funds

Net Fixed Assets	541,905
Investments	35,812
Deferred Tax Asset	99,476
Net Current Assets	11,52,186
Miscellaneous Expenditure	1,567
Accumulated Losses	NIL

(IV) Performance of the Company

(Rs. in Thousand)

Turnover	578,300
Total Expenditure	526,819
Profit Before Tax	51,481
Profit After Tax	116,079
Earnings Per Share	(in Rs.) 1.98
Dividend rate %	8%

(v) Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	270900
Product Description	CRUDE OIL



BOARD OF DIRECTORS Mr. Ajit C. Kapadia *Chairman*
(upto 31st July 2003)
Mr. Rakesh Jain *Chairman*
(from 1st August 2003)

Dr. Vipul D. Desai *Director*
Mr. Haren D. Parekh *Director*

AUDITORS

M/s. H. R. Lalka & Co.
Chartered Accountants, Mumbai

BANKERS

HDFC Bank Limited
'HOEC House', Tandalja Road,
Off Old Padra Road,
Vadodara-390 020.

REGISTERED OFFICE

CORPORATE OFFICE

Anand House, Khatwari Darbar
Road, Off Linking Road,
Khar (West), Mumbai 400 052.

DIRECTORS' REPORT

TO THE MEMBERS OF HOEC BARD AHL INDIA LIMITED

The Directors have pleasure in giving their Report and the Audited Accounts for the Financial Year ended on March 31, 2003.

ANNUAL RESULTS

We are happy to report a successful year with a growth in sales of 24% over the previous year. The profit before tax was Rs. 37.12 Lacs as compared to a profit of Rs. 7.65 Lacs in the previous year.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2002-2003	2001-2002
Turnover	265.44	213.78
Profit/(Loss) Before Tax	37.12	7.65
Less: Provision for Tax	3.05	0
Profit After Tax	34.07	7.65
Add : Loss brought forward from Previous year	(170.21)	(177.69)
Loss carried forward to Balance Sheet	(136.41)	(170.21)

OPERATIONS REVIEW

Continuing the growth from last year's turnaround, our Company has made inroads into new segment and areas, with encouraging results, which are evident. Our "Special Injector Klene" has also been approved by TVS for use in their two wheelers. Bulk sale to industrial users for application in DG sets, Boilers, etc. has increased manifold. The Company continues to pursue with other automobile OEM's for approvals & endorsements. The Company's outlook for the new year is also encouraging and endeavours to achieve the best.

DIRECTORS

Mr. Ajit C. Kapadia and Dr. Vipul D. Desai will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

EMPLOYEES

During the year, there was no employee in respect of whom information as per Section 217(2A) of the Companies Act, 1956, is required to be given in the Directors' Report.

RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a 'going concern' basis.

COMPLIANCE CERTIFICATE

As per the requirements of Section 383A of the Companies Act, 1956, the Company has obtained a certificate from a Secretary in the whole time practice confirming that the Company has complied with all the provisions of the Companies Act, 1956. The certificate is attached herewith.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since the Company has no manufacturing facility, the requirements of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable. As such, the products line of your Company is to make use of any engine to work efficiently, conserving energy as well as putting out exhaust which would be ecofriendly. Particulars with respect to foreign exchange appear in Schedule 15 of the accounts.

AUDITORS

The Auditors M/s. H. R. Lalka & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGEMENT

Directors are pleased to place on record their appreciation for the hard work and dedication of all the employees. Directors would also like to thank the customers, bankers and Bardahl Manufacturing Corporation for the support given by them to the Company.

On behalf of the Board of Directors

Place : Mumbai
Date : 6th June 2003

Ajit C. Kapadia
Chairman



ANNEXURE TO DIRECTORS' REPORT

Registration No. of the Company: 04-11536

Nominal Capital: Rs.1,00,00,000/-

To
The Members
HOEC Bardahl India Limited

I/We have examined the registers, records, books, and papers of HOEC Bardahl India Limited ("the company") as required to be maintained under the Companies Act, 1956, ("the Act") and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2003 ("financial year"). In my/our opinion and to the best of my/our information and according to the examinations carried out by me/us and explanations furnished to me/us by the company, its officers and agents, I/We certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in "Annexure A" to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in "Annexure B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The company, being a public limited company, comments are not required.
4. The Board of Directors duly met four times during the year on 24th May, 2002, 17th September, 2002, 22nd October, 2002, and 7th February, 2003 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed.
5. The company has not closed its Register of Members during the financial year.
6. The annual general meeting for the financial year ended on 31st March, 2002 was held on 17th September 2002 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extraordinary general meeting was held during the financial year.
8. The company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The company was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the company was not required to obtain any approvals from the Board of Directors, members or Central Government.
12. The company has not issued any duplicate share certificate during the financial year.
13. The company:
 - (i) has not made any allotment/transfers/transmissions of securities during the financial year.
 - (ii) has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (iii) was not required to post warrants to any member of the company as no dividend was declared during the financial year.
 - (iv) was not required to transfer any amount to Investor Education and Protection Fund.
 - (v) has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director/ Whole time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agent during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares, debentures or other securities during the financial year.
20. The company has not bought back any shares during the financial year.
21. There were no outstanding debentures or preference shares and accordingly no redemption of preference shares or debentures has been made during the financial year.



22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The company has not made any borrowings during the financial year ended 31st March 2003.
25. The company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny.
27. The company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
30. The company has not altered its Articles of Association during the financial year.
31. There were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other Punishment was imposed on the company during the financial year, for offences under the Act.
32. The company has not received any money as security from its employees during the financial year.
33. The company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

**For RATHI & ASSOCIATES
Company Secretaries**

**(HIMANSHU S. KAMDAR)
Partner
C.P. No. 3030**

**Place : Mumbai
Date : 6th June 2003**

Annexure — "A"

Statutory Registers as maintained by the Company

1. Register of Members u/s. 150
2. Register of Directors, Managing Director, Manager and Secretary u/s. 303
3. Register of Directors Shareholdings u/s. 307
4. Minutes Book u/s. 193

Other Registers

1. Register of Fixed Assets
2. Register of Transfers

Annexure — "B"

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March 2003.

Sr. No.	Form No./ Return	Filed under Section	For	Date of Filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1.	Balance Sheet	220	Annual Requirement	07.10.2002	YES	—
2.	Annual Return	159	Annual Requirement	14.11.2002	YES	—



AUDITORS' REPORT

To the Members of HOEC BARDAHL INDIA LIMITED

1. We have audited the Balance Sheet of HOEC BARDAHL INDIA LIMITED as at 31st March 2003, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we annex hereto a statement on the matters specified in paragraph 4 & 5 of the said Order.
 4. Further to our comments in the annexure referred to above:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, referred to in Section 211(3C) of the Companies Act, 1956.
 - (e) On the basis of written representations made by all the Directors and taken on record by the Board of Directors, we report that no Director of the Company is disqualified as at 31st March 2003 from being appointed as Director under section 274(1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes to accounts thereon, give the information required in the manner so required by the Companies Act, 1956 and give true and fair view;
 - i. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2003,
 - ii. In the case of Profit and Loss Account of the Profit of the Company for the year ended on that date and
 - iii. In case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For H. R. LALKA & CO.
Chartered Accountants

Place : Mumbai
Date : 6 June 2003

Hiren Lalka
Proprietor



**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT
TO THE MEMBERS OF HOEC BARD AHL INDIA LIMITED**

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. All items of fixed assets have been physically verified by the Management at reasonable intervals. No material discrepancies were noticed on verification.
2. The Fixed Assets of the Company have not been revalued during the year.
3. We are informed that physical verification has been conducted by the Management during the year in respect of stocks of packed goods, unpacked goods and packing materials.
4. In our opinion, the procedures of physical verification of stocks followed by the Management are considered to be reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
6. On the basis of examination of records, we are of the opinion that valuation is fair and proper in accordance with the normally accepted accounting principles.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
9. The employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amount together with interest wherever applicable as stipulated. The terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
10. In our opinion, the internal control procedures are commensurate with the size of the Company and the nature of its business, for purchase of unpacked materials, packing materials, assets and for the sale of goods and return of goods.
11. There are no transactions of purchase of goods and materials or sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
12. As explained to us, unserviceable or damaged packing materials, unpacked goods and packed goods are determined by the Company and adequate provision for loss has been made in the accounts.
13. The Company has not accepted any deposit from the public during the year.
14. In our opinion, proper records have been maintained by the Company for sale and disposal of scrap. The Company's activities do not generate any by-products.
15. The internal audit done by a firm of Chartered Accountants appointed by the Management is commensurate with the size of the Company and nature of its business.
16. We are informed that the Central Government of India has not prescribed the maintenance of cost records by the Company under Section 209 (1)(d) of the Companies Act, 1956.
17. The Company has generally been regular in depositing Provident Fund and Employees' State Insurance dues during the year.
18. There was no undisputed amount payable in respect of income-tax, wealth-tax, sales tax, customs duty and excise duty, which were due for more than six months as at 31st March 2003.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses, charged to Profit and Loss Account nor have we been informed of any such case by the Management other than those payable under contractual obligation and/or accepted business practices.
20. The Company is not covered by the Sick Industrial Companies (Special Provisions) Act, 1985 as the Company does not own any industrial undertaking as defined in the above Act.

For H. R. LALKA & CO.
Chartered Accountants

Place : Mumbai
Date : 6 June 2003

Hiren Lalka
Proprietor



BALANCE SHEET AS AT MARCH 31, 2003

	Schedule	March 31, 2003 Rupees	March 31, 2002 Rupees
FUNDS EMPLOYED			
SHAREHOLDERS' FUNDS:			
Share Capital	1	5,000,200	5,000,200
LOAN FUNDS			
Secured Loans	2	0	78,585
Unsecured Loans	3	19,941,667	19,941,667
		<u>24,941,867</u>	<u>25,020,452</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	4	762,887	1,162,784
Less: Depreciation		436,210	589,153
NET BLOCK		<u>326,677</u>	<u>573,631</u>
CURRENT ASSETS, LOANS & ADVANCES			
	5	16,345,739	9,939,248
Less: CURRENT LIABILITIES & PROVISIONS	6	5,371,382	2,512,952
NET CURRENT ASSETS		<u>10,974,357</u>	<u>7,426,296</u>
PROFIT AND LOSS ACCOUNT			
		13,640,833	17,020,525
		<u>24,941,867</u>	<u>25,020,452</u>
Accounting Policies	14		
Notes Forming Part of Accounts	15		

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report of even date attached.

For H. R. LALKA & CO.
Chartered Accountants

Mr. Ajit C. Kapadia
Chairman

Hiren Lalka
(Proprietor)

Dr. Vipul D. Desai
Director

Mr. Haren D. Parekh
Director

Place : Mumbai
Date : 6 June 2003

Place : Mumbai
Date : 6 June 2003

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2003**

	Schedule	Current Year Rupees	Previous Year Rupees
INCOME			
Sales		26,544,252	21,378,215
Other Income	7	330,501	307,160
		<u>26,874,753</u>	<u>21,685,375</u>
EXPENDITURE AND CHARGES			
Cost of goods for resale	8	10,765,012	8,138,119
Staff Expenses	9	3,315,213	3,193,200
Establishment Expenses	10	479,073	501,274
Other Expenses	11	902,525	862,170
Marketing & Distribution Cost	12	6,538,403	5,077,043
Provisions and Write offs	13	21,012	1,690,062
Interest Cost		1,046,340	1,160,347
Depreciation		95,049	167,614
Amortised Sales Promotion Expenses Written off		0	130,709
		<u>23,162,627</u>	<u>20,920,538</u>
Profit/(Loss) for the year before tax		3,712,126	764,837
Less: Provision for Taxation		305,000	0
Profit/(Loss) for the year after tax		3,407,126	764,837
Add: Loss - Brought forward from previous year		(17,020,525)	(17,769,044)
Add: Prior Period Adjustments		(27,434)	(16,318)
Balance carried to Balance Sheet		<u>(13,640,833)</u>	<u>(17,020,525)</u>

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report of even date attached.

For H. R. LALKA & CO.
Chartered Accountants

Mr. Ajit C. Kapadia
Chairman

Hiren Lalka
(Proprietor)

Dr. Vipul D. Desai
Director

Mr. Haren D. Parekh
Director

Place : Mumbai
Date : 6 June 2003

Place : Mumbai
Date : 6 June 2003



CASH FLOW STATEMENT

	2002-2003 Rupees	2001-2002 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per Profit & Loss Account	3,712,126	764,837
Adjustments for :		
Amortisation of Promotion Expenses	0	130,709
Depreciation	95,049	167,614
Interest Expense	1,046,340	1,160,347
Provision for Doubtful Debtors	21,012	1,657,656
Provision for Doubtful Claims	0	32,406
Loss on Sale/discard of assets	50,723	42,076
Exchange Loss/(Gain)	(38,882)	23,488
Provision for leave encashment	76,000	58,000
Provision for gratuity	68,000	41,000
Interest Income	(226,143)	(18,811)
Excess Provisions written back	(11,905)	(220,873)
Recovery of bad debts written off	0	(3,399)
	<u>1,080,194</u>	<u>3,070,213</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	4,792,320	3,835,050
Adjustment for:		
Trade Debtors	(641,209)	(183,175)
Other Receivables	(187,959)	26,051
Inventories	233,963	85,127
Payables	2,409,430	317,320
CASH FROM OPERATIONS	6,606,545	4,080,373
Income Tax paid	(160,000)	0
Recovery of Bad Debts written off	0	3,399
Excess Provisions written back	11,905	220,873
Prior Period Item	(27,434)	(16,318)
	<u>(175,529)</u>	<u>207,954</u>
NET CASH FROM OPERATING ACTIVITIES	6,431,016	4,288,327
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets purchased	(79,949)	(63,824)
Fixed Assets sold	181,131	8,749
Interest received	179,021	16,210
NET CASH (USED)/RAISED FROM INVESTING ACTIVITIES	280,203	(38,865)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(1,046,340)	(1,160,347)
Secured Loan repaid	(78,585)	(119,984)
Unsecured Loan	0	(1,509,954)
Exchange (Loss)/Gain	38,882	(23,488)
NET CASH (USED)/RAISED FROM FINANCING ACTIVITIES	(1,086,043)	(2,813,773)
NET INCREASE IN CASH OR CASH EQUIVALENTS	5,625,176	1,435,689
Cash Equivalents:		
Opening Balance	1,541,814	106,125
Closing Balance	<u>7,166,990</u>	<u>1,541,814</u>
	<u>5,625,176</u>	<u>1,435,689</u>

In terms of our report of even date

For H. R. LALKA & Co.
Chartered Accountants

Hiren Lalka
(Proprietor)

Place : Mumbai
Date : 6 June 2003

Mr. Ajit C. Kapadia
Chairman

Dr. Vipul D. Desai
Director

Mr. Haren D. Parekh
Director

Place : Mumbai
Date : 6 June 2003

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED:		
1,00,000 Equity Shares of Rs. 100 each	<u>10,000,000</u>	<u>10,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP:		
50,002 Equity Shares of Rs. 100 each	<u>5,000,200</u>	<u>5,000,200</u>
(All the above Shares are held by Hindustan Oil Exploration Co. Limited, Holding Company, & its nominees)	<u>5,000,200</u>	<u>5,000,200</u>

SCHEDULE - 2

SECURED LOANS

Vehicle Loan on hire purchase basis	0	78,585
	<u>0</u>	<u>78,585</u>

SCHEDULE - 3

UNSECURED LOANS

Hindustan Oil Exploration Company Limited (Holding Company)	<u>19,941,667</u>	<u>19,941,667</u>
	<u>19,941,667</u>	<u>19,941,667</u>



SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE -4

FIXED ASSETS

NAME OF THE ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2002	Additions	Deductions	As at March 31, 2003	As at March 31, 2002	For the Year	Deductions	As at March 31, 2003	As at March 31, 2003	As at March 31, 2002
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Office Equipments	102,947	6,995	0	109,942	44,535	9,097	0	53,632	56,310	58,412
Computers	96,450	34,050	16,000	114,500	69,216	24,251	15,344	78,123	36,377	27,234
Office Furniture	76,658	380	0	77,038	46,157	5,902	0	52,059	24,979	30,501
Plant & Machinery	314,714	4,510	0	319,224	148,147	27,679	0	175,826	143,398	166,567
Dies & Moulds	108,169	34,014	0	142,183	48,450	28,120	0	76,570	65,613	59,719
Vehicle	463,846	0	463,846	0	232,648	0	232,648	0	0	231,198
TOTAL	1,162,784	79,949	479,846	762,887	589,153	95,049	247,992	436,210	326,677	573,631
PREVIOUS YEAR	1,216,912	63,824	117,952	1,162,784	488,666	167,614	67,127	589,153	573,631	728,246

SCHEDULE - 5

**CURRENT ASSETS,
LOANS AND ADVANCES**

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
CURRENT ASSETS		
Interest accrued on Deposits	70,745	3,728
INVENTORIES		
Materials unpacked	1,769,003	2,391,279
Materials packed	2,040,802	2,727,763
Packing Material	142,757	159,043
GOODS IN TRANSIT	1,091,560	0
SUNDRY DEBTORS		
Due for more than six months		
Considered Good	32,505	58,535
Considered Doubtful	3,282,991	3,261,979
Others		
Considered Good	3,206,369	2,560,142
	6,521,865	5,880,656
Less: Provision for Doubtful Debts	3,282,991	3,261,979
	3,238,874	2,618,677
CASH & BANK BALANCES		
Cash on hand	14,145	13,617
With Scheduled Bank		
Current Account	852,845	457,288
Deposit Account	6,300,000	1,070,909
	7,166,990	1,541,814
LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	567,590	431,167
Insurance Claims Receivable	21,218	51,766
Advance Taxes	236,200	46,417
	825,008	529,350
Less: Provision for Doubtful Claims	0	32,406
	825,008	496,944
	16,345,739	9,939,248

SCHEDULE - 6

CURRENT LIABILITIES & PROVISIONS

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
CURRENT LIABILITIES		
Sundry Creditors (See Note 6)	3,856,275	1,501,861
Hindustan Oil Exploration Company Limited	0	276
Other Liabilities	688,754	631,971
Interest accrued but not due	196,353	197,844
PROVISIONS		
Provision for Taxation	305,000	0
Provision for Gratuity	148,000	80,000
Provision for Leave Encashment	177,000	101,000
	5,371,382	2,512,952

SCHEDULE - 7

OTHER INCOME

	Current Year Rupees	Previous Year Rupees
Interest Income (Gross) (See Note 3)	226,143	18,811
Tax deducted at source Rs. 47,122 (Previous Year Rs. 2,601)		
Excess Provision Written Back	11,905	220,873
Exchange Difference	38,882	0
Miscellaneous Income	53,571	67,476
	330,501	307,160

SCHEDULE - 8

COST OF GOODS FOR RESALE

	Current Year Rupees	Previous Year Rupees
Materials Packed & Unpacked		
Opening stock	5,119,042	5,135,990
Add: Purchases	6,347,930	4,660,825
Sub-Total	11,466,972	9,796,815
Less: Closing Stock	3,809,805	5,119,042
	7,657,167	4,677,773
Packing materials		
Opening stock	159,043	227,222
Add: Purchases	1,567,409	1,315,770
Sub-Total	1,726,452	1,542,992
Less: Closing Stock	142,757	159,043
	1,583,695	1,383,949
Packing cost		
Excise Duty	1,389,876	1,946,476
Repacking Cost	300,714	261,652
Cost of Samples & Replacements	(155,022)	(122,856)
Cost of Damaged Goods	(11,418)	(8,875)
	10,765,012	8,138,119

SCHEDULE - 9

STAFF EXPENSES

	Current Year Rupees	Previous Year Rupees
Salaries & Bonus	2,866,735	2,810,748
Contribution to Provident fund/ provision for gratuity	261,728	217,646
Welfare Expenses (including provision for leave encashment Rs. 76,000) (Previous Year Rs. 58,000).	186,750	164,806
	3,315,213	3,193,200



	Current Year Rupees	Previous Year Rupees
SCHEDULE - 10		
ESTABLISHMENT EXPENSES		
Rent	324,000	324,000
General Office Expenses	58,291	65,224
Electricity	96,782	112,050
	<u>479,073</u>	<u>501,274</u>

SCHEDULE - 11

OTHER EXPENSES

Auditors' Remuneration		
Audit Fees	15,000	13,000
Other Matters	3,800	1,000
Reimbursement of Expenses	1,568	1,509
Service Tax	940	700
	<u>21,308</u>	<u>16,209</u>
Repairs and Maintenance		
Machinery	406	9,104
Others	14,909	24,970
	<u>15,315</u>	<u>34,074</u>
Bank Charges	28,342	26,974
Books and Periodicals	1,553	1,459
Computer Expenses	450	17,100
Insurance	114,033	76,417
Travelling & Conveyance	91,097	61,959
Postage and Telephone	208,203	283,188
Printing and Stationery	79,338	86,871
Professional and Consultancy Fees	52,450	65,450
Loss on sale/discard of assets	50,723	42,076
Exchange Difference	0	23,488
Miscellaneous Expenses	239,713	126,905
	<u>902,525</u>	<u>862,170</u>

SCHEDULE - 12

MARKETING & DISTRIBUTION COST

Distribution Expenses		
Freight	537,256	372,053
Others	352,407	315,492
	<u>889,663</u>	<u>687,545</u>
Marketing Expenses		
Incentives	467,904	443,111
Royalty	1,149,180	0
Advertisement	708,099	259,450
Rebates and Discounts	578,973	290,914
Sales Promotion	1,090,442	1,679,438
Others	238,027	315,195
	<u>4,232,625</u>	<u>2,988,108</u>
Selling Expenses		
Commission	163,911	56,384
Daily Allowance	389,075	335,675
Lodging	167,256	237,801
Others	695,873	771,530
	<u>1,416,115</u>	<u>1,401,390</u>
	<u>6,538,403</u>	<u>5,077,043</u>

SCHEDULE - 13

PROVISIONS AND WRITE OFFS

Provision for Doubtful Debtors	21,012	1,657,656
Provision for Doubtful Claims	0	32,406
	<u>21,012</u>	<u>1,690,062</u>

SCHEDULE -14

SIGNIFICANT ACCOUNTING POLICIES

- The financial statements are prepared under historical cost convention on accrual basis.
- Fixed Assets are capitalised at cost inclusive of legal and/or installation expenses.
- Depreciation has been provided on written down value method at the rates and the manner prescribed in schedule XIV to the Companies Act, 1956.
In case of additions during the year, depreciation is provided for the full year irrespective of the date of installation and no depreciation is provided in the year of sale/disposal.
- Sales turnover includes sale value of goods (net of discount) and excludes Sales Tax.
- Inventories are valued at cost or market price whichever is lower, on first in first out basis. Cost of Unpacked Materials includes Freight, Customs Duty and Clearing charges. Cost of Packed Materials includes repacking charges, packing materials etc.
- Gratuity and Leave encashment benefits payable as per the Company's schemes are actuarially valued as at the date of the balance sheet and are charged to the profit and loss account.
- Foreign currency transactions are recorded at the rate of exchange in force at the time of occurrence of transactions. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment. The Foreign Currency payables are converted at the exchange rates prevailing on the last working day of the accounting period. The net loss or gain arising out of such fluctuation/conversion is adjusted to the Profit & Loss Account.
- The Company adopts full provision basis for deferred tax without discounting, in accordance with the Accounting Standard 22 on Accounting for Taxes on Income. Provision for deferred tax asset/liability is made for timing differences which have arisen but not reversed at the balance sheet date and are expected to reverse in the foreseeable future.

SCHEDULE - 15

NOTES FORMING PART OF THE ACCOUNTS

- Out of the balance lying in deposit accounts, Rs. 25 lacs has been pledged with HDFC bank against overdraft facility of Rs. 20 lacs and a bank guarantee limit of Rs. 5 lacs.
- The balances of trade debtors and creditors are subject to their confirmations.
- Interest Income includes interest on:

	Current Year Rupees	Previous Year Rupees
Deposits	225,222	14,420
Staff Loans	921	449
Sales Tax Refund	0	3,942
	<u>226,143</u>	<u>18,811</u>
- The Company has during the year identified obsolete and damaged items of stock amounting to Rs. 962,380. The company has written down the value of stocks during the year to Rupee one per unit. Also the company has during the year written off the stocks lying with third party amounting to Rs. 126,281, which was in litigation.
- In terms of Accounting Standard (AS 22) on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is a net deferred tax asset of Rs. 4,859,820. However, based on conservative approach, the same has not been recognised.



6. Contingent Liabilities not provided for:
- In respect of Bank guarantees: Rs. 40,000/- (Previous Year Rs. 5,000/-).
 - Taxation Matter in respect of which appeal is pending Rs. 35,000/- (Previous Year Rs. 35,000/-).
 - In respect of Customs duties Rs. 5,40,464/- (Previous Year Rs. 5,40,464/-) towards matters pending with the department.
7. Sundry Creditors include Rs. 1,45,363/- (Previous Year Rs. 1,26,282/-) due to small scale and ancillary undertakings to the extent such parties have been identified by the Management from available information.
8. Additional Information pursuant to provisions of paragraph, 3, 4C & 4D of Schedule VI – part II of the Companies Act, 1956.

Turnover		Current Year		Previous Year	
Product	Unit	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Additives	Litres	53,704.95	26,540,002	44,217.05	21,378,215
Grease	Kgs.	6.76	4,250	2.79	0

(B) RAW MATERIAL CONSUMED: Not Applicable

Stocks		Opening Stock		Closing Stock	
Product	Unit	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Additives	Litres	32,631.13	49,58,468	31,673.18	38,09,534
Grease	Kgs.	472.51	1,60,574	446.35	271

(D) Capacity and Production:
Capacity — Licensed N. A.
Capacity — Installed N. A.
Production N. A.

(E) Value of Imports on CIF basis in respect of:

	Current Year Rupees	Previous Year Rupees
(i) Materials	5,530,967	3,161,448
(ii) Components & Spare parts	Nil	Nil
(iii) Capital goods	Nil	Nil

(F) Expenditure in foreign currency:

	Current Year Rupees	Previous Year Rupees
(i) Business Travelling	Nil	Nil
(ii) Others	Nil	Nil

(G) The amount remitted in foreign currency during the year on account of dividends Nil Nil

(H) Earnings in foreign exchange Nil Nil

9. Figures of the previous year have been regrouped and rearranged wherever necessary.

**BALANCE SHEET ABSTRACT AND COMPANY'S
GENERAL BUSINESS PROFILE**

I	Registration Details	
	Registration No.	11536
	State Code	04
	Balance Sheet Date	31.03.2003
II	Capital Raised During The Year	
	Public Issue	NIL
	Rights Issue	NIL
	Bonus Issue	NIL
	Private Placement	NIL
III	Position of Mobilisation and Deployment of Funds	(In Rupees)
	Total Liabilities	30,313,249
	Total Assets	30,313,249
	Sources of Funds	
	Paid - up Capital	5,000,200
	Reserves & Surplus	NIL
	Secured Loans	NIL
	Unsecured Loans	19,941,667
	Application of Funds	
	Net Fixed Assets	326,677
	Investments	NIL
	Net Current Assets	10,974,357
	Miscellaneous Expenditure	NIL
	Accumulated Losses	13,640,833
IV	Performance of the Company	(In Rupees)
	Turnover	26,544,252
	Total Expenditure	23,162,627
	Profit Before Tax	3,712,126
	Profit After Tax	3,407,126
V	Generic Names of Principal Products/Services of Company (as per monetary terms)	
	Item Code No. (ITC Code)	38.11
	Product Description	Oil Additives
	Item Code No. (ITC Code)	38.11
	Product Description	Fuel Additives



AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED AND ITS SUBSIDIARY

1. We have examined the attached Consolidated Balance Sheet of **HINDUSTAN OIL EXPLORATION COMPANY LIMITED** and its subsidiary ("the Group") as at March 31, 2003, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. (a) The Accounts have been drawn up in accordance with the statement of Significant Accounting Policies (Schedule 15). Accounting Policy 2 relating to the "Successful Efforts Method" and treatment of exploration and development costs are significant to the oil and gas exploration and production industry.
(b) Categorisation of wells as exploratory and producing and the depletion of producing wells on the basis of developed hydrocarbon reserves are made according to technical evaluation by the Management, on which we have placed reliance.
4. (a) The accounts include assets aggregating Rs. 170,580,182, liabilities aggregating Rs. 48,349,865, income aggregating Rs. 21,317 and expenditure aggregating Rs. 316,626,462 relating to the Group's share in five Production Sharing joint ventures, which have been incorporated on the basis of accounts audited by other auditors. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 11,301,034 as at March 31, 2003 and total revenues of Rs. 26,874,753 for the year then ended. These financial statements have been audited by another auditor whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
(b) In respect of five Production Sharing joint ventures, exploration expenditure aggregating Rs. 5,898,086, development expenditure aggregating Rs. 193,331,140, other assets aggregating Rs. 20,815,154 and liabilities aggregating Rs. 6,527,055 have been incorporated on the basis of the information available, in the absence of audited accounts.
5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.
6. On the basis of the information and explanation given to us and on the consideration of the separate audit report on the individual audited financial statements of the Company and its aforesaid subsidiary, we are of the opinion that subject to our comments in paragraph 4 above to the extent of the unaudited amounts relating to the joint ventures referred to therein:
 - (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Group as at March 31, 2003;
 - (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated result of operations of the Group for the year ended on that date; and
 - (c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Group for the year ended on that date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Place : Mumbai
Date : 19th June, 2003

Nalin M. Shah
Partner

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2003**

	Schedule	March 31, 2003 Rupees	March 31, 2002 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	587,609,465	587,609,465
Reserves and Surplus	2	1,243,338,069	1,181,197,180
LOAN FUNDS			
Secured Loans	3	0	78,585
		<u>1,830,947,534</u>	<u>1,768,885,230</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	1,356,494,296	1,325,499,231
Less: Depreciation & Depletion		814,262,260	671,669,170
NET BLOCK		<u>542,232,036</u>	<u>653,830,061</u>
INVESTMENTS	5	35,812,557	266,967,283
DEFERRED TAX ASSET		99,476,000	15,809,000
CURRENT ASSETS, LOANS AND ADVANCES	6	1,436,537,202	1,173,420,384
Less: CURRENT LIABILITIES AND PROVISIONS	7	284,676,928	342,578,998
NET CURRENT ASSETS		<u>1,151,860,274</u>	<u>830,841,386</u>
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
Share Issue Expenses		1,150,000	1,437,500
Deferred Revenue Expenditure		416,667	0
		<u>1,566,667</u>	<u>1,437,500</u>
		<u>1,830,947,534</u>	<u>1,768,885,230</u>
Accounting Policies	15		
Notes forming part of the Accounts	16		
Schedules 1 to 16 annexed hereto form part of the Accounts			

In terms of our report of even date attached.

For **S.B. BILLIMORIA & CO.**
Chartered Accountants

Nalin M. Shah
Partner

Mr. Ajit C. Kapadia
Managing Director

Mr. Amit Shah
Deputy General Manager
(Finance & Accounts)

Mr. Ketan Thaker
Asst. Company Secretary

Directors

Mr. Manu R. Shroff
Mr. Rasesh N. Mafatlal
Mr. Ronald S. Somers
Mr. Vimal Bhandari

Place : Mumbai
Date : June 19, 2003

Place : Mumbai
Date : June 19, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003

	Schedule	Current Year Rupees	Previous Year Rupees
INCOME			
Sales	8	542,366,410	440,221,917
Increase in stock of Crude Oil		(32,553,920)	7,985,368
Other Income	9	94,265,357	120,447,439
		604,077,847	568,654,724
EXPENDITURE AND CHARGES			
Field Operating Expenses	10	177,388,659	171,600,459
Cost of goods for resale	11	10,765,012	8,126,585
Corporate Expenses	12	44,420,904	19,900,657
Marketing and Distribution Cost	13	6,538,403	5,077,043
Provisions and write offs	14	169,767,655	17,361,990
Interest Expense		38,340	1,125,382
Depletion of Producing Properties		139,237,803	123,501,947
Depreciation		5,055,138	4,816,994
Amortised Sales Promotion Expenses written off		0	130,709
		553,211,914	351,641,766
PROFIT BEFORE TAX		50,865,933	217,012,958
Less: Provision for Current Income Tax		19,305,000	16,821,661
Less/(Add): Provision for Deferred Tax		(83,667,000)	44,672,000
Less: Provision for Wealth Tax		69,740	29,930
PROFIT AFTER TAX		115,158,193	155,489,367
Profit brought forward		175,562,142	33,964,926
Add: Deferred Tax asset		0	60,481,000
PROFIT AVAILABLE FOR APPROPRIATION		290,720,335	249,935,293
APPROPRIATIONS:			
Dividend Paid		0	8,375
Tax thereon		0	854
Proposed Dividend		46,995,948	70,493,922
Tax thereon		6,021,356	0
Transfer to General Reserve		0	3,870,000
Balance carried to Balance Sheet		237,703,031	175,562,142
		290,720,335	249,935,293

Earning per share of Rs. 10 face value (basic and diluted)

Rs. 1.96

Rs. 2.65

Schedules 1 to 16 annexed hereto form part of the Accounts.

In terms of our report of even date attached.

For **S.B. BILLIMORIA & CO.**
Chartered Accountants

Nalin M. Shah
Partner

Mr. Ajit C. Kapadia
Managing Director

Mr. Amit Shah
Deputy General Manager
(Finance & Accounts)

Mr. Ketan Thaker
Asst. Company Secretary

Directors

Mr. Manu R. Shroff
Mr. Rasesh N. Mafatlal
Mr. Ronald S. Somers
Mr. Vimal Bhandari

Place : Mumbai
Date : June 19, 2003

Place : Mumbai
Date : June 19, 2003

**CONSOLIDATED CASH FLOW STATEMENT**

	Current Year Rupees	Previous Year Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	50,865,933	217,012,958
Adjustments for :		
Interest Expenses	38,340	1,125,382
Amortisation of Promotion Expenses		130,709
Provision for :		
Diminution in value of Investments	(5,043,517)	523,290
Doubtful Claims/Loans	0	32,406
Doubtful Debtors	21,012	1,657,656
Site Restoration	11,487,540	13,849,848
Leave Encashment	724,000	422,000
Gratuity	68,000	41,000
Depreciation/Depletion	144,292,941	128,318,941
Other Miscellaneous Expenses written off	495,833	1,298,790
Exploration Expenses written off	162,223,839	0
Investment/Interest Income	(84,912,125)	(97,888,055)
(Profit)/Loss on sale of Assets	(291,242)	(37,365)
Profit on sale of Investment	(3,301,315)	(22,128,309)
Exchange (Gain)/Loss	1,155,823	(3,805,381)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	277,825,062	240,553,870
Adjustments for :		
Trade and Other Receivables	(190,537,413)	(534,014,171)
Inventories	37,229,324	(19,299,409)
Payables	(69,161,382)	101,334,670
CASH FROM OPERATIONS	55,355,591	(211,425,040)
Taxes paid	(28,904,713)	(19,650,960)
Miscellaneous Expenses Incurred	(625,000)	0
NET CASH FROM OPERATING ACTIVITIES	25,825,878	(231,076,000)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets purchased	(82,188,434)	(272,246,283)
Fixed Assets sold	1,203,831	173,199
Exploration Expenses Incurred	(113,642,910)	(86,039,453)
Purchase of Investments	(35,762,603)	(633,628,950)
Sale of Investments	275,262,161	726,113,308
Dividend/Interest received	86,035,593	95,618,625
NET CASH RAISED/USED IN INVESTING ACTIVITIES	130,907,638	(170,009,554)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(38,340)	(1,125,382)
Secured Loan paid	(78,585)	(1,629,938)
Unsecured Loans repaid	0	(6,598,575)
Dividend Paid	(68,993,645)	(28,627,446)
Tax paid on Dividend	0	(2,996,846)
Exchange Gain	(1,155,823)	3,805,381
NET CASH USED IN FINANCING ACTIVITIES	(70,266,393)	(37,172,806)
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS	86,467,123	(438,258,360)
Cash, Cash Equivalents :		
Opening Balance	280,110,060	718,368,420
Closing Balance	366,577,183	280,110,060
	86,467,123	(438,258,360)
Cash and Bank balance as per Schedule 6	316,577,183	280,110,060
Intercompany Deposits as per Schedule 6	787,500,000	550,000,000
Less: Intercompany Deposits placed for more than 90 days	737,500,000	550,000,000
	50,000,000	0
Total Cash or Cash equivalents as at 31st March, 2003	366,577,183	280,110,060

In terms of our report of even date attached.

For **S.B. BILLIMORIA & CO.**
Chartered Accountants**Nalin M. Shah**
PartnerMr. Ajit C. Kapadia
Managing DirectorMr. Amit Shah
Deputy General Manager
(Finance & Accounts)Mr. Ketan Thaker
Asst. Company Secretary

Directors

Mr. Manu R. Shroff
Mr. Rasesh N. Mafatlal
Mr. Ronald S. Somers
Mr. Vimal BhandariPlace : Mumbai
Date : June 19, 2003Place : Mumbai
Date : June 19, 2003

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Rupees	March 31, 2003 Rupees	March 31, 2002 Rupees
SCHEDULE 1			
SHARE CAPITAL			
AUTHORISED			
100,000,000 Equity Shares of Rs. 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
ISSUED			
58,777,910 Equity Shares of Rs. 10 each		<u>587,779,100</u>	<u>587,779,100</u>
SUBSCRIBED AND PAID-UP			
58,744,935 Equity Shares of Rs. 10 each fully paid		587,449,350	587,449,350
Add: Amount paid-up on shares forfeited		<u>160,115</u>	<u>160,115</u>
		<u>587,609,465</u>	<u>587,609,465</u>
SCHEDULE 2			
RESERVES AND SURPLUS			
Share Premium		1,001,765,038	1,001,765,038
General Reserve			
Opening Balance	3,870,000		0
Transferred from Profit and Loss Account	<u>0</u>		<u>3,870,000</u>
		3,870,000	3,870,000
Balance in Profit and Loss Account		<u>237,703,031</u>	<u>175,562,142</u>
		<u>1,243,338,069</u>	<u>1,181,197,180</u>
SCHEDULE 3			
SECURED LOANS			
Vehicle Loan on hire purchase basis		<u>0</u>	<u>78,585</u>
		<u>0</u>	<u>78,585</u>

SCHEDULE 4
FIXED ASSETS

Name of the Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at March 31, 2002 Rs.	Additions Rs.	Deductions Rs.	As at March 31, 2003 Rs.	For the Year Rs.	Deductions Rs.	As at March 31, 2003 Rs.	As at March 31, 2002 Rs.	
Producing Properties	835,980,983	56,604,561	127,541	892,458,003	139,237,803	0	703,106,599	189,351,404	272,112,187
OTHER FIXED ASSETS:									
Land-Freehold	3,443,132	1,380	0	3,444,512	0	0	0	3,444,512	3,443,132
Buildings	43,789,094	285,486	0	44,074,580	1,596,118	0	16,970,766	27,103,814	28,414,446
Office Equipments	11,648,988	827,406	46,350	12,430,044	878,452	10,127	8,052,105	4,377,939	4,465,208
Computers	14,219,834	1,431,159	220,135	15,430,858	1,800,833	204,869	12,763,862	2,666,996	3,051,936
Office Furniture	7,366,392	5,622	0	7,372,014	255,137	0	6,243,026	1,128,988	1,378,503
Plant & Machinery	65,982,819	87,915	138,987	65,931,747	93,291	127,541	65,635,256	296,491	313,313
Vehicles	3,998,673	3,183,474	2,957,493	4,224,654	955,109	1,881,116	1,490,646	2,734,008	1,582,020
Total (A):-	986,429,915	62,427,003	3,490,506	1,045,366,412	144,816,743*	2,223,653	814,262,260	231,104,152[⊗]	314,760,745[⊗]
Capital Work in Progress									
Development Expenditure	186,789,777	19,998,191	0	206,787,968	0	0	0	206,787,968	186,789,777
Exploration Expenditure	152,279,539	134,374,181	182,639,473	104,014,247	0	0	0	104,014,247	152,279,539
Others	0	325,669	0	325,669	0	0	0	325,669	0
Total (B):-	339,069,316	154,698,041	182,639,473	311,127,884	0	0	0	311,127,884	339,069,316
GRAND TOTAL (A + B):-	1,325,499,231	217,125,044	186,129,979	1,356,494,296	144,816,743	2,223,653	814,262,260	542,232,036	653,830,061
Previous year	967,422,667	362,438,862	4,362,298	1,325,499,231	128,874,297	628,694	671,669,170	653,830,061	423,999,100
Other Fixed Assets include the Groups share in Joint Venture Assets	70,639,804	498,728	530,949	70,607,583	523,802	304,226	68,566,522	2,041,061	2,292,858

* including Rs. 100,360 (previous year: Rs. 261,262) charged to Exploration Expenditure, Rs. 268,722 (previous year: Rs. 294,094) charged to Producing Properties and Rs. 154,720 (previous year Nil) charged to Development Expenditure.

⊗ including Rs. 1,652,531 (previous year: Rs. 1,835,478) considered for depletion of Producing Properties.

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
SCHEDULE 5		
INVESTMENTS (FULLY PAID)		
TRADE		
LONG TERM		
QUOTED		
— (31.03.02 : 3,500) Equity Shares of Rs. 10 each of Reliance Petroleum Ltd.	0	50,000
318 (31.03.02 : Nil) Equity Shares of Rs. 10 each of Reliance Industries Ltd.*	49,953	0
(* 3,500 Equity Shares of Reliance Petroleum Ltd. having a paid up value of Rs. 10 each converted into fully paid Equity Shares of Rs. 10 each of Reliance Industries Ltd.)		
UNQUOTED		
— 17.5% Secured Redeemable Non-convertible bonds of Rs. 5,000 each of Sardar Sarovar Narmada Nigam Ltd.	0	980,000
100,000 Equity Shares of Rs. 10 each of Gujarat Securities Ltd.	1,000,000	1,000,000
CURRENT		
UNQUOTED		
— (31.03.02 : 5,519,980.445) Units of Rs. 10 each of HDFC Income Fund	0	57,740,283
— (31.03.02 : 3,122,971.615) Units of Rs. 10 each of Prudential ICICI Income Plan	0	32,888,311
— (31.03.02 : 2,754,820.937) Units of Rs. 10 each of DSP Merrill Lynch Bond Fund	0	30,000,000
— (31.03.02 : 3,000,000.000) Units of Rs. 10 each of Birla Income Plus	0	30,000,000
— (31.03.02 : 3,766,478.343) Units of Rs. 10 each of Alliance Income Fund	0	40,000,000
— (31.03.02 : 3,734,827.264) Units of Rs. 10 each of JM Income Fund	0	40,000,000
— (31.03.02 : 1,522,079.864) Units of Rs. 10 each of IL&FS Bond Fund	0	15,221,205
— (31.03.02 : 2,513,098.690) Units of Rs. 10 each of HDFC-Short Term Plan	0	25,131,000
1,888,404.96 (31.03.02 : Nil) Units of Rs. 10 each of HDFC-Liquid Fund	19,138,133	0
1,584,067.36 (31.03.02 : Nil) Units of Rs. 10 each of JM Short Term Fund	16,624,470	0
	36,812,556	273,010,799
Less: Provision for Diminution in value of Investments	999,999	6,043,516
	35,812,557	266,967,283
Aggregate cost of quoted investments	49,953	50,000
Market value of quoted investments	87,911	90,475
Aggregate cost of unquoted investments	35,762,604	266,917,283



	March 31, 2003 Rupees	March 31, 2002 Rupees
SCHEDULE 6		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Interest accrued on Investments	0	69,459
Interest accrued on Deposits	11,530,879	12,563,502
INVENTORIES		
Crude Oil	18,470,458	51,024,378
Stores and Spares	12,474,587	16,916,028
Materials unpacked	1,769,003	2,391,279
Materials packed	2,040,802	2,727,763
Packing Material	142,757	159,043
GOODS IN TRANSIT	1,091,560	0
SUNDRY DEBTORS (Unsecured)		
Due for more than six months		
Considered Good	2,108,121	9,101,179
Considered Doubtful	3,282,991	3,261,979
Others		
Considered Good	38,123,366	4,146,288
	43,514,478	16,509,446
Less: Provision for doubtful debts	3,282,991	3,261,979
	40,231,487	13,247,467
CASH AND BANK BALANCES		
Cash and Cheques on hand	126,078	119,935
With Scheduled Banks		
Current Accounts	12,759,543	29,192,560
Deposit Accounts	303,457,592	231,150,221
With Non-scheduled Banks		
Current Accounts	233,970	19,647,344
	316,577,183	280,110,060
	404,328,716	379,208,979
LOANS AND ADVANCES		
(Considered good, unless stated otherwise) (See Note 1)		
Advances recoverable in cash or in kind or for value to be received (See Note 2)	47,214,662	74,133,479
Claims Recoverable	10,542,524	7,770,455
Inter-Corporate Deposits	787,500,000	550,000,000
Advance Taxes	191,016,109	166,594,877
	1,036,273,295	798,498,811
Less: Provision for Doubtful Claims/Loans	4,064,809	4,287,406
	1,032,208,486	794,211,405
	1,436,537,202	1,173,420,384

	March 31, 2003 Rupees	March 31, 2002 Rupees
SCHEDULE 7		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors (See Note 3)	76,317,698	150,856,914
Unclaimed Dividend	0	753,397
Investor Education and Protection Fund		
Unpaid Dividend	2,253,674	0
Other Liabilities	7,964,463	2,491,992
	<u>86,535,835</u>	<u>154,102,303</u>
PROVISIONS		
Provision for Contingencies	10,500,000	10,500,000
Provision for Leave Encashment	2,833,000	2,109,000
Provision for Gratuity	148,000	80,000
Provision for Site Restoration	36,693,583	25,206,043
Provision for Taxation	100,970,562	80,087,730
Proposed Dividend	46,995,948	70,493,922
	<u>198,141,093</u>	<u>188,476,695</u>
	<u>284,676,928</u>	<u>342,578,998</u>
	Current Year Rupees	Previous Year Rupees

SCHEDULE 8

SALES

Sale of Crude Oil	540,652,647	418,843,702
Less: Profit Petroleum surrendered to Government of India	24,830,489	0
	<u>515,822,158</u>	<u>418,843,702</u>
Sale of Additives and Grease	26,544,252	21,378,215
	<u>542,366,410</u>	<u>440,221,917</u>

SCHEDULE 9

OTHER INCOME

Interest Income (Gross) (See Note 4)	76,987,343	70,191,182
Income from Current Investments	7,786,627	27,520,613
Income from Long Term Investments	138,155	176,260
Net Profit on Sale of Assets [including capital profit: Rs. Nil (Previous Year: Rs. 97,212)]	291,242	79,441
Profit on Sale of Investments	3,301,315	22,086,233
Miscellaneous Income	5,748,770	172,837
Excess Provision written back	11,905	220,873
	<u>94,265,357</u>	<u>120,447,439</u>



	Current Year Rupees	Previous Year Rupees
SCHEDULE 10		
FIELD OPERATING EXPENSES		
Hire Charges	147,045,910	143,586,917
Insurance	9,659,620	6,264,900
Fuel, Water and Others	5,474,434	4,515,099
Production Expenses	3,279,213	3,386,317
Other Expenses	9,197,697	10,987,522
Royalty, Cess & Processing Charges	2,731,785	2,859,704
	<u>177,388,659</u>	<u>171,600,459</u>
SCHEDULE 11		
COST OF GOODS FOR RESALE		
Materials Packed & Unpacked		
Opening stock	5,119,042	5,135,990
Add: Purchases	6,347,930	4,649,291
	<u>11,466,972</u>	<u>9,785,281</u>
Less: Closing stock	3,809,805	5,119,042
	<u>7,657,167</u>	<u>4,666,239</u>
Packing materials		
Opening stock	159,043	227,222
Add: Purchases	1,567,409	1,315,770
	<u>1,726,452</u>	<u>1,542,992</u>
Less: Closing stock	142,757	159,043
	<u>1,583,695</u>	<u>1,383,949</u>
Packing cost		
Excise Duty	1,389,876	1,946,476
Repacking Cost	300,714	261,652
Cost of Samples & Replacements	(155,022)	(122,856)
Cost of Damaged Goods	(11,418)	(8,875)
	<u>10,765,012</u>	<u>8,126,585</u>
SCHEDULE 12		
CORPORATE EXPENSES		
STAFF EXPENSES		
Salaries and Bonus	18,200,076	14,325,365
Contribution to Provident and Other Funds	2,804,607	2,058,042
Welfare Expenses (including provision for leave encashment Rs. 724,000) (Previous Year: Rs. 422,000)	3,214,443	2,477,268
	<u>24,219,126</u>	<u>18,860,675</u>

	Current Year Rupees	Previous Year Rupees
SCHEDULE 12 (Contd.)		
ESTABLISHMENT EXPENSES		
Rent	324,000	324,000
Rates and Taxes	427,346	456,299
Repairs and Maintenance	1,014,587	999,743
General Office Expenses	375,752	200,596
Electricity	1,097,908	1,143,976
	<u>3,239,593</u>	<u>3,124,614</u>
OTHER EXPENSES		
Advertisement and Publicity	1,127,212	75,040
Auditors' Remuneration		
Audit Fees	315,000	193,000
Tax Matters	97,500	152,500
Other Matters	249,050	103,500
Reimbursement of Expenses	56,110	51,938
Service Tax	43,128	20,450
	<u>760,788</u>	<u>521,388</u>
Bank Charges and Commission	1,353,066	869,455
Books and Periodicals	56,755	56,871
Computer Expenses	383,352	375,507
Directors' fees	98,000	46,750
Insurance	237,729	163,438
Travelling and Conveyance	4,965,518	4,028,790
Postage and Telephone	2,266,990	2,291,711
Membership and Subscription	453,723	463,589
Printing and Stationery	1,162,889	915,091
Legal and Professional Expenses	21,442,611	2,884,899
Loss on foreign exchange fluctuation	1,155,823	(3,805,381)
Miscellaneous Expenses	4,500,710	3,128,406
	<u>39,965,166</u>	<u>12,015,554</u>
Less: RECOVERY OF EXPENSES	<u>23,002,981</u>	<u>14,100,186</u>
	<u>44,420,904</u>	<u>19,900,657</u>



	Current Year Rupees	Previous Year Rupees
SCHEDULE 13		
MARKETING & DISTRIBUTION COST		
Distribution Expenses		
Freight	537,256	369,670
Others	352,407	317,875
	<u>889,663</u>	<u>687,545</u>
Marketing Expenses		
Incentives	467,904	443,111
Royalty	1,149,180	0
Advertisement	708,099	259,450
Rebates and Discount	578,973	0
Sales promotion	1,090,442	1,591,945
Others	238,027	606,109
	<u>4,232,625</u>	<u>2,900,615</u>
Selling Expenses		
Commission	163,911	0
Daily Allowance	389,075	335,675
Lodging	167,256	237,801
Others	695,873	915,407
	<u>1,416,115</u>	<u>1,488,883</u>
	<u>6,538,403</u>	<u>5,077,043</u>
SCHEDULE 14		
PROVISIONS AND WRITE OFFS		
Provision for diminution in value of Investments	(5,043,517)	523,290
Provision for doubtful debts	21,012	1,657,656
Provision for doubtful claims/loans	0	32,406
Provision for site restoration	12,070,488	13,849,848
Exploration expenses written off (See Note 2 of Schedule 15)	162,223,839	0
Share Issue Expenses written off	287,500	1,298,790
Signature Bonus written off	208,333	0
	<u>169,767,655</u>	<u>17,361,990</u>

SCHEDULE 15

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The Accounts of the Group have been prepared using the accrual concept on a going concern basis consistently.

2. Exploration and Development Costs

The Group generally follows the "Successful Efforts" method of accounting for its exploration and production activities as explained below:

- (i) Cost of exploratory wells, including survey costs, is expensed in the year when determined to be dry/abandoned or is transferred to the producing properties on attainment of commercial production.
- (ii) Cost of temporary occupation of land, successful exploratory wells, development wells and all related development costs, including depreciation on support equipment and facilities, are considered as development expenses, which are capitalised as producing properties on attainment of commercial production.
- (iii) Producing properties, including the cost incurred on dry wells in development areas, are depleted using "Unit of Production" method based on estimated proven developed reserves. Any changes in Reserves and/or Cost are dealt with prospectively. Hydrocarbon reserves are estimated and/or approved by the Management Committee of the joint ventures, which follow the International Reservoir Engineering Principles.

3. Site Restoration

Estimated future liability relating to dismantling and abandoning producing well sites and facilities whose estimated producing life is expected to end during next ten years is provided in proportion to the production for the year and remaining estimated proved reserves of hydrocarbons based on latest technical assessment available with the Group.

4. Joint Ventures

The financial statements of the Group reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on line by line basis with similar items in the Group's accounts to the extent of the participating interest of the Group as per the various joint venture agreements.

5. Fixed Assets

Fixed Assets are stated at cost inclusive of all incidental expenses.

6. Depreciation

- (i) Depreciation is provided on the "Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (ii) In case of additions during the year, depreciation is provided for the full year irrespective of the date of installation and no depreciation is provided in the year of sale/disposal.

7. Investments

Investments are capitalised at cost plus brokerage and stamp charges. Long term investments are valued at cost. Provision is made for permanent diminution in the value of long term investments. Current investments are valued at the lower of cost and market value on individual scrip basis.

8. Inventories

- (i) Closing stock of crude oil in saleable condition is valued at direct cost or net realisable value, whichever is lower. Oil additives are valued at cost or market price whichever is lower on FIFO basis.
- (ii) Stores and spares are valued at cost on FIFO basis or market price, whichever is lower.
- (iii) Cost of unpacked materials includes Freight, Custom Duty and Clearing Charges. Cost of Packed Materials includes repacking charges, packing materials etc.

9. Miscellaneous Expenditure

- (i) Share issue expenses are written off over a period of ten years commencing from the year of issue in accordance with the provision under section 35D of the Income Tax Act, 1961.
- (ii) "Signature Bonus" paid upon signing of Production Sharing Contract is considered as deferred revenue expense to be written off over three to five years commencing from the year of payment, depending on the size of the field.

10. Revenue Recognition

- (i) Revenue from the sale of crude oil, net of Government's share of Profit oil, is recognised on transfer of custody to refineries/others.
- (ii) Sale of crude oil is recorded at the invoiced price, which is subject to the approval of the Government of India, Ministry of Petroleum & Natural Gas (MOP&NG). The difference between the invoiced price and the final approved price, if any, is adjusted in the year in which the aforesaid approval is received.
- (iii) Sales turnover of oil additives includes sale value of goods (net of discount) and excludes Sales Tax.

11. Retirement Benefits

The Group has defined contribution plan for Provident Fund and benefit-defined Superannuation Fund and the Group's contributions thereto are charged to the Profit and Loss Account.

Gratuity and leave encashment benefits payable as per the Group's schemes are actuarially valued as at the date of the Balance Sheet and are charged to the Profit and Loss Account.

12. Foreign Currency Transactions

- (i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.
- (ii) Monetary items denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at the year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the contract.
- (iii) Any gain or loss arising on account of exchange difference on settlement or translation is recognised in the Profit and Loss Account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying costs of such assets.

13. Taxation

The Group adopts full provision basis for deferred tax, without discounting, in accordance with the Accounting Standard 22 on accounting for Taxes on Income. Provision for deferred tax asset/liability is made for timing differences which have arisen but not reversed at the balance sheet date and are expected to reverse in the foreseeable future.

SCHEDULE 16
NOTES FORMING PART OF THE ACCOUNTS

- 1 Out of the total Loans and Advances, amounts aggregating Rs. 292,113 (Previous Year: Rs. 263,646) are secured.
- 2 Advances receivable in cash or kind or for value to be received includes Rs. 1,354,621 (Previous Year: Rs. 1,354,621) paid towards capital commitment.
- 3 Sundry Creditors include Rs. 157,434 (Previous Year: Rs. 141,760) due to small-scale industrial undertakings to the extent such parties have been identified by the Management from available information. This does not include information of Joint Ventures, as the same is not applicable to the Joint Ventures.
- 4 Interest Income includes interest on:

	Current Year Rupees	Previous Year Rupees
Deposits	70,858,646	69,193,078
Staff Loans	28,712	278,105
Income Tax refund	6,099,985	716,057
Sales Tax refund	0	3,942
Total	76,987,343	70,191,182

5 Contingent Liabilities:

	Current Year Rupees	Previous Year Rupees
In respect of Bank Guarantees	25,560,894	51,191,331
In respect of Guarantee for Housing Loan to employees	6,296,856	5,331,371
Estimated amount of contract remaining to be executed on capital account and not provided for (excluding Company's share of Joint Ventures' commitments)	3,110,859	3,028,359
Others	1,300,000	0
6 Claims against the Company not acknowledged as debt	113,081,994	12,912,558
7 The Government had encashed the Performance Bank Guarantee of Rs. 101.49 lac for PG Block abandoned by the Consortium under the <i>force majeure</i> clause of the Production Sharing Contract (PSC). The Government has also raised an additional demand of Rs. 1,708.76 lac (including interest) (Previous Year: Rs. 1,485.68 lac). The Company has been legally advised that the said actions of the Government are not justified. The Company has initiated legal proceeding as per the provisions of the PSC in the matter. Pending the outcome of this, provision has been made in this regard to the extent of Rs. 105 lac (Previous Year: Rs. 105 lac).		
8 The Company has issued letter of indemnity to the Government of India towards claims or damages, if any, arising due to the withdrawal of M/s Amec Process & Energy Ltd. UK (AMEC) from Consortium of North Balol, Unawa, North Kathana, Kanawara, Dholasan & Allora originally awarded to the Company alongwith Gujarat State Petroleum Corporation Ltd. and AMEC/Heritage, UK. Due to the nature of the indemnification, its financial impact is not ascertainable.		
9 In case of PY 1 block, consequent upon the default in payment of cash call by Energy Equity India Petroleum Pty. Ltd. (EEIPL), partner in PSC, it's share in the block has been forfeited. The settlement of the forfeiture is under arbitration before the London Court of International Arbitration. Settlement amount, if any, payable will be accounted on receipt of final award.		
10 As per the Accounting Standard on 'Related Party Disclosures' (AS 18), issued by the Institute of Chartered Accountants of India, the related parties of the corporation are as follows: (A) Joint Venture Partners BG Exploration & Production (India) Inc. Gujarat State Petroleum Corporation Ltd. Hardy Exploration & Production (India) Inc. Heramec Ltd. Indian Oil Corporation Ltd. Mosbacher (India) LLC Oil and Natural Gas Corporation Ltd. Oil India Ltd. Premier Oil North East India BV Tata Petrodyne Ltd. (B) Key Management Personnel: Mr. Ajit C. Kapadia		

The financial statements of the Group reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on line by line basis with similar items in the Group's accounts to the extent of the participating interest of the Group as per the various joint venture agreements.

The Nature and volume of transactions of the Company during the year with the above parties were as follows:

Particulars	Joint Ventures' Partners	Key Management Personnel
EXPENDITURE		
- Recovery of Expenses	12,005,805	
- Remuneration		1,597,673

11 Segment reporting in terms of Accounting Standard 17 is as under:

Segment Revenue, Results & Capital employed

Particulars	Current Year Rupees	Previous Year Rupees
1. Segment Revenue		
- Hydro carbon	488,963,437	426,934,431
- Oil Additives	26,609,728	21,666,564
- Unallocated	88,504,682	120,053,729
Gross Sales/Income From Operations	604,077,847	568,654,724
2. Segment Results		
- Hydro carbon	(47,037,538)	96,675,770
- Oil Additives	4,555,612	1,932,131
- Unallocated	93,509,859	118,405,057
Total Profit Before Tax	51,027,933	217,012,958
3. Segment Assets		
- Hydro carbon	675,199,187	857,861,923
- Oil Additives	10,065,471	9,298,955
- Unallocated	1,138,301,029	1,060,750,465
Total Assets	1,823,565,687	1,927,911,343
4. Segment Liabilities		
- Hydro carbon	125,657,033	189,775,384
- Oil Additives	4,870,029	2,221,962
- Unallocated	0	0
Total Liabilities	130,527,062	191,997,346
5. Additions to Tangible and Intangible Fixed Assets		
- Hydro carbon	217,045,095	362,375,038
- Oil Additives	79,949	63,824
- Unallocated	0	0
Total Additions to Tangible and Intangible Fixed Assets	217,125,044	362,438,862
6. Depreciation and Amortisation		
- Hydro carbon	144,197,892	128,151,327
- Oil Additives	95,049	167,614
- Unallocated	0	0
Total Depreciation and Amortisation	144,292,941	128,318,941
7. Non cash expenses other than Depreciation and Amortisation		
- Hydro carbon	174,294,327	13,849,848
- Oil Additives	21,012	1,820,771
- Unallocated	0	523,290
Total non cash expenses other than Depreciation and Amortisation	174,315,339	16,193,909

12 **Taxation:**

As stated in item 13 of Significant Accounting Policies (Schedule 15), deferred tax asset and liability has been calculated as under:

	<u>Current Year</u> <u>Rupees</u>	<u>Previous Year</u> <u>Rupees</u>
Deferred tax asset		
Exploration Expenses	155,105,000	103,475,800
Provisions for Contingencies and Doubtful loans	8,395,000	10,178,700
Site Restoration	6,292,000	2,824,600
Provision for diminution in value of current investments	0	1,853,500
Leave encashment	363,000	0
Sub total (A)	<u>170,155,000</u>	<u>118,332,600</u>
Deferred tax liability		
Depreciation on Fixed Assets	2,740,000	2,522,600
Producing Properties	67,939,000	100,001,000
Sub total (B)	<u>70,679,000</u>	<u>102,523,600</u>
Net deferred tax asset (A – B)	<u><u>99,476,000</u></u>	<u><u>15,809,000</u></u>

Based on a conservative approach, net deferred tax asset of HOEC Bardahl India Limited, amounting to Rs. 4,859,820 has not been recognised.

- 13 The Group's consolidated financial statement includes those of HOEC Bardahl India Limited, a wholly owned subsidiary, incorporated in India.
- 14 Previous year's figures have been regrouped wherever necessary.

GLOSSARY

2-D Seismic	Two Dimensional Seismic
3-D Seismic	Three Dimensional Seismic
bbl	barrel of Oil
bcf	billion cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
E&P	Exploration and Production
FPSO	Floating production storage and offloading vessel
GIIP	Gas initially in place
GSTA	Gas Sales and Transportation Agreement
JOA	Joint Operating Agreement
JV	Joint Venture
mcf	thousand cubic feet of gas
ML	Mining Lease
mmbbls	million barrels of oil
mmboe	million barrels of oil equivalent
mmbtu	million British thermal units
mmscf	million standard cubic feet of gas
mmscfd	million standard cubic feet of gas per day
MOP&NG	Ministry of Petroleum and Natural Gas
NELP	New Exploration Licencing Policy
OWC	Oil Water Contact
PEL	Petroleum Exploration Licence
PSC	Production Sharing Contract
STOIP	Stock tank oil initially in place
TD	Targeted Depth



NOTICE

NOTICE IS HEREBY given that the 19th Annual General Meeting of the Members of Hindustan Oil Exploration Company Limited will be held on Tuesday, 23rd September 2003 at 3.00 P.M. at “Tropicana Hall”, TAJ RESIDENCY Vadodara, Akota Gardens, Vadodara – 390 020 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2003 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Hasmukh Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vimal Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. S. B. Billimoria & Co., Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit, to pass, with or without modifications, the following resolutions:

6. As an ORDINARY RESOLUTION:
“RESOLVED THAT Mr. Rakesh Jain be and is hereby appointed a Director of the Company not liable to retire by rotation.”
7. As an ORDINARY RESOLUTION:
“RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with the provisions of Schedule XIII and all other applicable provisions of the Companies Act, 1956, (including any statutory modification or the re-enactment thereof for the time being in force), approval of the members of the Company be and is hereby accorded to the appointment of Mr. Rakesh Jain as the Managing Director of the Company for a period of three years with effect from 1st August 2003, upon the terms and conditions including remuneration as set out in the Explanatory

Statement annexed to this Notice with authority to the Board of Directors (hereinafter referred to as “the Board” which expression shall also include a Committee thereof) to alter and vary the terms and conditions of the said appointment (including authority, to determine the amount of salary and performance bonus as also the type and amount of perquisites and other benefits payable to Mr. Rakesh Jain) subject to the overall ceiling specified in Schedule XIII to the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) in such manner as may be agreed to by and between the Board and Mr. Rakesh Jain.”

“RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr. Rakesh Jain as Managing Director, the remuneration payable to him by way of salary, allowances, performance and sign on bonus and perquisites shall not without the approval of the Central Government (if required) exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any director(s) to give effect to the aforesaid resolution.”

8. As an ORDINARY RESOLUTION:
“RESOLVED THAT pursuant to the provisions of Section 256 and other applicable provisions, if any, of the Companies Act, 1956, the vacancy caused by the retiring Director Mr. B. R. Sule not seeking re-election, be and is hereby not filled up.”
9. As an ORDINARY RESOLUTION:
“RESOLVED THAT Mr. Andrew Fawthrop, Nominee Director of Unocal Bharat Limited, Mauritius, be and is hereby appointed as a Special Director under Article 113 of the Articles of Association of the Company.”
10. As an ORDINARY RESOLUTION:
“RESOLVED THAT pursuant to Section 94 of the Companies Act, 1956, read with Article 4 of the Articles of Association of the Company, the



authorised share capital of the Company be and is hereby increased from Rs. 100,00,00,000 (Rupees one hundred crore) to Rs. 200,00,00,000 (Rupees two hundred crore) by creation of 10,00,00,000 (Ten crore) new equity shares of Rs.10 each, ranking pari passu with the existing equity shares and that appropriate consequential alterations be made in Clause V of the Memorandum of Association of the Company.”

11. As a SPECIAL RESOLUTION:

“RESOLVED THAT the Articles of Association of the Company, be altered in the following manner:

that Article 3 shall be deleted and the following new Article 3 is substituted therefor:

3. The Authorised Share Capital of the Company is Rs. 200,00,00,000 (Rupees two hundred crore) divided into 20,00,00,000 (Twenty crore) Equity Shares of Rs.10 each.”

12. As an ORDINARY RESOLUTION:

“RESOLVED THAT in supersession of Resolution No. 15 passed at the 5th Annual General Meeting of the Company held on 1st August 1989 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, read with Article 147(d) of the Articles of Association of the Company, the Company hereby accords its consent to the Board of Directors to borrow any sum or sums of money from time to time, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 375,00,00,000 (Rupees three hundred seventy five crore) exclusive of interest.”

By Order of the Board of Directors

Place : Mumbai **Ketan Thaker**
Date : July 29, 2003 Assistant Company Secretary

Registered Office: ‘HOEC House’, Tandalja Road,
Off Old Padra Road, Vadodara – 390 020.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 16th September 2003 to Tuesday, 23rd September 2003 (both days inclusive).
4. Members/Beneficial Owners are requested to quote their Folio No./DP & Client ID Nos., as the case may be, in all correspondence with the Company.
5. Members holding shares in physical form are requested to promptly inform the Company, the change in their address, pin code number, bank account details, nomination and power of attorney.
6. Beneficiary Owners of shares in demat form are requested to send their instructions regarding change of address, pin code number, bank account details, nomination, power of attorney, etc., directly to their DP as the same are maintained by the DPs.
7. Members are requested to quote their E-mail Ids, Telephone/Fax numbers for prompt reply to their communication.
8. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary at least seven days before the Meeting, so that the information required by the members may be made available at the Meeting.
9. The Company’s equity shares are under compulsory demat trading by all investors. Members are requested to convert their shares from physical form to dematerialised form, if not already done, so as to avoid inconvenience in future.
10. All members who have not encashed their dividend warrants for the financial year 2000-2001 and 2001-2002 are requested to write to the Company, mentioning the relevant folio number(s) or the depository account number(s) for issuance of



duplicate/fresh dividend warrant(s). Members are also hereby informed that Dividends which remain unclaimed/uncashed over a period of 7 years have to be transferred by the Company to Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim shall be tenable for the unclaimed dividend transferred to IEPF.

11. Members are hereby informed that the Company has deposited the share application money remaining unclaimed/uncashed for a period of more than 7 years in to the IEPF established under Section 205C of the Companies Act, 1956.
12. M/s. Intime Spectrum Registry Limited, the Company's Registrars and Share Transfer Agent, has set up an office at 201, Sidcup Towers, Race Course Vadodara – 390 007, Tele-fax No. 91-265-2332474 and the Company's share transfer activities would be carried out at this office. However, documents would continue to be accepted at their Mumbai office address as well as the Company's Vadodara and Mumbai offices.
13. Brief Resume, Expertise, Board Memberships in other companies and Committee Positions thereof of Directors seeking appointment/re-appointment:

Mr. Rakesh Jain

Mr. Rakesh Jain was earlier with the Tata Administrative Services and served Tata Group of Companies for about 21 years of which around 14 years of experience was in Oil & Gas Industry, 3 years in Information Technology Industry and 4 years in International Exports. He played a lead role in establishing Tata's foray into the oil and gas business as Vice President of Tata Petrodyne Ltd. (TPL) and earlier as Head, Business Development of Hitech Drilling Services, a Joint Venture promoted by Tata Industries in collaboration with Schlumberger. He was instrumental in building a high quality exploration and production portfolio in offshore Cambay and Cauvery Basin in Joint Venture with well-known domestic and foreign Oil & Gas Companies. Success was achieved in establishing early production from offshore Cauvery Basin. He was also involved in successful farm-out of TPL's partial interests in Cambay blocks to Enron and Cairn Energy. He holds a Masters in Business

Administration from IIM-Calcutta and Bachelors in Mechanical Engineering from IIT-Delhi. He has participated in executive program for global leadership at Harvard Business School.

Mr. Jain is the Chairman of HOEC Bardahl India Limited (wholly owned subsidiary of the Company).

Mr. Hasmukh Shah

Mr. Hasmukh Shah is Chairman of Gujarat Gas Company Ltd., Chairman of Shaily Engineering Plastics Ltd., Chairman of Oswal Multimedia K.I.D. Ltd., and a Director of Supreme Petrochem Ltd., Sun Pharmaceutical Industries Ltd., Feedback First Urban Infrastructure Company Ltd., Hindustan Inks and Resins Ltd., and Atul Ltd.

Mr. Shah is former Chairman & Managing Director of Indian Petrochemical Corporation Ltd. (IPCL), Joint Secretary to the Prime Minister, Secretary, Posts & Telegraph Board, Chairman Gujarat Industrial Investment Corporation (GIIC), Vice Chairman, GE Capital (India); General Electric Company and Chairman Gujarat Industrial Research & Development Agency (GIRDA).

He is a Member of Audit Committee and Chairman of Shareholders/Investors Grievance Committee of Hindustan Inks and Resins Ltd., Member of Audit and Compensation Committees and Chairman of Shareholders/Investors Grievance Committee of Sun Pharmaceutical Industries Ltd., Member of Audit and Compensation Committees of Shaily Engineering Plastics Ltd., Member of Compensation Committee of Supreme Petrochem Ltd., and Member of Compensation Committee of Atul Ltd.

Mr. Vimal Bhandari

Mr. Vimal Bhandari is the Executive Director of Infrastructure Leasing & Financial Services Limited. Mr. Bhandari is a Chartered Accountant. He is on the Company's Board since 1995.

Mr. Bhandari has wide experience in developing new financial products for corporate sector. He has worked on a possible scheme for the privatisation of government owned public sector undertakings by seeking the participation of investors through the mode of capital markets. He has wide knowledge and experience in the field of finance and accounts.

Mr. Bhandari is also on the Board of IL&FS Asset Management Company Ltd., IL&FS Investment Managers Ltd., IL&FS Infrastructure Development



Corporation Ltd., Investsmart India Ltd., Bhoruka Power Corporation Ltd., JL Morrison (India) Ltd., Mirc Electronics Ltd., Hero Corporate Services Ltd., Kalpataru Power Transmission Ltd., Domino's Pizza India Ltd., Cosmo Films Ltd., and DCM Shriram Consolidated Ltd.

He is a member of the Compensation Committee of IL&FS Asset Management Company Ltd., Member of Compensation & Shareholders Grievance Committee of IL&FS Investment Managers Ltd., Member of Compensation Committee of Investsmart India Ltd., Member of Audit & Remuneration Committee of Mirc Electronics Ltd., and Member of Audit Committee, Hero Corporate Services Ltd.

Mr. Andrew Fawthrop

Mr. Andrew Fawthrop holds a Bachelor's Degree in Geology and Chemistry and a Masters Degree in Marine Geology from the University of London.

Mr. Andrew Fawthrop is currently Vice President of International Energy Operations for Unocal Corporation, U.S.A. He is responsible for the upstream and downstream activities in the South Asia region. He focuses equally on operational excellence, significant growth opportunities and government/industry relations.

Mr. Fawthrop held various positions of increasing responsibility of exploration activities around the world including, China, Egypt, Indonesia, Mexico, Africa, Latin America and Europe.

He is an active member of the Eurasia Group, the United States Azerbaijan Chamber of Commerce, the Asia Society of Texas and the Houston World Affairs Council.

INSPECTION OF DOCUMENTS

Copies of the Documents referred to in the Notice are available for inspection at the Registered Office of the Company between 09.30 a.m. to 5.30 p.m. during working days (except Saturdays, Sundays and holidays) until the date of Annual General Meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173(2) of the Companies Act, 1956 for item No. 6 to 12 of the Notice is as under:

Item No. 6 & 7

Mr. Rakesh Jain has joined the Company as Managing Director-Designate on 16th June 2003. The Board of Directors at its meeting held on 29th July 2003 appointed Mr. Rakesh Jain as an Additional Director of the Company. The Board also appointed him as the Managing Director of the Company with effect from 1st August 2003 for a period of three years, subject to the approval of the members of the Company.

Pursuant to the provisions of Article 111 of the Articles of Association of the Company, Mr. Rakesh Jain holds office up to the date of the ensuing Annual General Meeting. As the Board has also appointed him as Managing Director, his appointment as a Director be made by the Company pursuant to the provisions of Section 255 of the Companies Act, 1956 (hereinafter referred to as "the Act") and Article 178 of the Articles of Association of the Company. A notice in writing has been received along with the requisite deposit under Section 257 of the Act from a member signifying his intention to propose Mr. Rakesh Jain as a Director of the Company.

Mr. Rakesh Jain is willing to act as a Director of the Company, if so appointed, and has filed with the Company his consent pursuant to Section 264(1) of the Act.

The brief profile of Mr. Rakesh Jain has already been given in the Note No. 13 to the Notice. The said details are therefore not mentioned again here so as to avoid repetition.

The material terms of the said appointment including the remuneration are as under:

PERIOD: The appointment will be for 3 (three) years with effect from 1st August 2003.

NATURE OF DUTIES: The Managing Director is authorised to exercise substantial powers of management and shall be responsible for the day-to-day management, subject to the superintendence, direction and control of the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall also include a Committee thereof).



The Managing Director shall have the general control of the business of the Company with powers to enter into contracts on behalf of the Company in the ordinary course of business and to do and perform all other acts and things which in the ordinary course of business he may consider necessary or proper in the interest of the Company and carry out such duties as may be entrusted and/or delegated to him by the Board from time to time.

REMUNERATION: The Managing Director shall be entitled to the following emoluments, benefits and perquisites subject to the ceiling limits laid down in Section 198, 309 and Schedule XIII to the Companies Act, 1956.

SALARY: Rs. 1,50,000 per month.

PERFORMANCE BONUS: An amount of Rs. 10 lac shall be paid as performance bonus in the first year based on the imperatives decided by the Board and eligibility to receive performance bonus in each subsequent years will be based on imperatives agreed to in advance and as approved by the Board.

SIGN ON BONUS: An amount of Rs. 25 lac will be paid in two equal installments. An amount of Rs. 12.5 lac to be paid in the first pay cheque upon assuming the office as Managing Director-Designate and a further Rs. 12.5 lac to be paid one day prior to the first anniversary date of joining the Company.

If Mr. Rakesh Jain voluntarily terminates the agreement within 24 months he shall reimburse the Company an amount not less than Rs. 12.5 lac.

PERQUISITES/ALLOWANCES: In addition to the salary and performance and sign on bonus payable, the appointee shall also be entitled to perquisites and allowances such as leave travel concession for self and family members, books, holiday package scheme, medical insurance for self and family, children education allowance & scholarship for upto two children, personal accident insurance, club fees subject to a maximum of two clubs (excluding admission and life membership fees), reimbursement of medical expenses incurred for self and family and flexible allowance etc., in accordance with the rules of the Company from time to time or as may be agreed to by the Board and Mr. Rakesh Jain. However, such perquisites and allowances will be 66.67% of annual salary.

Provision of chauffeur driven car for official duties, telephone and other necessary communication facilities

at residence shall not be included in the computation of perquisites for the purpose of calculating the said ceiling. Personal long distance calls and use of car for private purpose shall be borne by Mr. Rakesh Jain.

HOUSING AND OTHER BENEFITS: In addition to the above; Mr. Rakesh Jain shall be provided with Company leased furnished accommodation to be maintained by the Company.

Mr. Rakesh Jain will also be entitled to the following benefits. These benefits will not be included in the computation of limits for the remuneration or perquisites aforesaid.

- (a) Gratuity payable subject to the condition that it will not exceed half a month's salary for each completed year of service and shall be subject to the maximum amount as may be permitted under the Company's rules in relation to gratuity prevailing from time to time.
- (b) Earning four weeks of leave per year, encashable at the end of the tenure.
- (c) Contribution to provident fund and superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 and shall be subject to the maximum amount as may be permitted under the Company's rules.

MINIMUM REMUNERATION: Where in any financial year during the tenure of Mr. Rakesh Jain as Managing Director, the Company has no profits or the profits are inadequate, remuneration by way of salary, perquisites, performance and sign on bonus as specified above, will be subject to Central Government and such other approvals as may be necessary.

OTHER TERMS:

- (i) If at any time Mr. Rakesh Jain ceases to be a Director of the Company for any reasons whatsoever, he shall cease to be the Managing Director.
- (ii) If at any time Mr. Rakesh Jain ceases to be the Managing Director of the Company for any reasons whatsoever, he shall cease to be a Director of the Company.
- (iii) The Managing Director shall not be liable to retire by rotation in terms of Section 255 of the Act and Article 178 of the Articles of Association of the Company.



- (iv) The Managing Director shall not be entitled for sitting fees for attending the meetings of the Board and Committees thereof.
- (v) The Agreement may be terminated by either party giving the other party three months' notice in writing of such termination or the Company paying three months' salary in lieu of the notice.
- (vi) The Managing Director shall not become interested or concerned directly or through his spouse and/or minor children in any selling agency of the Company without the prior approval of the Central Government.
- (vii) The severance fees have been defined for the balance year/period of contract, based on the circumstances.
- (viii) This may be treated as an abstract of the terms and conditions governing the appointment and remuneration of Mr. Rakesh Jain as Managing Director pursuant to Section 302 of the Companies Act, 1956.

Mr. Rakesh Jain is interested in resolutions at item Nos. 6 & 7. None of the other directors of the Company is in any way, concerned or interested in the said resolutions.

In terms of the provisions of Section 198, 269 & 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the appointment of Mr. Rakesh Jain as Managing Director of the Company and payment of remuneration to him are subject to the approval of shareholders in General Meeting. The appointment of Mr. Rakesh Jain and the remuneration payable to him are in accordance with Schedule XIII of the Companies Act, 1956.

The Board recommends the resolutions to the members for their approval.

Item No. 8

Section 256(4)(a) of the Companies Act, 1956, provides that the Company in General Meeting may by an ordinary resolution resolve not to fill up the vacancy of a retiring Director not seeking re-election. Since Mr. B. R. Sule, Director, who retires by rotation at the ensuing Annual General Meeting, has not sought re-election, the vacancy so caused is not proposed to be filled up.

The Board recommends the resolution to the members for their approval.

None of the Directors of the Company is in any way, concerned or interested in the said resolution.

Item No. 9

Due to organisational changes, Unocal Bharat Limited, Mauritius (Unocal) has nominated Mr. Andrew Fawthrop as their Nominee in place of Mr. Steve Green. Accordingly, Mr. Andrew Fawthrop was appointed as Director by the Board of Directors of the Company at its meeting held on 22nd January 2003. Mr. Andrew Fawthrop shall hold office up to the date of ensuing Annual General Meeting. Brief resume and expertise of Mr. Andrew Fawthrop is mentioned in the Note No. 13 to the Notice.

The Company has received a valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956, proposing the name of Mr. Andrew Fawthrop for the office of Director.

The Board is pleased to recommends the appointment of Mr. Andrew Fawthrop as Special Director under Article 113 of the Articles of Association of the Company.

None of the other directors of the Company except Mr. Andrew Fawthrop is concerned or interested in the said resolution.

Item No. 10 & 11

The authorised share capital of the Company presently stands at Rs.100 crore divided into 10 crore equity shares of Rs.10 each. This increase in the authorised capital will facilitate the Company to increase its share capital by fresh issue of capital for its existing projects such as Pondicherry Offshore Basin (PY-3), Cauvery (PY-1), Palej (CB-ON-7), North Balol, Assam Aarakan (AAP-ON-94/1), Cambay (CB-OS-1) as well as future oil exploration and development projects. It is therefore considered advisable to increase the authorised share capital of the Company from Rs. 100 crore to Rs. 200 crore by creation of 10 crore new equity shares of Rs.10 each, which will rank pari passu in all respects with the existing equity shares in the Company.

The proposed increase of the authorised share capital of the Company requires the approval of the members in General Meeting. Consequent upon the said increase, the Memorandum & Articles of Association of the Company will require alteration so as to reflect the increase in share capital. Therefore, it is necessary to alter Clause V of the Memorandum of Association and



substituting a new Article 3 in place of existing Article 3 in the Articles of Association. Such increase in the authorised share capital is authorised by Article 4 of the Articles of Association of the Company. Pursuant to Section 94 of the Companies Act, 1956, the resolution is proposed as an ordinary resolution.

The Board recommends the resolution for approval of the members. The Directors of the Company may be deemed to be concerned or interested in Resolution to the extent of their shareholding.

Item No. 12

At the 5th Annual General Meeting of the Company held on 1st August 1989, the Members of the Company had by a resolution granted to the Board of Directors the power to borrow up to Rs. 100 crore.

The Company's requirements for financing its operations are expected to go up with the acceleration of its activities and it may be necessary for the Company to borrow moneys from time to time. The Board considers that the said limit of Rs. 100 crore will need to be enhanced in order to meet the financial requirements covering its existing projects such as Pondicherry Offshore Basin (PY-3), Cauvery (PY-1), Palej (CB-ON-7), North Balol, Assam Aarakan (AAP-ON-94/1), Cambay (CB-OS-1) as well as to fund inorganic growth opportunities. The Board accordingly

recommends the proposal to increase the borrowing limit to Rs. 375,00,00,000 (Rupees three hundred seventy five crore).

Pursuant to Section 293(1)(d) read with Article 147(d), the Board of Directors shall not except with the consent of the Members in General Meeting borrow moneys, where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

The Board, therefore, recommends the resolutions to the members for their approval.

None of the Directors of the Company is in any way, concerned or interested in the said resolution.

By Order of the Board of Directors

Place : Mumbai

Ketan Thaker

Date : July 29, 2003

Assistant Company Secretary

Registered Office: 'HOEC House', Tandalja Road,
Off Old Padra Road, Vadodara – 390 020.



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Registered Office : 'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara - 390 020 (India)
Phone: (0265) 2330766 • Fax: (0265) 2333567 • Website : www.hoec.com • E-mail : contact@hoec.com

BANK ACCOUNT PARTICULARS/ECS MANDATE FORM

I/We, _____ do hereby authorise
HINDUSTAN OIL EXPLORATION COMPANY LIMITED to:

- *Print the following details on my/our Dividend Warrant
- *Credit my dividend amount directly to my Bank account by ECS

(*Strike out whichever is not applicable)

My/Our Folio No. _____

DP ID No. _____ Client ID No. _____

(please see Instructions No. 4)

Particulars of Bank Account:

- A. Bank Name : _____
- B. Branch Name/Address (for Mandate only) : _____

- C. 9 Digit Code number of the Bank & Branch as appearing on the MICR cheque : _____
- D. Account Type (Savings/Current) : _____
- E. Account No. as appearing on the cheque book : _____
- F. STD Code & Telephone No. of Bank : _____

I/We shall not hold the Company responsible if the ECS could not be implemented or discontinued the ECS, for any reason.

Date: _____

Signature of the Shareholder

Instructions:

- Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the 9 digit code number.
- ECS Mode of Payment is valid only for payment upto Rs. 5,00,000/-.
- In case the ECS Scheme does not meet the desired response or due to any other operational reasons, it is found to be unworkable, the Company reserves the right to pay the dividend by issue of Warrants.
- In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank Account particulars/ECS mandate.
- Shareholders holding shares in physical mode, please submit this form to:**

Intime Spectrum Registry Limited (Unit : Hindustan Oil Exploration Company Limited)
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai-400 070
Phone: 91-022-25923837 Fax 91-022-25672693 E-mail: isrl@intimespectrum.com



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Regd. Office: 'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara - 390 020

ATTENDANCE SLIP

[To be presented at the entrance]

I hereby record my presence at the **19TH ANNUAL GENERAL MEETING** of the Company held on Tuesday, 23rd September 2003 at 3.00 p.m. at "Tropicana Hall", TAJ RESIDENCY Vadodara, Akota Gardens, Vadodara - 390 020.

Folio No. _____ DP ID No. _____ Client ID No. _____

Name of the Shareholder/Proxy : _____

No. of Shares : _____

Date: 23rd September 2003

Signature of the Shareholder/Proxy



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Regd. Office: 'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara - 390 020

PROXY FORM

Folio No. _____ DP ID No. _____ Client ID No. _____

No. of Shares : _____

I/We _____ of _____ in the district

of _____ being a Member(s) of Hindustan Oil Exploration Company Limited hereby

appoint _____ of _____ or failing him/her

_____ of _____ as my/our proxy to

attend and vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on Tuesday, 23rd September 2003 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2003.

Affix Re. 1/-
Revenue
Stamp

(...Signature...)

NOTE: The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.