



INVESTOR PRESENTATION, NOVEMBER 2015

INDIA'S FIRST
PRIVATE OIL AND GAS COMPANY

Transforming Through Talent And Technology

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

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Q2FY16 Highlights

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HOEC Bardahl India Limited



Q2FY16 HIGHLIGHTS



Statement of Profit & Loss

Particulars	Q2 FY 16	Q1 FY 16	FY 2015	FY 2014
Revenue from Operations	52	93	404	569
Other Income	17	13	75	58
Total Revenue	69	106	479	627
Operating, G &A and Other expenses	60	51	304	347
Depreciation, Depletion & Amortization	29	34	388	1,031
Net Loss/(Gain) of Forex	9	9	8	44
Finance Costs	-	-	147	136
Exploration Costs	1	1	70	446
Provision for obsolete Inventories	-	-	138	-
Total Expenses	99	95	1,055	2,004
Profit/(Loss) Before Tax and Exceptional items	(30)	11	(576)	(1,377)
Exceptional Items - (Interest on Income tax refund)/Impairment	(34)	6	11,634	-
Profit/(Loss) Before Tax	4	5	(12,210)	(1,377)

All Figures are
in INR MM

- Revenue declined in Quarter due to reduction in condensate sales and decline in price.
- RJ-ONN-2005/2 exploration phase expired on 24.6.15. However, Operator sought 17 month extension for excusable delays, which is pending. Under the extension policy, operator drilled 2 exploratory dry holes. Any contingent liability for the block not considered.

Balance Sheet

All Figures are in INR MM

Assets		
Description	Sept'15	Mar'15
Fixed assets:		
- Land and Buildings	79	80
- Work-In-Progress – Assam	1,191	1,176
- Producing properties & Other fixed assets	664	717
Non-current investments	5	5
Long term loans and advances	338	341
Other bank balances(Incl. SRF)	510	491
Current assets	1,484	1,417
TOTAL	4,271	4,227

Equity & Liabilities		
Description	Sept'15	Mar'15
Share capital	1,305	1,305
Reserves and surplus	1,423	1,414
Long-term provisions	1,115	1,103
Current liabilities (ENI)	280	263
Other Current liabilities	148	142
TOTAL	4,271	4,227

- 1 Debt Free Balance Sheet
- 2 Operating Revenue to meet OPEX and G & A
- 3 ICRA BBB+ (Stable) Rating for INR 100 Crore long term proposed debt
 - Company has received an in-principle approval for a term loan of USD 18.73 million from a Bank
- 4 Strong working capital position : INR 134 Crore*
- 5 Cash-on-hand in the Working Capital is 56 crore on 30.09.15 as against 30 crore on 31.03.15

Key Updates : Q2 2015-16

Update on Assam Block

- All state level EC process completed and Final EIA report submitted to MoEF for Environmental Clearance (EC).
- Process for Land acquisition/RoW for pipelines initiated
- Basic Design & Engineering for Gas Gathering Station completed
- Contract for Long lead Drilling & Completion tangibles awarded
- Technical evaluation of critical services completed
- In-principle agreement reached for Gas sales/transportation with BCPL/OIL. Negotiation commenced on GSA.

Additional PSC on CB-ON-7 Block for 97.15 sq.km

- Government has decided to grant 97.15 Sq. km of area to HOEC and GSPC by a New Production Sharing Contract (PSC) and it is to be executed soon
- In June 2015, discovery was made by a private operator near CB-ON-7 area which was surrendered earlier by HOEC
- Low-risk exploration opportunity is created

Update on Marginal Field Policy

- HOEC is evaluating the opportunity to participate in upcoming bidding round for Marginal fields in consortium
- Government to auction 69 fields previously owned by ONGC and OIL
- Moved away from profit sharing model to revenue sharing model
- Sale of discovered gas is allowed at market price



COMPANY OVERVIEW



1st

Private Oil & Gas company in India

3

Decades of presence in Oil & Gas Business

7

Blocks (Production/Development stage) across India

\$500+

Million of Investments

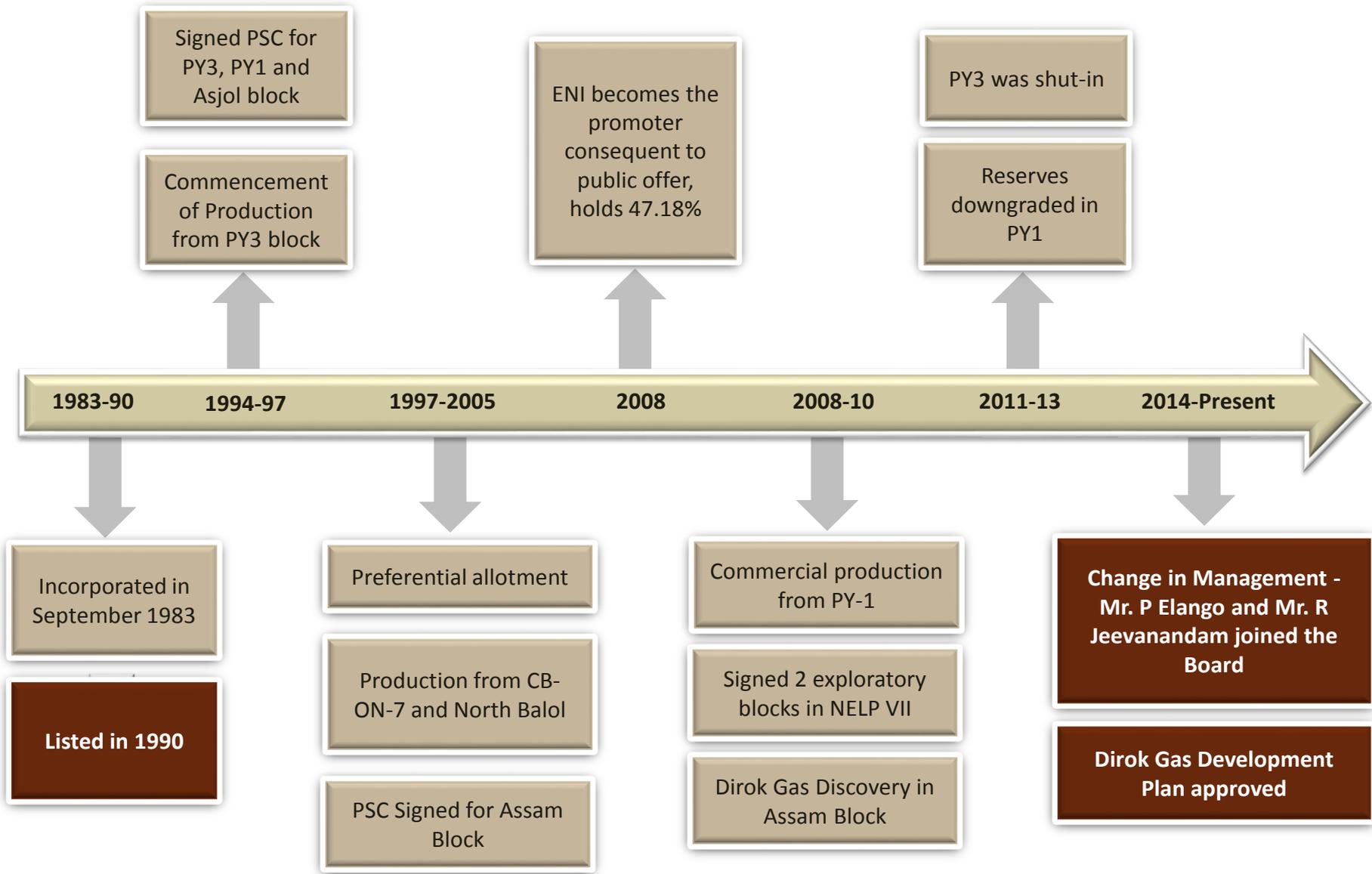
85,000+

Shareholders



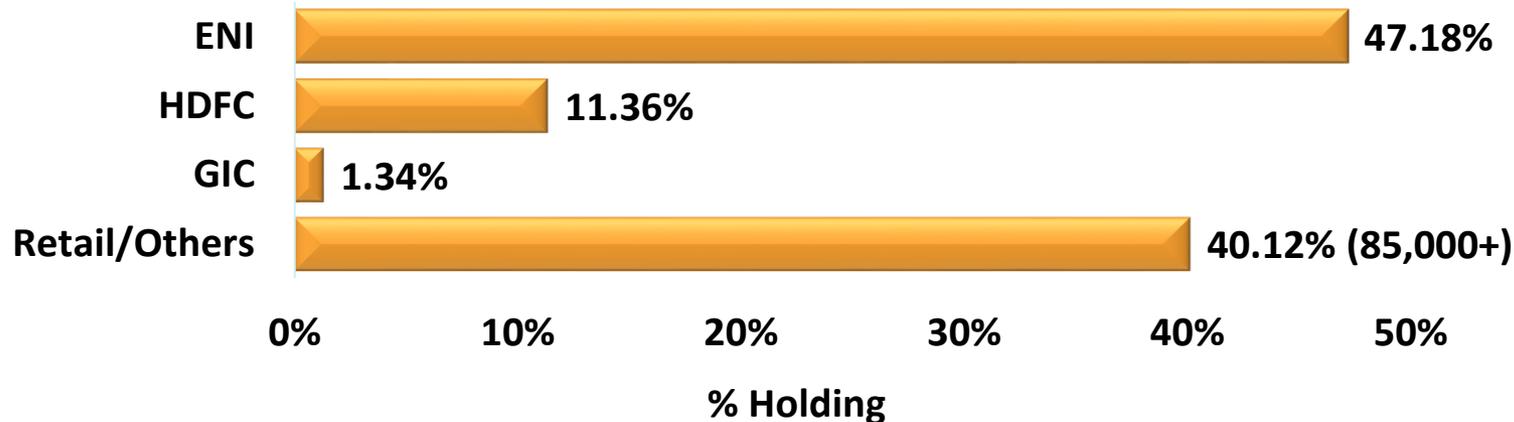
Promoted by Late Shri H.T. Parekh

25 Years in BSE Listing



HOEC Shareholding Pattern & Board Members (Non-Executive Directors)

Shareholding Pattern



Board of Directors (Non-Executive)



Sunil Behari Mathur
Chairman



Guido Papetti
Director



Paolo Cedia
Director



Sharmila Amin
Director

Board Members (Executive Directors)



P ELANGO

Managing Director

- Over 28 years of experience in Upstream Oil & Gas Sector
- Held several leadership roles in different areas of the business and is a recognized leader in the Indian industry
- Earlier CEO of Cairn India, played a key role in building Cairn into a leading Oil & Gas company operating over 30% of the crude oil production in India
- Started career with ONGC
- One of the five finalist for Platts' first-ever Asia CEO of the Year award 2013
- Holds Masters degree in Business Administration



Ramasamy Jeevanandam

CFO & Director

- Over 30 years of experience in Upstream Oil & Gas Sector
- Earlier Vice President at Aban Offshore and CFO at Hardy Exploration & Production (India) Inc
- Started career with ONGC
- Certified Public Accountant, USA, Chartered Global Management Accountant, USA, Qualified Cost Accountant, Chartered Financial Analyst, and Company Secretary with a Bachelor's Degree in Law

Technical Experts



Bhuwan Chandra Gariya
EXPLORATION MANAGER

- Over 31 years of experience as a Petroleum Geoscientist in exploration, appraisal, reservoir, development, including seismic data acquisition processing and interpretation
- Earlier Chief geophysicist at ONGC - worked for 24 years
- Expertise in special studies like inversion, AVO, velocity modelling and litho-facies analysis to mitigate the exploration and development risk
- Post graduate in Physics from HN Bahuguna Central University Srinagar, Garhwal



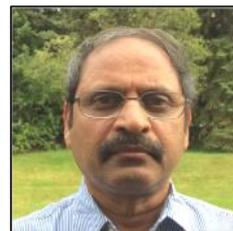
Debabrata Panda
HEAD – DRILLING & COMPLETION

- Over 22 years of experience in upstream exploration, development and production with various oil and gas companies
- Worked with E&P companies in India such as GSPC & Cairn India; experience includes companies such as Petronas Carigali and Chevron
- Expertise in Drilling & Completion operations, project management and technology integration
- Graduate in Petroleum Engineering from ISM (Dhanbad) with MBA (Energy) from PDP (Gandhinagar)



Sagar N. Mehta
HEAD-CAMBAY BUSINESS UNIT

- Over 27 years of experience in upstream E&P spanning entire life cycle from hydrocarbon prospect generation to profit center management.
- Joined Company since inception as a core team member and carried out numerous tasks in various disciplines in techno-commercial functions of setting up projects for the Company from prospect mapping, bidding for rounds, converting acreage cycle from exploration-appraisal-development-production to profit center.
- Acts as catalyst between technical-contractual-people and JV-PSC-JOA congruence to achieve harmony and maintain JV spirit as a single team to accrete reserves and increase hydrocarbon production from assets.
- Masters in Geology from Mumbai University & MBA from South Gujarat University



Siva Sankar Josyula
SENIOR TECHNICAL ADVISOR

- Over 35 years of experience in Upstream E&P industry covering seismic data acquisition, processing and Interpretation
- Earlier worked with Cairn India for over 9 years and ONGC for over 23 years
- Expertise in planning and execution/supervision of development drilling campaigns, well intervention jobs



P R Krishna

Asset Manager (Assam) & Head – Contracts & Procurement

- 25 years of Procurement and Supply Chain Management experience in on shore and offshore oil and gas fields encompassing exploration, development and production phases. Demonstrable experience in fast track execution of projects from discovery to development.
- Prior to joining HOEC, worked with ONGC in Mumbai and Tripura, Shell Petroleum in Brunei, Qatar Petroleum in Doha and with Cairn India.
- Postgraduate in Chemical Engineering from IIT, Delhi with Professional certification in Supply Chain Management from IIMM, India and from CIPS, UK.



Indreshwar Bharali

Advisor (Infrastructure)

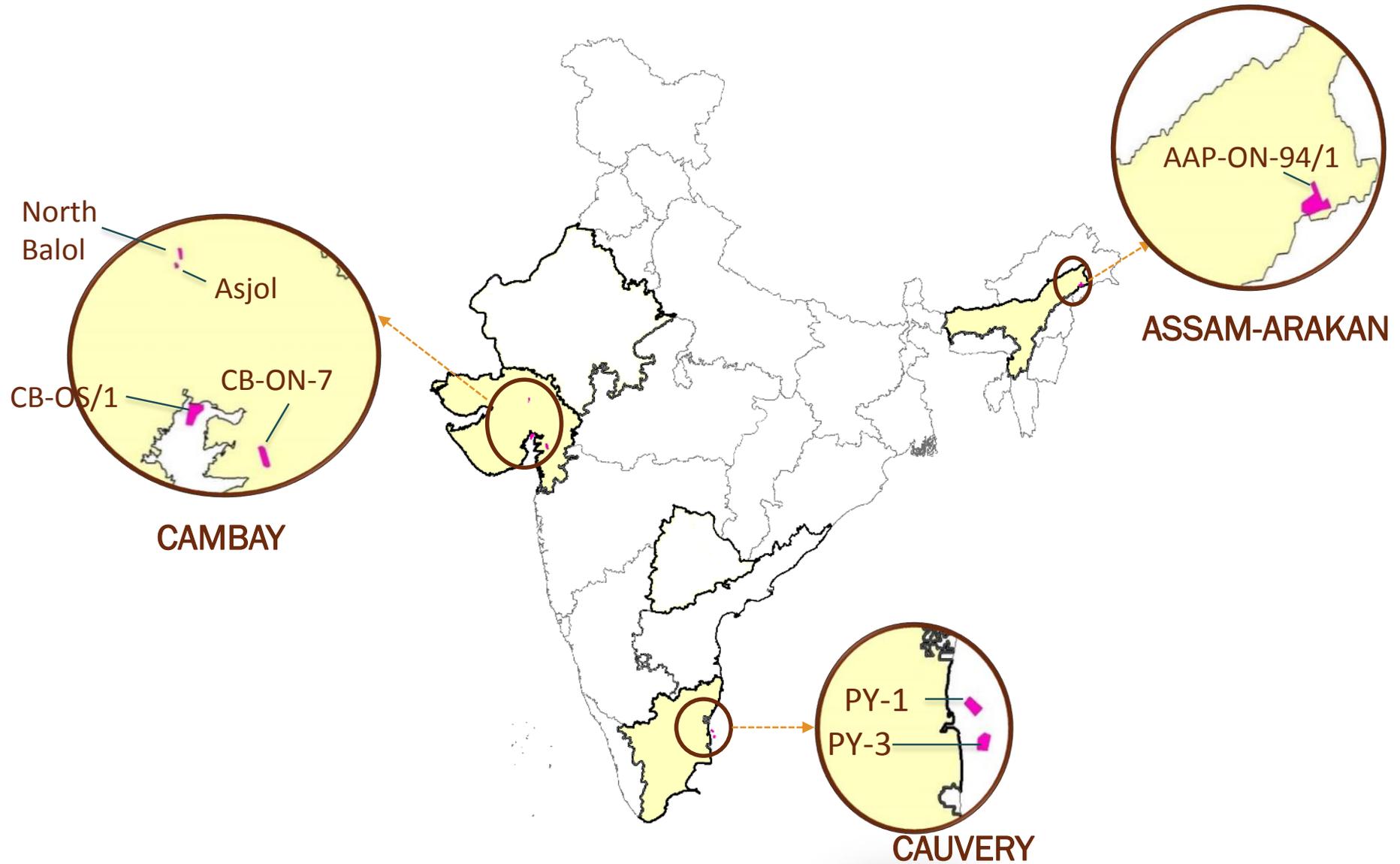
- Over 37 years of diverse experience in Upstream E & P industry covering Construction, operation and maintenance of production facilities, Gas compression facilities, Oil & Gas sales management and Construction, operation and maintenance of cross country crude oil, multi-product and gas pipelines.
- Rich experience in Corporate planning including liaising with Ministries, statutory authorities, engineering consultants etc.
- Served as Director in the Board of Assam Power Generation Corporation Ltd (APGCL) for three years and retired as Group General Manager (Production) from Oil India Limited after serving for 37 years
- Graduate in Mechanical Engineering from Institute of Technology, BHU



ASSET PORTFOLIO



Asset Map (Production/Development)



Asset Portfolio (Production/Development)

Block Name	Operator	Location	Oil/Gas	PI	Partner(s)
PY-1	HOEC	Offshore	Gas	100%	Nil
CB-ON-7	HOEC	Onshore	Oil	35%	 
North Balol	HOEC	Onshore	Gas	25%	 
Asjol	HOEC	Onshore	Oil	50%	
AAP-ON-94/1	HOEC	Onshore	Gas	27%	 
CB-OS/1	ONGC	Offshore	Oil	38%	 
PY-3	HEPI	Offshore	Oil	21%	  

 Producing
 Development

 Development Deferred
 PI = Participating Interest

Assam – AAP-ON-94/1 (Operator : HOEC, 27% PI)

Investment

- ~\$100 million of Exploration & Appraisal investment by JV
- 3 Exploration, 2 Appraisal wells

Reservoir

- Multiple Girujan Sands (18+)
- 6 Sands tested with gas flow
- Opening 2 new gas sands

POD

- Plan of Development was approved in May 2015

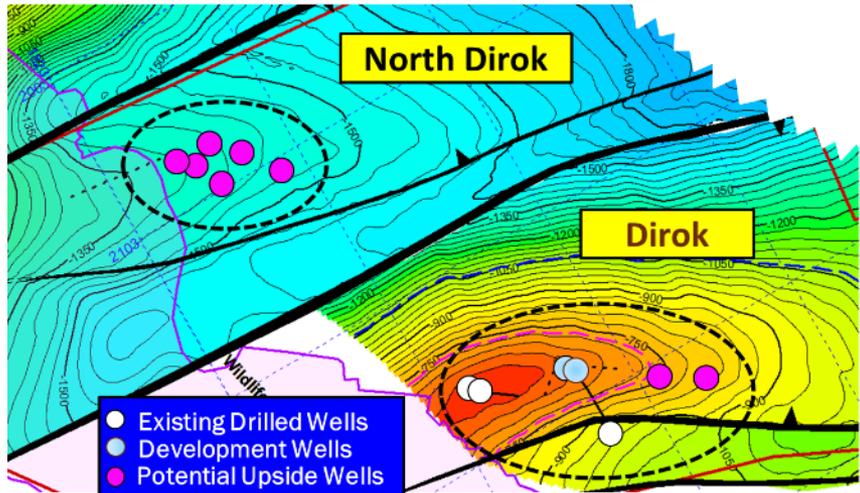
Reserves & Production

- Gas-Initially-in-Place (GIIP) of 244 BCF (100%)
- Recoverable reserves (EUR) of 134 BCF (100%) as per POD
- 20 mmscfd - plateau of 15 years, economic life of 20 years

Upside Potential

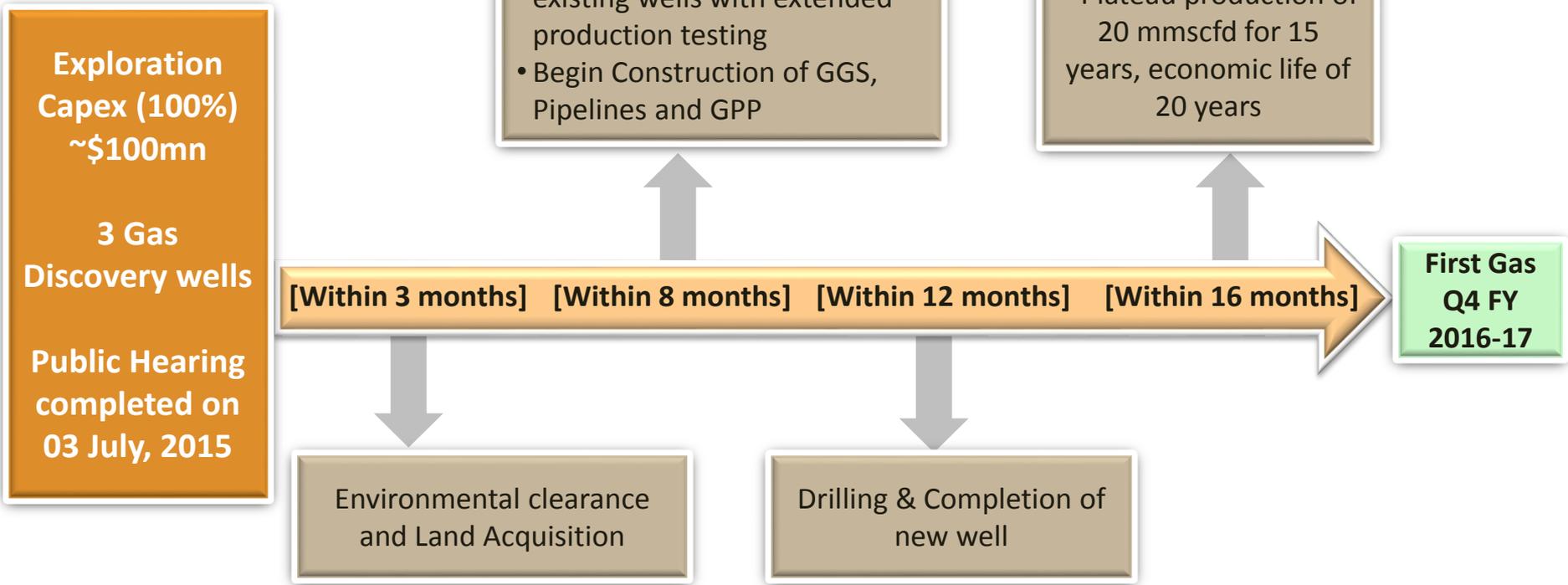
- Prolific Tipam & Barail Formation and North Dirok Structures yet to be explored

PROSPECT MAP



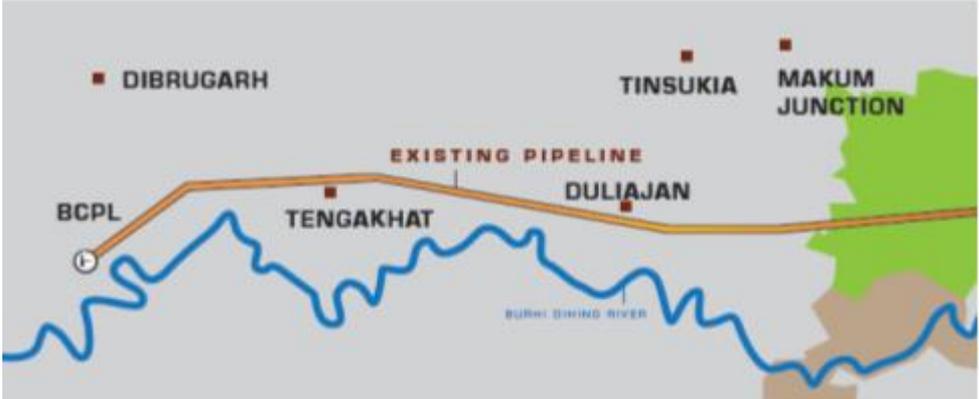
Fiscal Terms	
Royalty & Cess	Nil
Cost Recovery limit	80%
Investment Multiple	>1 < 1.5 (10%), 1.5 < 2 (25%), 2 < 2.5 (35%), 2.5 < 3 (45%), >3 (50%)

Assam to come on stream by Q4 FY2016-17



* Dates from Q2 end

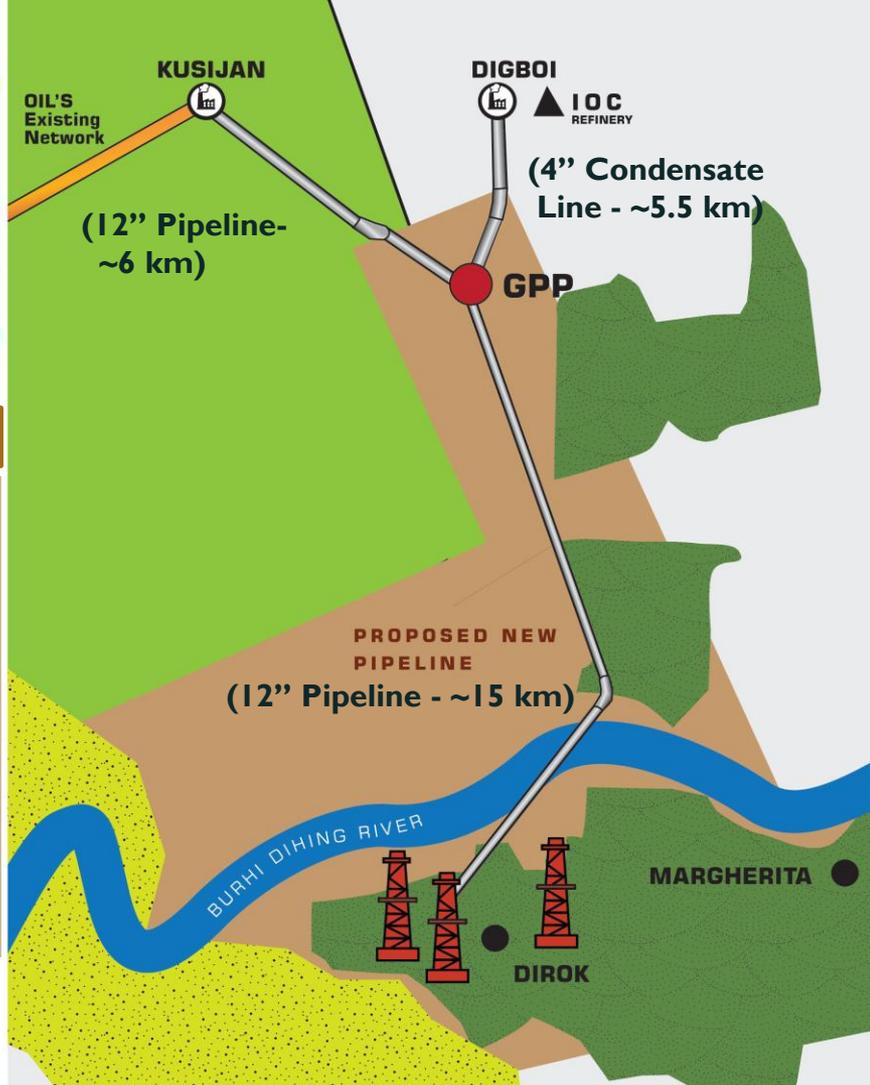
Assam : Easy Access to Market



Gas to BCPL through existing pipeline

- Existing infrastructure provides ready access to gas market.
- Discussion on Gas Sales Agreement is in progress.
- New pricing policy allows subsidy to private sector too.
- Government determined price is applicable in the region.

New Proposed pipeline
 Existing Pipeline



Gas Delivery through new pipeline

Assam : Project Status Update

Project : Activities Executed

FDP Approval	
Public Hearing	
Approval of Public Hearing Minutes	
Pipeline Route Approval Process Initiation	
Final EIA Report submission to MoEF for Environmental Clearance	
Basic Design & Engineering for Gas Gathering Station	
Contract Award for Line Pipes	
Contract Award for Tubings, Xmas Tree (completion)	

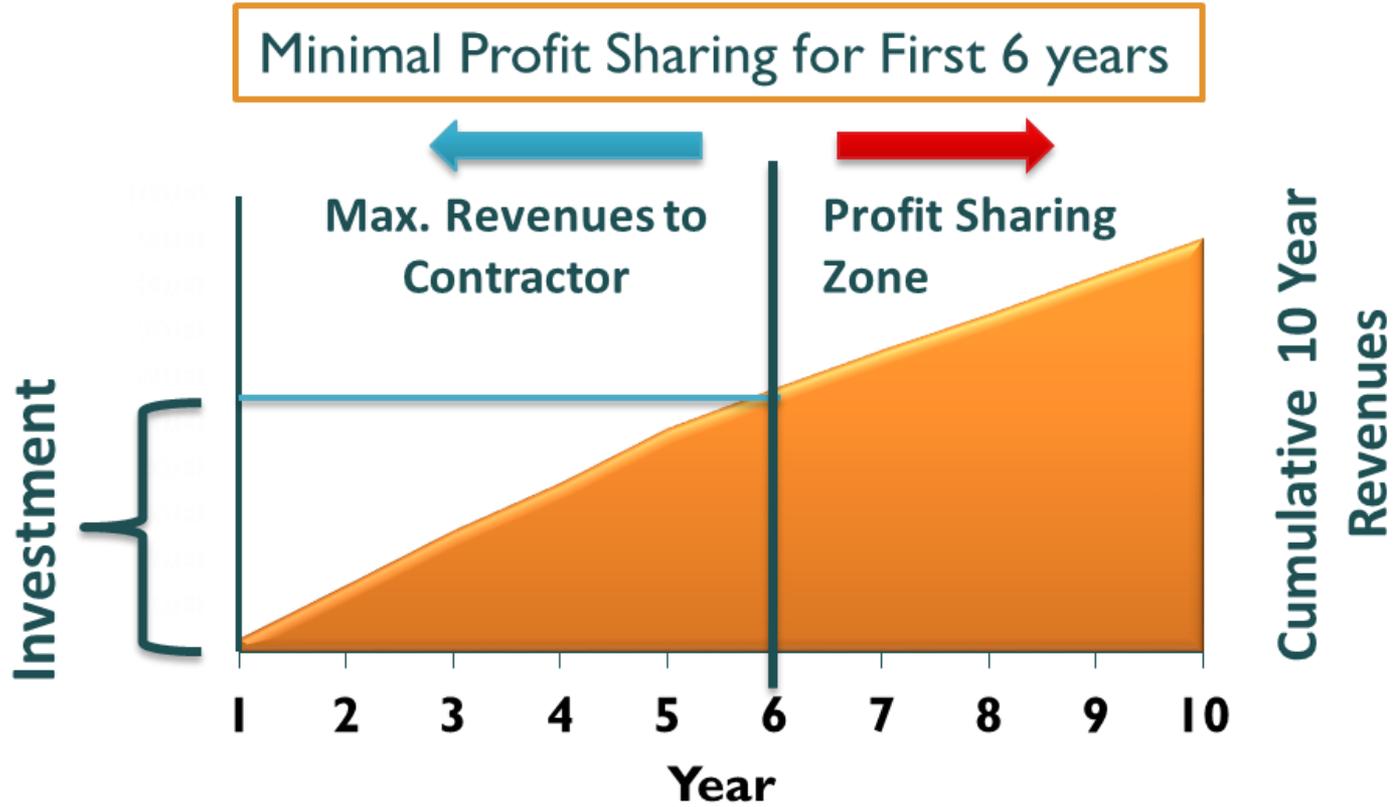
Plan

Recommendation by Wildlife & Forest Authorities	
Consent to Establish & Operate	
Laying of Line Pipes	
Drilling Rig Contract Award	
Construction Contract for Gas Gathering Station	

 Completed

 In Process

Assam : Minimal Profit Sharing to Government



Higher Revenues to HOEC

- Entitled to Higher share of revenue, PI in exploration being 40%

Cost carry of ~\$100 million

- Only \$85 mn would be required for development as against \$100 mn already incurred for exploration, Estimated budget for FY16 -\$32 mn

Attractive Payout

- No Cess and Royalty payable by Companies
- Profit share with the Government for the first 6 years is minimal due to cost carry

Early Monetization

- Easy access to market
- Gas sales agreement is in progress
- First Gas in Q4 FY 2016-17 subject to timely clearances

Upside potential exists

PY-1 (Operator : HOEC, 100% HOEC PI)

First Gas

- November 2009

Cumulative Investment

- Over \$400mn of Investment
- 4 Development wells and an Offshore Platform & Pipeline
- 55 mmscfd processing plant on 209 acres land

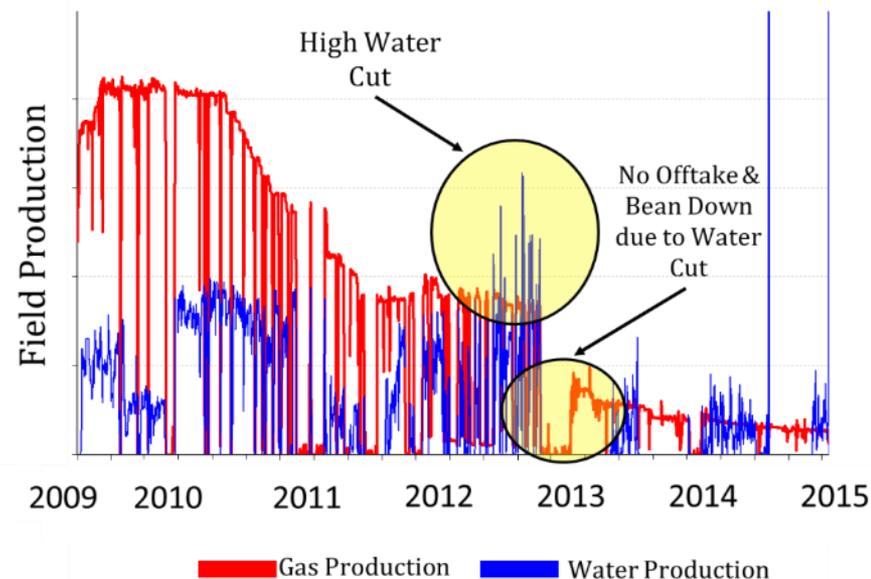
Production & Revenue

- Current Production : 2 mmscfd
- Q2 Revenue : INR 44 mn
- Q2 Opex: INR 33 mn

Complex Reservoir

- Compartmentalized fractured granitic basement
- Water cut caused steep decline in production
- G&G, Reservoir studies are on to understand the full potential

Decline in production due to water cut



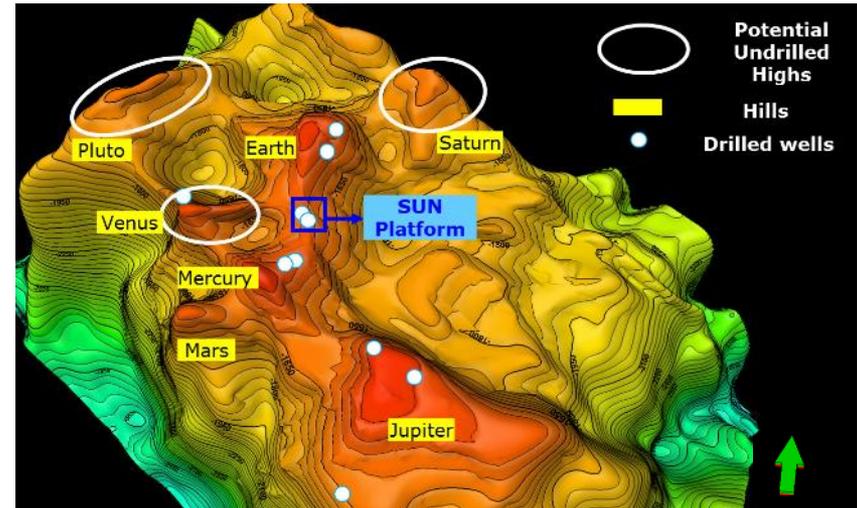
Fiscal Terms

Royalty	10% of well head value
Cost Recovery	100%
Investment Multiple	≤ 1 (0%), $1 < 2$ (5%), > 2 (50%)

PY-1 – Undeveloped Resources to be accessed

Planned Activities:

- Study on Exploring synergies with adjoining fields/block to optimize the operating cost for all stakeholders being carried out
- Results of coil tubing encourages to revisit the reserve estimation and subsequent workover and completion



Opportunities:

- Significant yet to be recovered resource base as assessed by Independent 3rd Party:
 - 2P - 31.5 BCF, 3P - 93.5 BCF
 - Techno-commercial risks to be evaluated
- Substantial cost carry to support incremental investments
- Option for partial farm-out to share risks, PI being 100%
- New wells to target undrilled prospects at the right time

PY-3 (Operator : Hardy, 21% HOEC PI)

First Oil

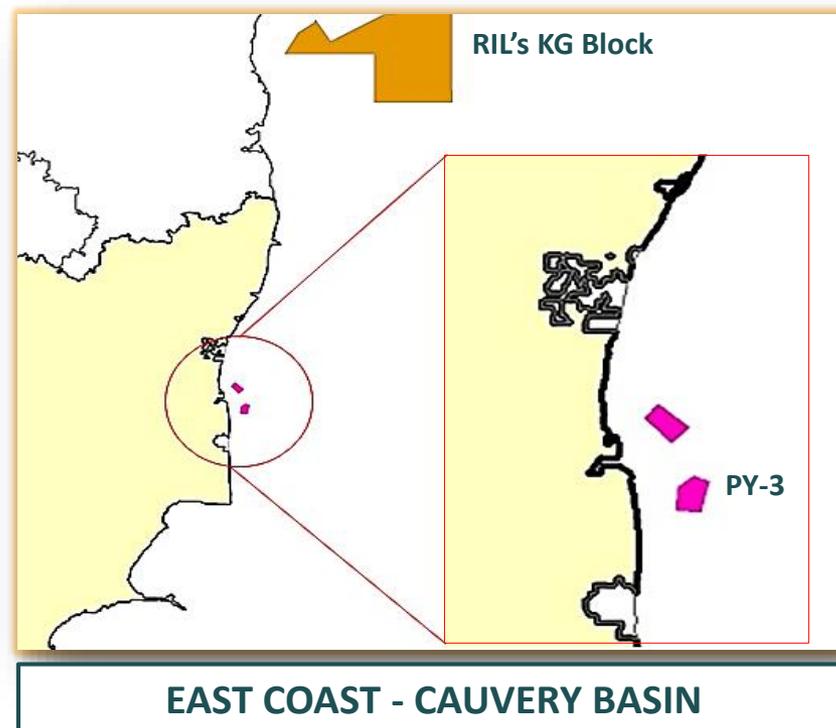
- July 1997, with FPS & subsea completion

Current Status

- Field shut-down since July 2011
- Last Production : 3,300 bbls/day
- Opportunity to develop field with optimized cost and appropriate Price Regime

Synergy

- Facilities synergy with adjoining fields/blocks



Fiscal Terms

Royalty/Cess	Under review
Cost Recovery	100%
Investment Multiple	<1.5 (10%), 1.5<2 (25%), 2<2.5 (40%), 2.5<3 (50%), 3<3.5 (60%), >3.5 (70%)

CB-OS/1 (Operator : ONGC, 38% HOEC PI)

Reserves

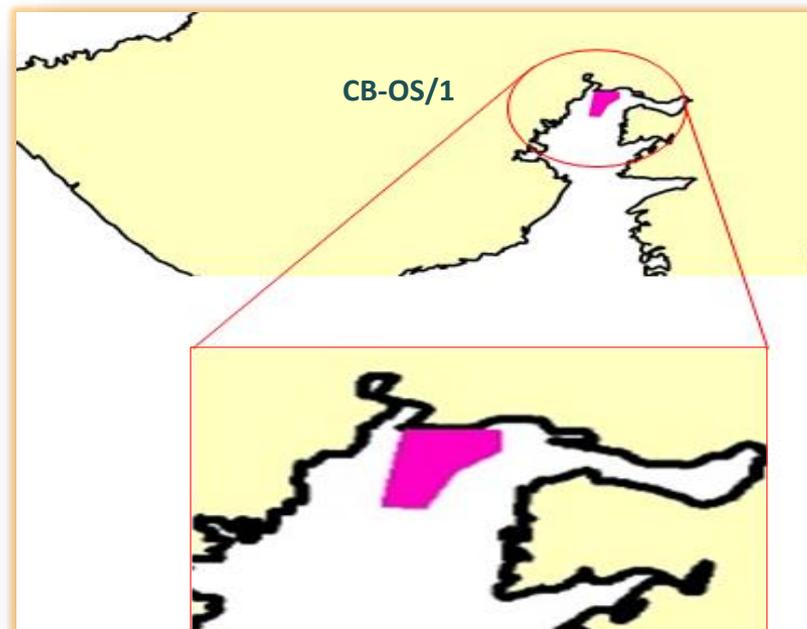
- 2P (100%) - 11.35 MMBbls

Salient Features

- Field is in the west of prolific Gandhar field of ONGC.
- Block is located in inter tidal transition zone
- Expected Field life is 10 years with Peak Production of 8,000 Barrels per day.

Current Status

- Development plan was approved by MC in June 2014. ONGC (operator) is optimizing the offshore development concept.
- Feasibility study under progress for revising the concept to be economical at current oil prices



WEST COAST – CAMBAY BASIN

Fiscal Terms

Royalty & Cess	Nil for Companies
Cost Recovery	80%
Investment Multiple	<1.5 (20%), 1.5<2 (30%), 2<2.5 (35%), 2.5<3 (50%), 3<3.5 (65%), >3.5 (70%)

Cambay Marginal Fields (Operator : HOEC)

North Balol (HOEC PI : 25%)

**Cost Recovery
80%**

- Wells : 9 wells (2 Producing)
- Reservoir : Balol, Babaguru & Kand Sands
- Q2 Avg Production (100%): 0.4 mmscfd
- Q2 Net Revenue : INR 2.8 mn
- Q2 Opex : INR 0.9 mn
- Reserves : 2P (100%) – 7.11 BCF

Asjol (HOEC PI : 50%)

**Cost Recovery
100%**

- Wells : 6 wells (2 Producing)
- Reservoir : Upper Suraj Pay Sandstone
- Q2 Avg Production (100%) : 17 bopd
- Q2 Net Revenue : INR 2 mn
- Q2 Opex : INR 1.5 mn
- Reserves : 2P (100%) – 0.78 mmbbls

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

**Cost Recovery
60%**

- Wells : 6 wells (3 Producing)
- Reservoir : Hazad Sands of Ankleshwar
- Q2 Avg. Production (100%): 127 boepd
- Q2 Net Revenue : INR 9 mn
- Q2 Opex : INR 2.3 Mn
- Reserves : 2P (100%) – 0.36 mmbbls

CAMBAY BASIN

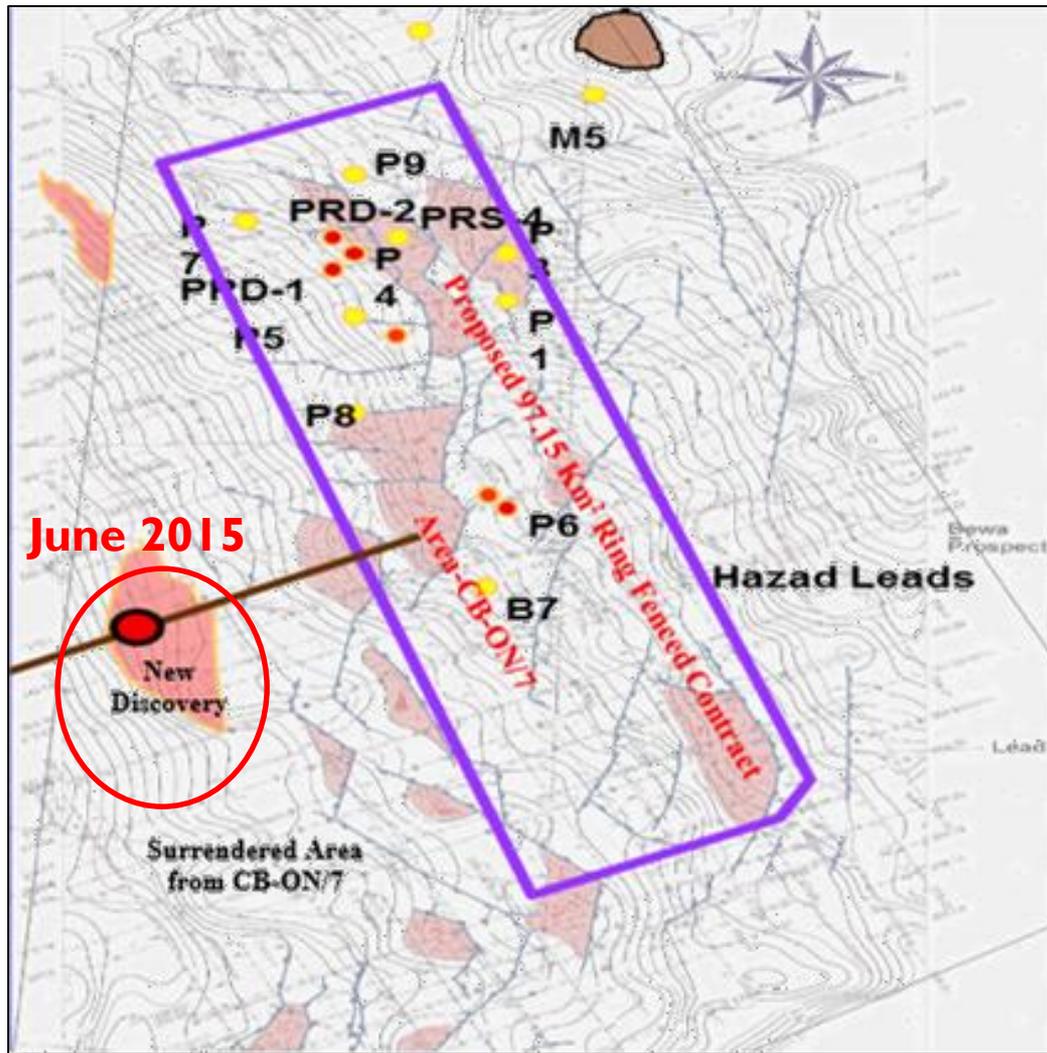


Fiscal Terms

Royalty/ Cess	10% (NB), INR 481 per MT (Asjol), Nil (CB-ON-7) / INR 900 per MT (NB, Asjol), Nil (CB-ON-7)
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Inv. Multiple	N. Balol	Asjol	CB-ON-7
<1	20%	0%	0%
1<1.5	20%	10%	25%
1.5<2	<u>30%</u>	20%	30%
2<2.5	50%	<u>30%</u>	<u>35%</u>
2.5<3	50%	40%	40%
3<3.5	50%	50%	45%
>3.5	50%	50%	50%

CB-ON-7 R2 Area



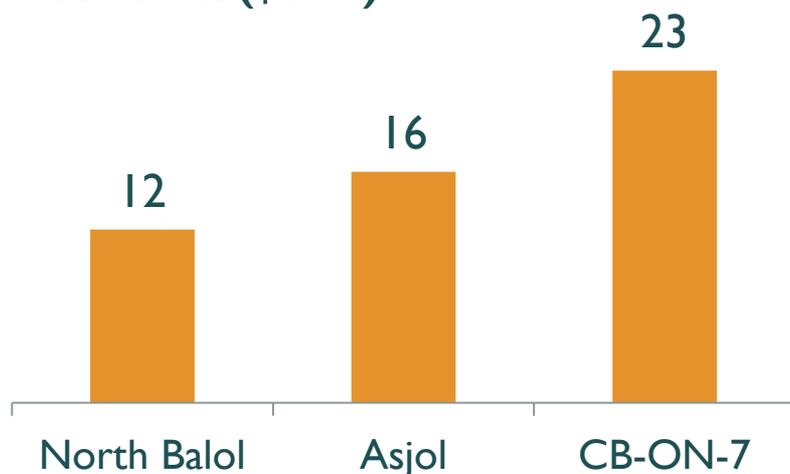
Snapshot:

- Government has decided to grant 97.15 Sq. km of ring-fenced R2 area to JV of HOEC and GSPC through New PSC
- Recent discovery by private operator in June 2015 on the surrendered area of the Block enhances prospectivity of the Block
- Proposed PSC envisages minimum commitment of 3D seismic acquisition and drilling of 2 wells.
- PSC to be executed soon

Leverage Expertise in Marginal Fields

Marginal Fields' Contribution

Netback (\$/boe)



- Considerable netback/barrel despite falling oil prices
- Low cost operations
- Opportunity to enhance production through minimal investment

Future Opportunity

Block	Particulars
Asjol	<ul style="list-style-type: none"> • Acquire 3D Seismic • Drill 2 Wells
CB-ON-7	<ul style="list-style-type: none"> • Work-over 1 well • Acquire 3D Seismic • Drill 2 Wells • Gas Monetization • Material balance & Multi-bean study
North Balol	<ul style="list-style-type: none"> • Work-over 3 wells • 2 replacement wells • Acquire 3D Seismic

Competitive Edge in the upcoming bidding round for Marginal fields



GROWTH STRATEGY





Deliver from low risk onshore assets in Assam and Gujarat to double the current revenue by Q4 FY 2016-17

Build a strong geo-technical team

- Revive offshore assets (when the price cycle turns) and access undeveloped resources
- Emerge as leading player in Cauvery Offshore

- Participate in Marginal field bidding round
- Acquire Onshore Assets
- Leverage Natural value chain extension opportunities
- Explore low-risk investment opportunities in South East-Asia region



- Fast-tracked Assam Project to deliver first-gas by Q4 FY 16-17
- Initiated planning to leverage opportunities in our Marginal Fields

- 15+ new professionals joined on full-time/part-time basis since February 2015 strengthening technical backbone

- Study on Exploring options to Leverage synergies between adjoining field and PY-1 is being carried out

- Leverage Expertise and Prepare to participate in Marginal Field bid round.



HOEC Bardahl (HBIL) : Renewed Focus on wholly-owned Subsidiary

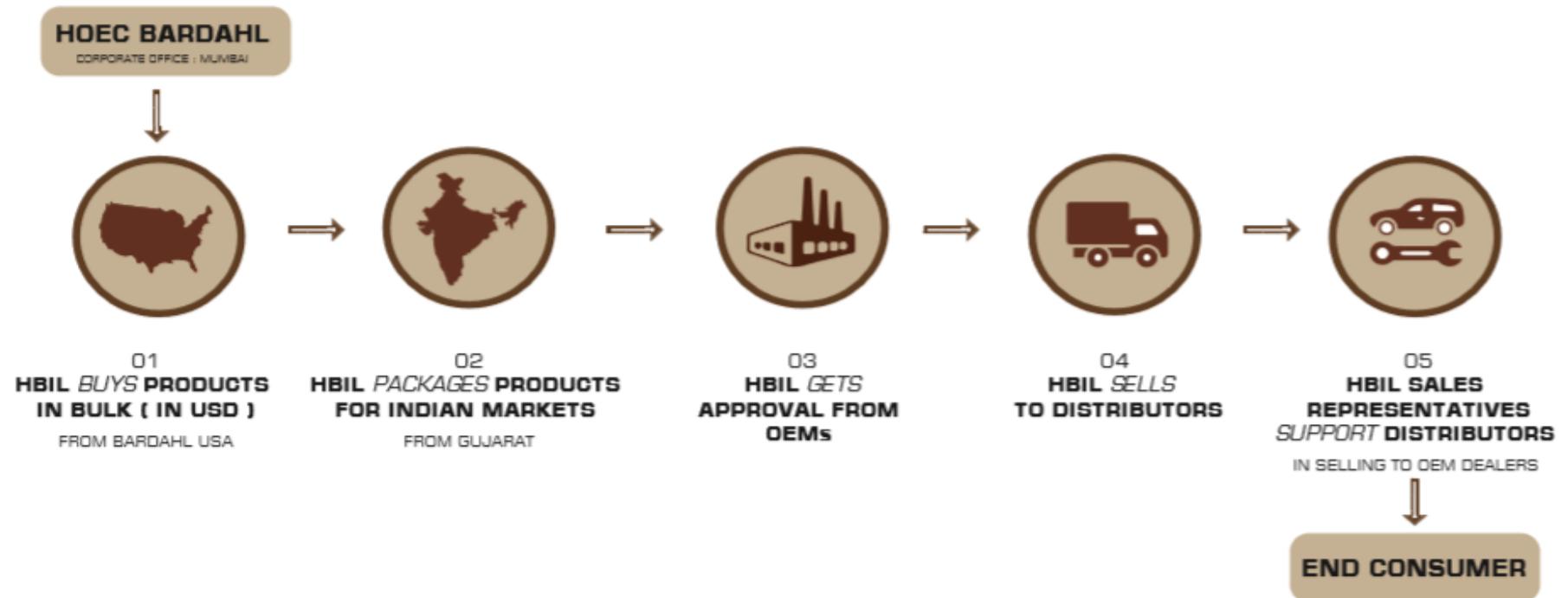


Exclusive reseller of automotive additive products of Bardahl

- HBIL is an exclusive reseller of automobile additive products of Bardahl, USA
- Bardahl USA is a 79-year old lubricants and additives company with sales in 90 countries



BUSINESS MODEL



Significant Potential to Grow this Business

GROWTH STRATEGY

Current Business Initiatives	New Segments in Automotive additives	New Segments in Industrial lubricants
<ul style="list-style-type: none"> • Launch new labels in direct retail sales • Infuse marketing power • Explore Srilankan market 	<ul style="list-style-type: none"> • Open up commercial vehicles & fleet owner segment • Explore OEM opportunities with truck and bus manufacturers 	<ul style="list-style-type: none"> • Assess the best industrial segment for entry through market research
BUILD THE BRAND & FORM POTENTIAL JOINT VENTURE TO LEVERAGE THE BRAND VALUE		

FINANCIAL SUMMARY

All Figures are in INR MM

Particulars	Q2 FY 2016	Q1 FY 2016	FY 2015	FY 2014
Volumes ('000 Litre)	83	60	317	349
Total Revenue (INR million)	57	39	197	202
Total Cost	50	37	176	187
PBT	7	2	21	15
Profit After Tax	4	2	14	11

2P	-	Proved + Probable reserves
BCF	-	Billion Cubic Feet of Gas
GGs	-	Gas Gathering Station
GPP	-	Gas Processing Plant
Kbbbls	-	Thousand Barrels of Oil
MMbbbls	-	Million Barrels of Oil
PI	-	Participating Interest
PSC	-	Production Sharing Contract
WIP	-	Work-in-Progress

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