

Hindustan Oil Exploration Company Limited
Q1 FY23 Earnings Conference Call
August 16, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Earnings Conference Call of Hindustan Oil Exploration Company Limited. As a reminder, all participant lines will be in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal and operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you. Good morning, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of HOEC Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings calls for the First Quarter of Financial Year 2023. Before we begin, let me mention a short cautionary statement as always. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. P. Elango, Managing Director; Mr. R. Jeevanandam, Executive Director and Chief Financial Officer. Without any further delay, I request Mr. Elango, to start with his opening remarks. Thank you, and over to you, sir.

P. Elango: Thank you Anuj. Good morning everyone. Glad to connect with you all on this Q1 earnings call for FY23. Jeeva our CFO and Whole time Director is with me. Valorem Advisors, our Investor Relations advisors are also on the call. I hope everyone has received our updated earnings presentation. We've also uploaded it on our website for your reference. Q1 FY23 marked an important milestone in the development of our discovered small field DSF block B-80 in Western offshore. We achieved first gas and first oil production in June, after all the installed facilities are integrated and commissioned. After executing the agreement with ONGC and meeting the required specifications, the commercial gas sales commenced to GSPC on 4th of June. Initially, the D2 gas well was flown at a lower rate to stabilize the operational parameters.

Post stabilization, the flow rate was increased to meet the committed sales volume of 10 million standard cubic meters per day. During June, the average gas sales rate achieved is about 7 million standard cubic feet per day. D2 gas well successfully demonstrated its ability to deliver production of over 12 million standard cubic feet per day. However, we could not achieve the same success in D1 oil well, we thought we had addressed the technical issue in D1 actuator line, however the problem recurred after few days of production. Therefore, we have to keep the well shut-in condition.

It appears that a permanent solution can be found only post monsoon after a comprehensive underwater survey. Intensification of monsoon, and the resultant rough weather is leading to challenging marine system performance, causing disruption to offshore production operations. Our integrated marine system is witnessing the first monsoon post commissioning. Severe weather conditions caused snapping of the hose that connects CALM buoy to FSO. Consequently, production from D2 gas well had to be shut down on 14th July and our initial attempt made to reconnect was not successful. We plan to rectify and reconnect the hose in the first available weather window and resume the production from the gas wells as soon as possible. Post commissioning, operational issues are being handled on a day-to-day basis, targeting stable and sustained production operations. Overcoming the operational challenges and bringing the production operation of B-80 into a stable mode remains our top priority.

Considering that the wells have performed to our expectations, we believe that we will be able to overcome the remaining challenges post monsoon. At our Northeast onshore block Dirok, we have to limit production due to an unplanned shutdown of the BCPL plant during April and May 2022. This has reduced our average production in Q1 to about 25 million standard cubic feet per day. However, share of premium sales is being maintained at a healthy 40%. Subsequent to the BCPL coming online, we are witnessing improved offtake.

Dirok reservoir performance continues to be good, productivity of the three new wells drilled in the last drilling campaign remains very healthy. We are confident to meet the current peak market demand with existing six wells. To meet the long-term gas demand particularly as the Northeast gas grid gets implemented in phases, connecting multiple demand centers, we are continuing with the preparatory work on the Dirok phase two development, we have secured the environmental clearance. Recently we received the working permission to lay the 18-inch pipeline in the forest segment.

In PY-1 Eastern offshore fields where our participating interest is 100%, an in-house designed low cost gas dehydration unit was commissioned. We achieved the dew point specifications of GAIL and gas sales recommenced during May. Internal geological studies have been completed to plan the next drilling campaign in this unique fractured basement reservoir. Although the current output from PY-1 is quite low, we are optimistic that the drilling program will return the field to its full potential. The final investment decision will be made following an independent technical review and risk mitigation. In **Kharsang** normal production operations

are continuing. PSC extension is still pending, there are difference between the contractor and the government as to the amount eligible for cost recovery. Discussions are still ongoing between the government and the operator. The cost recovery eligibility issue will now be referred to dispute resolution committee.

In our Cambay assets under approved field development plan, we will be drilling two development wells with Asjol and North Balol each. At Palej ring fenced PSC has been signed by the JV parties for R2 area and has been submitted to the Ministry of petroleum and natural gas. Final execution by government is still awaited, the mandatory public hearing was completed as part of the environment clearance process. Further development drilling will be undertaken after execution of the Ring Fenced PSC for Palej.

In other Northeastern blocks, Kherem and Umatara there has been further progress in the regulatory process for forest and environmental clearances. In greater Dirok block, the potential drilling locations are identified. The land acquisition and preliminary EIA studies will be initiated in the near future. Coming back to B-80, frankly, we had not anticipated the startup challenges that we are facing in B-80, especially after the onset of monsoon. We do not have adequate resources and appropriate in-house marine expertise. Mobilizing marine assets and resources also takes a lot of costs and time. Fortunately, there are no performance issues related to reservoir and both the wells are capable of delivering the expected volumes. I now invite Jeeva to share the financials.

R. Jeevanandam:

Thanks Elango. We report that the company made a revenue of Rs.65.66 crores in the current quarter against Rs.38.84 crores in the previous quarter. The consolidated accounted is 93.42 crores against 44.42 crores in the previous quarter. Increase in revenue is mainly from B-80 gas sales from 4th June 2022 for Rs.13.45 crores an increase in sale of gas in Assam of about 12 crores mainly on account of higher realization for condensate and gas due to high prices. The profit on standalone is 34.21 crores against 23.47 crores in the previous quarter, excluding exceptional in the previous quarters. In the consol accounts the profit after tax is 32.7 crores against 7.6 crores in the previous quarter. The total expenses of standalone including DDA is 35.99 crores comparing 20.85 crores in the previous quarter.

Statutory levies royalty and cess are ad valorem which is increased from 6.59 crores to 9.74 crores as B-80 being operational from 4th June 2002 operating cost B-80 along with other blocks has increased the cost from 5.46 crores to 22 crores. In the consolidated accounts it is 59.08 crores comparing 36.34 crores in the previous quarter, including the stock adjustment. EBITDA in the consol accounts for this quarter is 52.23 crores comparing 22.3 crores in the previous quarter. Consequent to the commencement of production from B-80 field the capital work in progress of 517 crores moved to 514 crores move to oil and gas in the current quarter. Similarly, the offshore installation of subsidiary used in B-80 that is the MOPU moved to operating assets from Capital Work in progress. With the commencement of B-80 field offshore

installations that is MOPU, FSO and the SBM owned by the wholly owned subsidiaries are in revenue mode effective 4th June 2022.

On production from B-80 with the support of ongoing high prices of oil and gas the company can meet its obligations, ensuring the continuous production from B-80 we will embark on the development of government assets in western region and PY-1 with appropriate capital infusion. Thanks Elango.

P. Elango: Thank you Jeeva. We can open the forum for questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Akshay Satija from Alpha Invesco. Please go ahead.

Akshay Satija: Congratulations on the B-80. Sir, in our presentation, we've mentioned that we have some topside issues. So, if we could throw some light on it, is it regarding the production separator?

P. Elango: Yes, we have two separator systems in the plant, with one system we will be able to essentially produce from both wells. We have a problem in one of the separator systems delivered by Expro and they are now looking at either, the rectification or replacement of the system. But currently that is not really a constraint to bring the wells on production.

Akshay Satija: Just a follow up on your question. So what would be the capacity of our MOPU including the production separator and test separator respectively, so can we run both production and separator in parallel and what would be the combined capacity of the MOPU with these?

P. Elango: So, far we have put the D2 gas well on a continuous production mode. And D2 at its peak was able to deliver about 13.5 million cubic feet of gas per day, with the existing system. The oil well, as you know we have some technical issues to be addressed. Nothing related to the wells per se, but the actuator line which is required to be on a pressurized condition to keep the well on open condition, that well we were not able to flow continuously for a longer period, which is something we will be able to do post monsoon and we do expect with both the wells we've not really tested them to their full capacity, but we should be able to deliver the targeted volume of roughly about 4,500 barrels of oil and a committed volume of 10 million cubic feet of gas per day after an internal consumption. So, we are comfortable that these two wells can deliver the volume that we have indicated and topside facilities with the existing system can handle that. But the additional separator system would also need to be rectified and refurbished.

Moderator: Thank you. The next question is from the line of Akshay Ajmera from Nirzar Securities. Please go ahead.

Akshay Ajmera: Sir, my question is regarding your earlier opening comments on the MOPU revenue. So, as we understand that from 14 July the fields remain shut-in and so, could you please clarify the MOPU revenue stream on and the standalone entities paying to the MOPU and we are getting more MOPU revenues as such?

Management: Okay, thanks for the question. The fundamental fact is this is a separate contract with the B-80 field with the subsidiary company. So, normally, any facilities of this nature, on contract will have certain allowed downtime there on, if the downtime not exceeds that limit, then we have to charge there, but in this case, there is no problem because of the MOPU, only small, small issues are coming. There should be a reduction in the revenue and similarly with other facilities of FSO thereon. whenever there is no operation, we have to take a cut in our operating rates to standby rates.

Akshay Ajmera: So, if you can just clarify once again, because it was very difficult to comprehend. So basically, my question is, there was a communication earlier that \$90,000 will be the revenue per day. So how much it would be from 14th July onwards, since both the wells are shut, that is the understanding.

Management: Yes, the 14th July onwards, MOPU the revenue would be as it is. FSO revenue which is on account of the parting of the hose and other things would be reduced to zero that would be around \$48,000.

Akshay Ajmera: So roughly \$50,000 will be the revenue that will be generate?

Moderator: Thank you. The next question is from the line of Varatharajan Sivasankaran from Antique Limited. Please go ahead.

Varatharajan Sivasankaran: Sir on your windfall tax how are we impacted?

Management: There is no impact on us due to the windfall tax. Zero impact.

Varatharajan Sivasankaran: Either any unit, in case the production have or be it on some other run rate?

Management: I think Jeeva will explain in detail. The windfall tax has two factors firstly on the volume of production and previous year production. If the volume of production on the previous year is less than two million there is no tax in the current year. We will not be able to reach the two million barrels of production. So, effectively there will be no impact on us.

Varatharajan Sivasankaran: Any guidance we can give on the cost, we are paying to ONGC in terms of processing as well as transporting our gas?

Management: Transporting gas through ONGC line, tariff charges would be there, tariff charges would be a part of operating cost.

Varatharajan Sivasankaran: Okay. And processing also we are paying some charges, correct?

Management: Yes.

Varatharajan Sivasankaran: Any processing charge we are paying?

Management: Yes, transportation and processing is clubbed together under one agreement with ONGC and we pay that. So, it's a processed gas but however with the ONGC protection we have to pay for the tariff charges as agreed with them.

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

Manan Patel: Sir, first of all, I wanted to thank you for making such an effort despite such difficulties in B-80. So, thank you for that and thank you for being transparent. My question is that we have committed a volume of 10 million cubic feet to GSPC. So, will there be any penalties if we are not able to deliver it for let's say, whatever time it takes to bring that back online?

Management: Yes, there is in the gas sales agreement that we have exhibited with GSPC we have made the first year free of any take or pay or supplier or pay obligations just to stay ensure that both their side and we side have time to stabilize the operation. So, therefore, there is no penalty for non-supply. However, we give the forecast to them about every fortnight related to what would be the estimated production if during that fortnight, they would book the capacity for transporting the gas in the GAIL system, whatever actual cost they incur, based on our forecast, which is given on a fortnightly basis. If you're not able to deliver that volume, we will compensate them for that whatever cost that they have paid to GAIL. So that's a very small amount, but there is no penalty for not supply.

Manan Patel: Okay, got it that is very helpful. And sir second question is regarding you mentioned that we don't have adequate marine resources and it takes time and cost to make it working again. So the entire system. So, how much cost do you estimate and if you have any, like once the monsoon weather window is available, how much time can it take to bring back the production time and cost. And because the Expro is also involved and other vendors might be involved do we charge the cost that we incur to these vendors?

P. Elango: I will ask Jeeva to give an overall estimate of what it would cost to rectify the total system. But in terms of, so far there are two things whenever there is any operational issue in the offshore system. First thing is we needed to mobilize a suitable vessel typically a vessel mobilization involves as you find what type of vessel is required to fix the particular issue and then you need to go through a regulatory process of getting Ministry of Defense and naval clearance for the vessel to go to our location. And then typically, there are two types of divers depending on the nature of the problem. There is up to certain water depth, the air divers are deployed, they are

access available during the Western offshore system, we mobilize air divers they go and fix the issue along with the tools and tactics that are required. That's one level. If the problem that requires addressing at deeper water level depth beyond what's air divers can't access then that requires a saturation diving system with the saturation divers. So far we have used for underwater inspection of that nature ONGC vessel and ONGC has been very, very helpful in diverting their vessel to support us, but there are certain tasks which is not to be performed during monsoon for safety reasons. So one of the things that we are very keen is to ensure that whatever we do, we do it within the acceptable safety norms. So we've been very careful on that. So in other words, whatever troubleshooting they're doing is kind of temporary fixes for a permanent fix of the total system. Please remember two things one, both the wells are absolutely have no problem. The wells themselves are delivered to our expectation, although we are yet to put the oil wells on a longer duration. As far as the MOPU, the mobile offshore process system is concerned it's structurally stable. It has some minor issues related to expro supply equipment which expro need to replace under the contract, repair or replace under the contract that we don't have to incur any expenditure. So, the MOPU system itself does not require any major changes, the wells are behaving fine. And the flexible pipeline, flow lines that are connecting is also in good shape. Where we had problems is hoses that are connecting FSO to CALM buoy as well as a certain part of the chains and stuff which due to the weather condition is tapped or we have problems on those lines. So, finally, our plan is to really engage reputed offshore construction contractors to go and do a comprehensive survey of the overall connecting systems below the water and which can be repaired will be repaired and what needs to be replaced, that will be replaced, but a clear system will emerge after a comprehensive survey, which Jeeva can indicate a possible that.

R. Jeevanandam:

The issue of D1 well, we have to fix the hydraulic leak, which should cost around \$350,000 that's the level as such, cost including the Sealant companies and the vessel required put together would be in the maximum order of about \$350k. the other one, the FSO is functioning properly, there is no issue on it. But the disconnection of the hose and reconnecting the hose, all put together maximum of 150 to 200K. So, the total would be in the order of say 4 to 4.5 crores. But in the worst case, we can say whether you call it as a CAPEX or OPEX, it should be in the order of say 5 crores that's what we plan it.

Manan Patel:

Thank you sir, that is very helpful and detailed answer. And sir the last question is on the gas front. So it's expected that September or October the APM prices will pick up again. So do you see any difficulties in the volume off take from Dirok?

Management:

First of all, as far as B-80 is concerned we work on the government notified prices of course no impact on B-80, we have a contract with GSPC that will continuous as far as B-80 is concerned. In Dirok, what we have so far seen is even in the current quarter, about 40% of our uptake has been on the premium segment, which means the consumers are paid \$1 more than the government notified price of 6.1. Now effective 1st October we need to see how much of the price increase would really impact we don't see that impacting that much in Northeast they

should be able to absorb but, because all major consumers have got one of the two sources of supply which is both oil India and HOEC. And since Oil India will also be selling at the government notified prices. We don't see any major impact due to that. But we'll have to wait and see.

Moderator: Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: Just for clarification, so the problem which we are facing is in both D1 and D2 right?

P. Elango: The D2, there is D2 gases there is no problem. Because, as you produce the gas well, it also produces along with that some volume of oil, that oil cannot be stored in MOPU, it needs to be continuously exported into FSO through the hose connectors which connects between the CALM buoy, FSO. So essentially, when you produce from the gas well also you'll be producing some small volume of oil which needs to be continued to be exported into the FSO. As we pointed out, since there is a problem in that hose connection, so we could not produce the gas well also, otherwise there is no problem. Once as soon as we find the weather window, we will send a team to go and reconnect these hoses and test the system again. Then we'll be able to quickly bring the gas production and gas sales into resume it very soon, as far as the oil well is concerned, Jeeva was pointing it out, we are looking at multiple options to fix a problem, most likely we'll be able to find the solution only post monsoon for that. So our immediate focus is to bring back the gas well into production mode and get some revenue.

Jayesh Gandhi: Okay. So, can you share what is the realization on gas that we achieved last whatever days we were working?

P. Elango: So, the gas price we are getting is \$20 per MMBTU and Jeeva mentioned about in June alone, we have realized about 13.45 crores and oil in stock is about some six crores.

Jayesh Gandhi: Okay. And one last question sir, out of that leasing revenue that we get for our equipment, what do we expect we will get it in this quarter, in the current coming quarter?

Management: We didn't get your question, can you repeat that please?

Jayesh Gandhi: So, equipment leasing we were expecting somewhere around \$95,000 per day. So in this quarter, because D1 and D2 both will not be working. So will we get any revenue from equipment leasing or no revenue from that?

Management: As we have explained that for the MOPU we will get the revenue of \$48,000 per day. For FSO it will be zero till the production resumes and we don't expect the whole quarter to go this way, we are expecting the fixing of the hose reconnection we expected to happen during the monsoon itself during this period itself, as long as we get a weather window of two, three days

is sufficient to fix this issue and resume the gas production, which we are monitoring the weather forecast and we'll be mobilizing.

Moderator: Thank you. The next question is from the line of Dharmendra Vohra from Vohra Wealth. Please go ahead.

Dharmendra Vohra: Just a small request in order of the propriety and transparency, B-80 probably investor community is looking B-80 as a significant event in the operations of the company. So, don't you think it is a material event in case of disruption or resumption of the activities, and it is not a proper on our management to provide timely information to the exchanges or the investor community at large. I know it's very difficult in the normal course of operations to really for such kind of request, but that would be a welcome step, because there's a lot of anxiety in investors as to wait for an entire quarter for what has happened and what is not. So, I would request you to probably share your views on this subject?

Management: We kind of agree but, I agree it would have been good to have shared such information. But please understand our effort whenever a problem of this nature occurs is to go and rectify the problem. And in this case also we thought we will be able to fix the issue because this is only, there's no problem with the well, there's no problem with any of the process system as far as D2 is concerned, things are going pretty well and we have one almost three weeks of production in June, we raised invoices, we realized revenue and in fact, the first quarter of July as well things were going very smooth. Suddenly, when the problem occurred, our immediate reaction is to see since it's whether we can go and reconnect it. And our focus was on that and we genuinely believed this can be done because we just decided we'll reduce the length of the hose and this will be reconnected. We mobilize the vessel, we mobilize the divers, we went to go fix it. Unfortunately, the weather turned very bad and we had to take a call for safety reasons not to continue with the operation. Now, so this is phase but I take your point that, if we look at what are some of the best practice, whether a monthly operational update would be a good idea to give, because we really don't want to when you're producing from multiple wells each time there's a problem in a well, we really don't want to see it as a major event. But I take your point that B-80 has to be looked at differently because it is material in nature.

Dharmendra Vohra: Yes, I totally agree and probably acknowledge the kind of efforts you need to put in at that particular point of time. But probably after a couple of days, or when you come to realize that it is going to take a significant time or whatever weather window, you will have to wait, it's an material event in light of SEBIs material event disclosure. So probably I would request you to just go through that and probably take some or probably consideration on this and come out with disclosures on this in future.

Moderator: Thank you. The next question is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti: I just have a couple of questions. The first question is, any range of timelines that can be provided to resolve the D1 issue. So will it be, an upward limit of five months, six months or anything like that is it possible to share?

Management: So, the D1 oil well is concerned what we are looking at is post monsoon typically post monsoon you're looking at October, November period for that. As far as D2 gas well is concerned within the monsoon period, we are looking at a two, three days of weather window to go and fix it up.

Rohith Potti: Perfect. So, I understood that D2 well is a very short cycle probably less than a week. So you mentioned there are two probable kind of problems that could be there. So, if it is a severe problem which requires a deep sea diving mechanism what is the timeline that would be, the outer limit of the timeline there would it be three, four, five months?

Management: I'm sure by the end of this calendar year, we should be back on stream with both the wells.

Rohith Potti: Okay. So that was very helpful, sir. And my second question is, with regards to opening comments of Jeeva sir. So, when he said that we are going to focus on the Cambay asset and the PY-1, the drilling campaign in both these regions, and he mentioned something on capital infusion. Could you expand on that, please?

Management: This company right now, borrowed about 300+ crores. So, we have to look at some strategic way of infusing additional capital into the company, which we will be discussing appropriately with the capital requirements, re-evaluation of the reserves and what our geologists are coming out with the numbers, then we have to look at the capital plan there on. Depending on the capital plan, and on our cash flow situation, we make a call on either infusion of a debt or equity, subject to Board approval. We will be presenting something to the Board and if the Board approves, we'll embark on the development.

Rohith Potti: And this will be post B-80 commencement or is it irrespective of that?

Management: Rohith, we wanted to put it in such a manner that one job at a time, now unless I have a revenue stream, which meets my all obligations in time that I cannot embark on another one. So, we'll be doing everything only after B-80 stabilization, once the B-80 is fully on stream and any hassle free mode of operations, then we will embark on that.

Rohith Potti: Perfect. So this is very helpful and congratulations on beginning B-80. It was a long project and it's nice to know that it's begun and there are few teething issues which hopefully will be resolved by the end of the calendar year. Thank you so much for your transparency.

Moderator: Thank you. The next question is from the line of Rikesh Parekh from Absolute Advisors. Please go ahead.

Rikesh Parekh: Just wanted to understand with regard to D2 well, since the problem were into MOPU so can it be done during this current term monsoon time and how soon it can be come on stream?

Management: One is D2 gas well can be fixed during the monsoon period only. But we are looking for right weather window during the monsoon itself. For a right weather, it's difficult to give a timeframe but it is not a long-term issue. So, we are just looking at the forecast and looking at that.

Rikesh Parekh: So, it is a like a one week kind of thing or something like that?

Management: So, work itself is two, three days, but hopefully by maybe by the end of this month or early next month we should get a window, things start getting better from September onwards that we are not looking at monsoon the end, but during the season itself for the right.

Rikesh Parekh: And with respect to D1, what is the time period required for completion estimated?

Management: So, as I said in the in response to a previous question, by the end of this calendar year we expect both the wells to be fully on stream.

Rikesh Parekh: Okay. And last question on PY-1, in your presentation you had mentioned that we have started production from March, early April or May. So, what is the quantum of gas we started from PY-1 and your sale price is just 3.67 or it is changed with the?

Management: Sales price as far as PY-1 is concerned is, as per the contract which is 3.68 the volume that we are producing is roughly about 1 million cubic feet per day.

Rikesh Parekh: Okay. So, figure is not coming any hope to increase because you have capacity of 55 MMCDs?

Management: Any increase in PY-1 production is possible only after drilling of new well which as we said we've done the technical studies. So, after B-80 comes on full stream then we will look at independent review of those technical work as well as certain risk mitigation work before we embark on the drilling campaign in PY-1.

Rikesh Parekh: Sir, and last question what is the level of debt at the end of 30th June?

Management: We have 330 crores debt, primarily we are having about 119 crores to HDFC Bank and Axis Bank about 125 crores, total put together all 278 crores with short-term. Hindage, we have borrowed 62 crores. So total of put together our debt is about 330 crore exposure, including some of the short-term borrowings.

Moderator: Thank you. The next question is from the line of Tejas Shah from Laser Securities. Please go ahead.

Tejas Shah: There is no intimation to the stock exchange regarding **windfall** tax gain. Plus the D1 well was closed much prior maybe in June it self it was closed still there was no intimation, this one on continuation with the earlier speaker. Even I have sent mails also rigorously to the new CS, but there was absolutely no communication. If you can throw some light on this?

Management: We have answered the question in respect of the previous speaker and noted your suggestions and comments. We'll also look at the requirements. Our priority has been, our focus has been to address the operational issues as such. And we thought it is appropriate to do open communication once in a quarter to everyone together. We will look at other ways of ensuring that there's a common communication and update happens.

Tejas Shah: The only reason why I'm pushing so much is the people or investors are losing faith in terms of the communication if something goes wrong. The information is not private to all the investors, information is only private maybe to some people if it is there, if it gets leaked out an employee not in the Director level. So it's a problem. So, I request no need to justify or explain but it's a request, either you notify or complete it out. Going to the next question. Sir, our revenue is only right now from the Dirok, even after increase in the dollar pricing from 73 or 74 to 79 our revenue has not gone up to the level that the prices have gone up.

Management: It's told by Elango, there is a reduction in the offtake. Last quarter, the gas was 0.76 billion cubic feet of gas in Assam that has reduced to 0.65 billion in the first quarter of this year. So effectively there is a reduction in the sale, the reduction in the sales is compensated by increase in price. Similarly, the condensate of Assam is 15,932 barrels that has been reduced to 12,900 barrels. So, this is reduction in product off take, basically there's nothing to do with the well performance and our ability to deliver the gas., There is poor offtake and that has reduced the sale gas. But however, the increase in the price is compensated, that's why we have got an additional revenue of additional 12 crores. Similarly, we have got 13 crore new revenue comes from the B-80 block and one crore has come from the PY-1 and that is the revenue at the moment. Any significant increase in revenue in oil and gas companies, there could be production, able to sell the oil and gas produced at the right price. Out of that, today we are getting the right price, our offtake is less than our production, less production in B-80, these are the reasons for that.

Moderator: Thank you. The next question is from the line of Yogesh Patil from Centrum Broking. Please go ahead.

Yogesh Patil: So my question related to upcoming gas price hike in October 2022. So APM gas price formula mostly mark to various global gas prices, which are at a record high level. So do you think the government formula and lastly, do you see any probabilities and the government can introduce cap or ceiling to the gas price going forward?

Management: Yes, if I rephrase the question you're asking about whether there is a possibility that government can take the gas pricing formula and introduce any other new restrictions on that. The honest answer is we really don't know. We both now, if you look at the gas revenue going forward for the company is predominantly from B-80 and PY-1 both are governed under different price regime. Dirok is of course very important asset and any change by the government would have an impact there. What the government will do is really difficult to predict.

Yogesh Patil: Okay. And sir lastly could you please share what is your average cost of gas production at EBITDA level and dollar per MMBTU that would be helpful.

Management: Our Assam gas production mainly the gas field, the operating cost is less than \$1 per MMBTU, but taxes like royalty and other are Ad valorem, so whatever the price we get paid and we have to pay 10% royalty on. But in B-80, we are just breakeven with the gas sales but we have to put the oil well on production to make some meaningful profit on it. otherwise it will eat away by the operating costs.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI. Please go ahead.

Vaibhav Badjatya: Sir on this pricing freedom on oil sales that has been notified by the government, how do you see that, because it can work against as well given that oil companies can probably make Russian crude as benchmark rather than Brent which was earlier for their marginal supply. So, how do you see that, can it impact our realization in B-80 whenever it comes on stream?

Management: See, what we have planned is to follow the e-auction model that we followed for discovering the gas price, essentially.

Vaibhav Badjatya: My question was around oil, not gas, gas is pretty much clear. But on the oil, is what my question.

Management: I was saying that, our plan is to replicate that same model for oil also, which essentially today, the policy is that you cannot export the oil out of the country, but you're free to sell it to any of the domestic refineries. So we have a group of public sector refineries, as well as private sector refineries. So what we were thinking is to, share the part of the settled crude sample with the refineries and conduct a e-auction, which is a very most transparent way of discovering the prices. And obviously, to avoid any Russian related impact, because you're not forcing anyone to buy the crude, you're only telling them that this is the best, you will know, you will benchmark the crude based on its quality, preferably related to Brent and people will be free to quote a premium or a discount to that. So, we expect to get a fair and reasonable price and discover it through a transparent mechanism.

Vaibhav Badjatya: Go it, understand. And so, not for FY23, but for FY24 assuming all things are, all the oil wells are completely on stream, what could be the approximate, I know exact numbers are difficult, but what will be the approximate cash generation that will be there assuming oil and gas prices stay where they are currently?

Management: I don't want to have a revenue projection unless the field is coming into the revenue mode with the sustainable and comfortable. it will be something incorrect on my part to predict.

Vaibhav Badjatya: Right. I actually had this question because there was earlier question on the capital raise as well. So, if both the wells are in the ETR, we will generate substantial cash. So just wondering what would be the need for further capital raise?

Management: capital is required for the oil and gas companies, there are two ways of looking at it, defer the monetization or early monetization., Looking into the current market, every company would like early monetization. So, the CAPEX required is for early monetization, that is what, we are looking at.

Moderator: Thank you. The next question is from the line of Yash Mandawewala from Mandawewala Family Office. Please go ahead.

Yash Mandawewala: Jeeva sir can you just elaborate on the cash flow position as of 30th June so what is the amount of liabilities that are going to come to you in this financial year and against that what is the current cash balance?

Management: I said there is working capital issue, I cannot say no to that. But these working capital issues are not very difficult to manage. The moment I've got some revenue from B-80 and with the good gas price and what I'm getting it from the Dirok, we'll be able to manage all obligations. We have some teething troubles, couple of months, we will be able to manage with our existing contractors.

Yash Mandawewala: In case we are not able to get B-80 on stream in the next five or six months will the cash flow from the rest of the fields Dirok even at the higher prices will those be enough to meet the liability?

Management: Absolutely, we could be able to meet our liabilities because our liabilities are not insurmountable. It is very small amount, when you look at oil and gas companies operating fields, 30 to 40 crores is not a big deal. we'll be able to manage it and we are not finding it very difficult to do that.

Yash Mandawewala: Okay. So, just for reference including the debt that we may have to repay this year and any sort of capital.

Management: We have lined up the funds for it. Debt repayments are not an issue at all, because it is only a quarterly repayment for the Axis Bank and monthly repayment for the HDFC Bank. So, debt repayment obligation is nowhere getting affected by any means whatsoever.

Yash Mandawewala: And are there any capital liability so for equipment or anything of that sort that we need to pay?

Management: Capital liabilities, we are now having only an ongoing working capital issues we'll be able to solve it, we'll be able to come out of it quickly.

Moderator: Thank you. The next question is from the line of Akshay Ajmera from Nirzar Securities. Please go ahead.

Akshay Ajmera: So, just wanted to understand from you sir, as you have mentioned that there is no penalty in case of for non-supply of gas to GSPC whatever we have committed. So, when is this period going to expire, as you have mentioned that for the first year, there is no penalty and what could be the penalty going forward. That is my first question.

Management: So, the first year we started the supply in June. So till June 23, there is no penalty for supply, there is no supply of pay or take or pay clauses. After that we agree for 75% take or pay clause, if they are not able to take the gas they will pay and if we are not able to supply, there are mechanism that we can top up the supplies during the period that year. At the end of the year, there'll be a reconciliation whether on days, and when we were ready to deliver whether they have taken the gas or when they were ready to take the gas, whether we were able to supply or not. So, that's how we have structured the, we have given a one year no obligation and we have also kept the volume at 10 million cubic feet, though we would be in a position to deliver about 12 million cubic feet. Purposely, we kept contract or volume as 10.

Akshay Ajmera: Understood sir. And sir just a quick one on the MOPU side also. In worst case scenario, do we need to retrofit the rig in the MOPU do you see any possibility of that kind because of the issues and damages to the structure specifically?

Management: No, there is no damage to the structure of MOPU. So MOPU does not require any retrofitting, other than on the top side, few equipment need to be replaced by the expro who's the contractor, who has been operating on. The MOPU as such is owned by the subsidiary company of HOEC, and the topside facilities are supplied and operated maintained by the expro.

Akshay Ajmera: Okay. Is there any need in your understanding to strengthen the legs of the rig that we have deployed over there?

Management: No, there is no, this is a rig structure.

Moderator: Thank you. Next question from the line of Rikesh Parekh from Absolute Advisors. Please go ahead.

Rikesh Parekh: Sir, just wanted to understand what is the quantum of crude we have accumulated till now?

Management: It's about 15,000 barrels.

Moderator: Thank you. The next question is from the line of Hitesh Doshi an Individual Investor. Please go ahead.

Hitesh Doshi: Sir, my basic question is that, what is the capacity of the test separator and production separator and can it happen that our both the well start operating and we don't have the proper separator capacity or something like that?

Management: No, we have not so far put both the wells simultaneously on production so far. But both the separated together will be able to operate the volumes with some modification that expro will be undertaking. So, we do not expect this to become a constraint as soon as the D2 well is ready, D1 well is ready.

Moderator: Thank you. As there are no further questions from the participants. I now hand the conference over to Mr. Elango for closing comments.

P. Elango: Thank you for your understanding on all the questions. At the macro level prices of both oil and gas are strong and we expect it to remain so. We will remain focused on bringing B-80 to a stable operational mode. Our plan is to engage internationally reputed consultants and contractors post monsoon to find permanent solution. This may involve repairing and where required replacing the connecting system and few topside facilities to bring both the wells of B-80 on sustained production mode. When both the wells are brought on full production mode, the revenue generated will be adequate to address all our short term challenges post that we will be able to invest and unlock the potential in our existing portfolio to continue to drive the production growth. We have sincerely hoped that we would be in that position by now. But looks like we will have to wait for the monsoon end to reach that position. Thank you for your continuing support, especially during this challenging period. Thank you.

Moderator: Thank you. On behalf of Hindustan Oil Exploration Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.