



Chairman's Statement 2023-24

INDIA'S FIRST PRIVATE OIL AND GAS COMPANY

Growing Responsibly



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Transforming Through Talent And Technology



Chairman's Statement for the 40th AGM of HOEC

Dear esteemed shareholders,

Good morning and welcome to the 40th Annual General Meeting of Hindustan Oil Exploration Company Limited.

The Company's Annual Report has been dispatched to all shareholders. I trust you received the Annual Report on time. I seek your permission and take it as read.

The global oil and gas industry is complex and dynamic and plays a crucial role in the modern economy. Given the geopolitical risks facing the globe, oil and gas price volatility have become the constant companion for all economies, big and small, rich and poor. From the rise of renewable energy sources to the ever-changing market dynamics, geopolitical events and regulatory changes, the landscape in which the oil and gas industry operates is constantly shifting. These aspects continue to shape the future of this industry, driving innovation and adaptation. It is a challenging landscape to navigate not only for oil and gas companies, but also for countries.

Given the high import dependence in India, upwards of 85% for oil and 50% for gas, Indian oil and gas prices are subject to fluctuations in international markets, with significant fall out on the domestic economy. This has prompted a heightened focus on energy security and self-sufficiency.

Various regulatory and policy changes have been implemented by the government over the last decade to stimulate investment in the oil and gas sector and boost domestic production. Key initiatives such as the National Data Repository (NDR), granting marketing and pricing freedom for natural gas, the National Seismic Programme (NSP) for unappraised areas, early production royalty concessions for different categories of basins, and accelerated exploration activities through Discovered Small Fields(DSF) and Open Acreage Licensing Policies(OALP) policies testify to efforts being made by the Ministry of Petroleum and Natural Gas (MoP&NG) for unlocking India's untapped hydrocarbon resources. HOEC has been a beneficiary of these policies.

The North-Eastern National Pipeline Grid stands as a crucial infrastructure project by the Government of India, designed to link states in the North-Eastern region to the national gas grid through an integrated gas pipeline network, to unleash the full potential of natural gas resources in the region. This will have a salutary impact on HOEC assets in the North-east region.

As we delve into the financial year April 2023 to March 2024, I would like to touch upon key operational highlights of HOEC.

Your company achieved a consolidated turnover of about ₹ 750 crores in the financial year 2023-24, the highest over the past 40 years. The net profit after tax was ₹ 226 crores. Furthermore, all subsidiary companies were operating in profit mode in the financial year 2023-24.

First crude offtake of 430,000 barrels of oil from the Block B-80 was completed in January 2024 at a realized price of \$ 80.27/bbl. This field has contributed about ₹ 249 crores to the exchequer by way of royalty and revenue share up to March 2024.

Throughout the financial year 2023-24, the primary focus has been on safely maintaining operations from this offshore field, while navigating through the operational challenges. The lessons learned in western offshore have provided substantial experience to the Company to emerge as a successful marginal offshore field operator, which will help the Company to embark on new opportunities in western offshore in future.

During FY 2023-24, the average production from Dirok was about 20 mmscfd of gas. The field has the potential to produce up to 55 mmscfd of gas after workover, and we plan for additional producers to ramp up the production to 70 mmscfd of gas. The upside gas potential of the block would unlock substantial value for all stakeholders once the integrated North-Eastern National Pipeline Grid is operational.



Kharsang oilfield in Arunachal Pradesh, in which the Company now holds a 35% stake and operatorship in the field through its wholly owned subsidiaries, produced an average of about 390 barrels of oil per day during FY 2023-24. This field has significant potential for further exploration, appraisal, and development of deeper prospects.

In PY-1 in the Cauvery basin, interpretation of re-processed seismic data has been completed, and the geological model revised. Three prospective well locations have been identified which has been confirmed by third-party expert review.

During the year, there has been a marginal increase in production from the Cambay Blocks - Asjol, Palej, and North Balol, compared to the previous year, on account of in-house G&G studies. After signing the Ring-Fenced PSC, we anticipate to add more value to the Cambay blocks and plan to commence drilling operations at the earliest opportunity.

3D Seismic data of Block AA-ONHP- 2017/19, a block adjacent to Dirok (Greater Dirok), has been reprocessed and GTO (Geo Technical Order) has been approved to drill one exploration well with 7 seismic horizons. An application for a 2-year RSC extension has been made to the MoP&NG, on receipt of which it is planned to drill the first exploration well.

With over four decades of experience in the E&P sector, HOEC is well-positioned to drive sustainable growth and value creation for all stakeholders by prioritizing the development and monetization of discovered resources at a fast pace while also ensuring accretion of its reserves and resources on a continuous basis.

To this end, the Company is at a pivotal juncture, with a blend of opportunities and challenges on the horizon. With India's growing energy needs, market trends and ambitious plans for the future, investment and growth opportunities in the Indian oil and gas sector are plentiful. Peering into the crystal ball, the business outlook for HOEC in the coming years appears promising. However, availability of adequate risk capital will remain a challenge.

With the world's eyes on climate change and emissions, HOEC as a Responsible Operator spares no effort to address environmental concerns and sustainability issues. We remain committed to ensure safe operations through continued focus on risk mitigation, and proper planning and sincerely believe in discharging our corporate social responsibility towards the communities in which we operate.

Being a professionally managed company, the responsibility cast on the Board is onerous and the steadfast support of all our stakeholders has played a vital role in shaping our growth trajectory. The Board remains committed to adhering to the highest standards of corporate governance with a focus on integrity, transparency, and accountability at all levels.

On behalf of the Board of Directors, I would like to extend our sincere gratitude to our shareholders, employees, and all stakeholders for their unwavering support and commitment and look forward to many more years of shared accomplishments and growth.

Vivek Rae
Chairman