**Hindustan Oil Exploration Company Limited**
'Lakshmi Chambers', 192, St. Mary's Road, Alwarpet, Chennai - 600 018. INDIA.
✆: 91 (044) 66229000 • Fax: 91 (044) 66229011 / 66229012
E-mail: contact@hoec.com • Website: www.hoec.com CIN: L11100GJ1996PLC029880

**August 29, 2018** **By Online**

| | |
|---|---|
| **The Listing Department**<br>**The National Stock Exchange of India Ltd.,**<br>"EXCHANGE PLAZA",<br>Bandra Kurla Complex,<br>Bandra (East), Mumbai – 400 051<br>Stock Code: HINDOILEXP | **The Corporate Relationship Department**<br>**BSE Limited,**<br>1st Floor, P. Jeejeebhoy Towers,<br>Dalal Street, Mumbai – 400 001<br>Stock Code: 500186 |

**Dear Sirs,**

**Sub: Submission of Annual Report**

Please find enclosed the Annual Report for the financial year 2017-18 as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 duly approved by the members as per the provisions of the Companies Act, 2013.

This is for your kind information & records.

Thanking you,
Yours Sincerely,
**For Hindustan Oil Exploration Company Limited**

G. Daisy

**G. Josephin Daisy**
**Company Secretary**

Encl.: a/a

# 34th Annual Report 2017-2018

## INDIA'S FIRST
## PRIVATE OIL AND GAS COMPANY

DD-8 Rig in PY-1 offshore Block April-July 2018

**Transforming Through Talent And Technology**

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

# CONTENTS

## STRATEGIC REPORTS



## STATUTORY REPORTS & FINANCIALS



## COMPANY INFORMATION

Registered Office
'HOEC House', Tandalja Road
Vadodara – 390 020, Gujarat (India)
E-mail: contact@hoec.com
Website: www.hoec.com

Chennai Office
Hindustan Oil Exploration Company Limited
'Lakshmi Chambers', 192, St. Mary's Road
Alwarpet, Chennai – 600 018
Tamil Nadu (India)

Statutory Auditor
Deloitte Haskins & Sells LLP
Chartered Accountants
Audit Partner
Mrs. Bhavani Balasubramanian

Secretarial Auditor
S Sandeep & Associates
Company Secretaries

Internal Auditor
Guru & Ram
Chartered Accountants

Cost Auditor
Mr. K. Suryanarayanan

CIN
L11100GJ1996PLC029880

ISIN
INE345A01011

## 34th Annual General Meeting

Day : Monday

Date : August 20, 2018

Time : 10:30 a.m.

Place : "Tropicana Hall", The Gateway Hotel,
Akota Gardens, Akota, Vadodara – 390 020

# HIGHLIGHTS
## FY 2017-2018

- Dirok commercial production commenced on August 26, 2017 through Project KOPOU.
- Hollong Modular Gas Processing Plant and 12" pipeline commissioned in March 2018 to ramp-up production.
- Secured approval of B-80 Field Development Plan in December 2017; Field to produce 5,000 bopd of oil and 15 mmscfd of gas by Q1 FY 2020-21 .
- Two well re-entry and side track drilling campaign commenced in April 2018 to increase production in PY-1 field.
- Delivered leading HSE performance with strong focus on safe and sustainable operations.
- Achieved debt-free balance sheet with optionality for self-funding growth commitments.

AVERAGE PRODUCTION
**2,428 boepd** (Gross)
**1,179 boepd** (HOEC-Net)

TOTAL INCOME
**₹ 60 crores**

PRODUCTION WORKING INTEREST
**3,34,990 boe**

PROFIT FOR THE YEAR
**₹ 38 crores**

GROSS WORKING CAPITAL
**₹ 193 crores**

NET WORTH
**₹ 374 crores**

CASH AND CASH EQUIVALENT
**₹ 133 crores**

HSE - LOST TIME INJURY
**0**

# OUR ASSET PORTFOLIO

Consists of 9 Oil & Gas blocks of Discovered Resources

## Onshore

### A AAP-ON-94/1 (HOEC PI: 26.882 %) (O)

- Commercial sales commenced on August 26, 2017.
- Hollong Modular Gas Processing Plant and 12" line commissioned in March 2018.
- All six wells hooked up and has capacity to produce 1 MMSCMD and 1000 barrels of condensate.
- Revised Field Development Plan targeting Dirok upside Potential is under preparation.
- Environmental Clearance applied for future drilling campaigns and facility development in Dirok.
- Average Production (100%) (FY 2017-18) – 8.5 mmscfd;
  Cumulative Production – 3,87,574 boe.

### B AA/ONDSF/Kherem/2016 (HOEC PI 40%) (O)

- Block awarded under DSF Bid Round 2016.
- Work Program (2 wells) to be completed in 3 years.
- Tested: Oil 402 bopd.
- Nearest Facilities 30 kms (Digboi Refinery).
- Application for Forest Clearance and PML is in process.

### C CB-ON-7 (HOEC PI: 35 %) (O)

- Average Gross (100%) Production (FY 2017-18) – 98 boepd.

### D North Balol (HOEC PI: 25 %) (O)

- Average Gross (100%) Production (FY 2017-18) – 0.4 mmscfd.

### E Asjol (HOEC PI: 50 %) (O)

- Average Gross (100%) Production (FY 2017-18) – 8 bopd.

### F Kharsang (HOEC PI: 30% (O) - Direct and Indirect)

- HOEC acquired entire share capital of M/s Geopetrol International Inc. which has 30% stake - Direct and Indirect in Kharsang Oil field.
- Average Gross (100%) Production (FY 2017-18) - 850 bopd.
- Application for PSC extension with revised FDP submitted.

## Offshore

### G PY-1 (HOEC PI: 100 %) (O)

- Average Production (FY 2017-18)
  - 2.3 mmscfd.
- Cumulative Production – 1,73,237 boe.
- Re-entry and completion of two wells to enhance production in progress.

### H PY-3 (HOEC PI: 21 %)

- Field under shutdown since July 2011.
- Last production (100%) – 3,300 bopd.
- Application for PSC extension with revised FDP submitted.

### I MB/OSDSF/B80/2016 (HOEC PI: 50%) (O)

- Block awarded under DSF Bid Round 2016.
- Work Program (2 well) to deliver First Oil by Q1 FY 2020-21.
- Field to produce 5,000 bopd & 15 mmscfd of gas.

**(O) -** HOEC as Operator
**(PI) -** Participating Interest
*Notes: Production figures are gross for respective fields for Financial Year 2017-18


Hollong Modular Gas Processing Plant at Margherita, Assam

# BOARD OF DIRECTORS

## Mr. Sunil Behari Mathur

*Non-Executive Independent Director/ Chairman*

Mr. Sunil Behari Mathur is a Chartered Accountant and has more than 47 years of experience in the fields of insurance and housing finance. He was the Chairman of Life Insurance Corporation of India. He has been sponsored by United States Agency for International Development ("USAID") for a training program on housing finance at the Wharton Business School of the University of Pennsylvania. Also, he holds membership, advisory/administrative roles on various Government bodies, authorities and corporations.

## Mr. Pronip Kumar Borthakur

*Non-Executive Independent Director*

Mr. P. K. Borthakur brings in more than 37 years of rich & diverse experience from his illustrious career in ONGC, from where he retired as Director (Offshore) and has led multiple large onshore and offshore operations and projects. His wide technical expertise ranges from managing oil & gas operations, artificial lift, well completion, drilling, well control, reservoir management to processing and extraction of value added petroleum products. He is a well recognized and respected technical authority in the Oil and Gas Sector.

## Mr. Rohit Rajgopal Dhoot

*Non-Executive Non-Independent Director*

Mr. Rohit Rajgopal Dhoot is a Managing Director of Dhoot Industrial Finance Limited since 1994 and has an opulent experience of about more than 20 years. When qualified he achieved the distinction of being one of the youngest chartered accountants in the country. He joined the management of Dhoot Industrial Finance Limited in 1988 as Director of the Company and was in charge of marketing and expansion of business. He has an all-encompassing background and experience in Finance, Banking, Mergers and Acquisitions, Strategic Planning, Restructuring Operations, Export Marketing, Trading and Logistics, International Business Relations and Collaborations & Joint Ventures.

## Mr. Ramasamy Jeevanandam

*Executive Director and Chief Financial Officer*

Mr. Ramasamy Jeevanandam has an overall experience of more than 30 years in various aspects of finance, listing, funding, finalization of accounts and taxation of upstream oil and gas industry in India. Before joining HOEC, he worked as Vice President at Aban Offshore Limited and functioned as CFO & Director at Hardy Exploration & Production (India) Inc. He started his career with ONGC in 1982. He is CPA (USA), CGMA (USA), Qualified Cost Accountant, Chartered Financial Analyst and Company Secretary with a Bachelor's Degree in Law.

## Ms. Sharmila H. Amin

*Non-Executive Independent Director*

Ms. Sharmila Amin is the South Asian Regional Director and Managing Director of Bertling Logistics. She is a Graduate in Commerce from the University of Mumbai. She also has a long list of additional qualifications that include Shipping Management from the Indian Institute of Management, Ahmedabad and is a Customs License Holder (Rule 9), Mumbai. In her long career in Heavy Lift Projects Logistics, she has previously headed Panprojects / Oil & Gas for the South Asia Region as a part of the Panalpina Group. She has headed CRC's Projects Division and also N.S.Guzder and Company's Project Logistics Division

## Mr. Ashok Kumar Goel

*Non-Executive Non-Independent Director*

Mr. Ashok Goel is the Chairman and Managing Director of Essel Propack Limited. He has been associated with the Essel Group since 1984. He has great insight into the business & sharp business acumen and possesses rich experience in running & managing the business of large conglomerate of Essel group. He holds a Bachelor's degree in Commerce. In July 2005, the renowned publication 'The Smart Manager' rated Mr. Ashok Goel as "one of the 25 truly world class managers from India". Mr. Ashok Goel also serves on the Boards of various listed and unlisted entities.

## Mr. Elango Pandarinathan

*Managing Director*

In his career spanning over 30 years in Upstream Oil & Gas Sector, Mr. P. Elango has held several leadership roles in different areas of the business and is a recognized leader in the Indian industry. Prior to joining HOEC, he was the Chief Executive Officer & Whole Time Director of Cairn India Limited. Over his long association with Cairn, he played a key role in building Cairn into a leading Oil & Gas company. He holds a Master's degree in Business Administration and began his career with ONGC in 1985. He was one of the five finalist for Platts' first-ever Asia CEO of the Year Award 2013.

# SAFETY FIRST

## Integrated HSE Policy: Health, Safety, Environment, Quality

HOEC believes that “All Lives Have Equal Value” and nothing that we do can be more important than ensuring safety. HOEC is committed to making a positive contribution to the protection of the environment in areas in which we operate and to do everything possible to minimize any adverse effects of our operations.

**To ensure this:**

- HOEC has a robust Emergency Response Plan (ERP) for production operations, drilling campaigns and project execution activities to respond swiftly during any emergency.
- Risk assessment studies are conducted for critical activities and safe operation procedures are developed for controlling identified hazards.
- All Health, Safety, Environment and related issues are incorporated and addressed, while hook-up & commissioning new installations, routine productions and regular logistical facilities for onshore and offshore.
- HOEC has “Stop Work Program” and has authorized all employees and contractors to stop work activity in any situation where it is considered unsafe to act so as to ensure zero tolerance.
- HSE awareness campaigns are conducted regularly and best practices are felicitated by HSE Awards Program.
- Mock Safety Drills are carried out at sites on a monthly basis.
- Practical training on fire protection system and oil spill response are provided to site personnel.
- Fields are regularly inspected for HSE compliances.
- HSE culture is promoted by HSE Steering & Risk Management Committee which includes members from Management team.
- Mutual aid scheme with nearby operators to meet emergency.
- HSE system in place to ensure full compliance to the guidelines recommended by regulatory authorities.

HSE award for best performers on DD-8 Rig at PY-1 site

| Key Performance Indicators (KPIs) : FY 2017 -18 | HOEC | OGP* |
|---|---|---|
| Fatal Accident Rate (FAR) | 0.00 | 1.73 |
| LTI Frequency (LTIF) | 0.01 | 0.27 |
| LTI Severity Rating (LTI SR) | 0.00 | 61.4 |
| First Aid Cases | 0.01 | NR |
| Total Recordable Injury Rate (TRIR) | 0.00 | 1.03 |

* International Association of Oil and Gas Producers (IOGP) Safety Performance Indicators Report No.2016s (June 2017)

Fire Safety Training at Dirok Gas Gathering Station

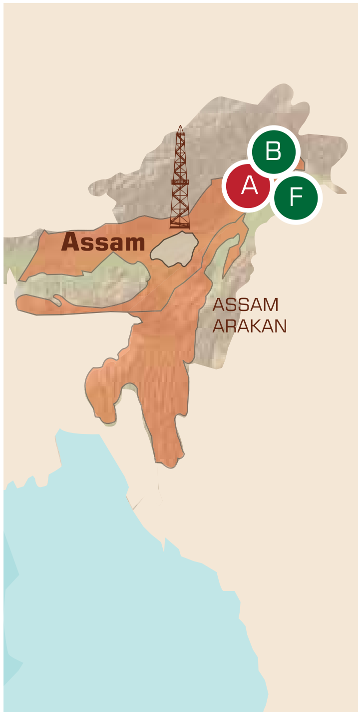
National Safety Day Celebration at PY-1 site

World Environment Day 2018 - Tree plantation at Cambay site

# STRONG FOUNDATION TO DRIVE GROWTH

## DIROK FACILITIES


## ONSHORE

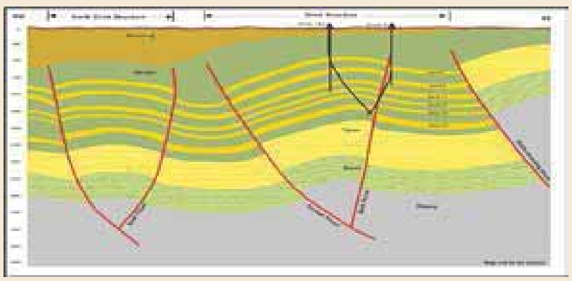



### Focus on North–East:

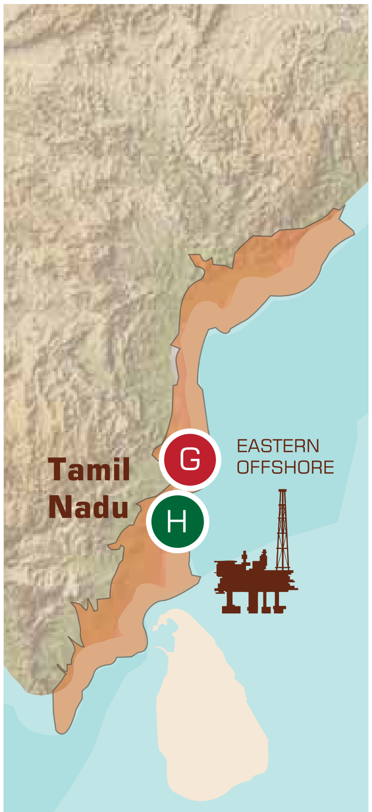
- With the acquisition of Geopetrol International Inc., HOEC will now have interests in 3 blocks (Dirok, Kherem and Kharsang) within 50 Kms. from each other in the North-East.
- Firmly established position as the largest private producer of Oil & Gas in the North-East.
- Participated in OALP Bid Round - I focused on blocks in the North-East.

**Dirok Upside:**

- Dirok field - 110 sq.kms. endowed with Girujan, Tipam and Barail formation.
- Environmental Clearance applied for future drilling campaigns and facility development at Dirok.
- Revised Field Development Plan targeting upside potential under preparation.


Dirok and North Dirok Sand Map

# OFFSHORE




## Eastern Offshore – PY-1:

Two well re-entry and sidetrack drilling campaign is in progress. This campaign was designed to rejuvenate the production from the block with minimal capital expenditure, as the PY-1 plant has ready infrastructure to handle additional production. This drilling campaign paves the way for future follow-on drilling to explore potential upside from other wells.

Sun platform at PY-1

- Significant resources exists in this fractured granite basement reservoir.
- With 100% PI, ramping up production in PY-1 field will positively impact our net revenue from operations from Q2 FY 2018-19 onwards.

## Western Offshore - B80

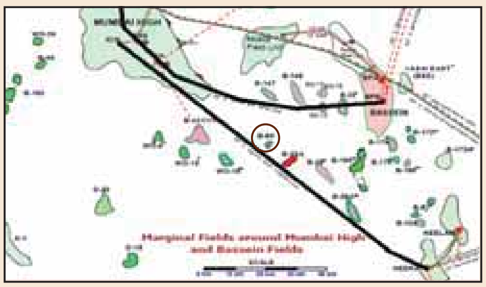
After securing the discovered block MB/OSDSF/B80/2016 in Discovered Small Field (DSF) Bid Round I, HOEC was the first operator to obtain field development plan approval. We are now currently progressing development on a fast-track basis targeting "First Oil" by Q1 of FY 2020-21. The phase – 1 development of B-80 envisages drilling of two sub-sea wells, installing a Mobile Offshore Processing Unit (MOPU) and hooking up of the wells through flow lines. The oil & gas is to be evacuated through existing pipelines of ONGC. Gross production of 5,000 barrels of oil and 15 mmscfd of natural gas is targeted from B80.

**Block Area: 56 sq.kms. | Estimated STOIIP: 40 million barrels | Estimated GIIP: 44 bcf**

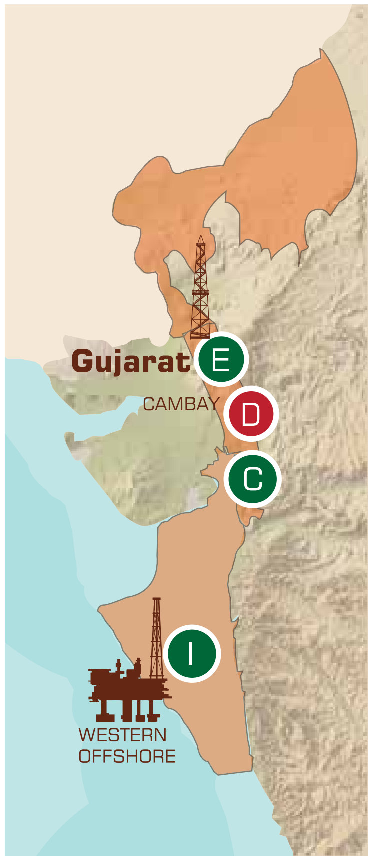
**Project Status:**

✓ Completed ◑ In Progress

- ✓ Terms of Reference (TOR) approved on December 21, 2017
- ✓ Engineering Study to IOGPT awarded.
- ◑ Environmental Clearance application process initiated.
- ◑ Discussions with possible vendors for MOPU in progress.



B80 Development



# FIRING UP THE GROWTH ENGINE

*"The Dirok development has been achieved in a record time with the use of innovative contracting model and modular design to reduce the lead time and optimise the costs."*

FY 2017-18 has been a year of turnaround performance for HOEC. I wish to briefly report on the progress made and outline the business plan.

We have come a long way in our journey of business transformation, with HOEC now firmly established as one of the fastest growing E&P companies. During FY 2017-18, we have achieved a five-fold increase in our gross operated production to about 2,500 boepd. We have also roughly doubled our revenue from operations from ₹ 25 crores in FY 2016-17 to ₹ 49 Crores in FY 2017-18.

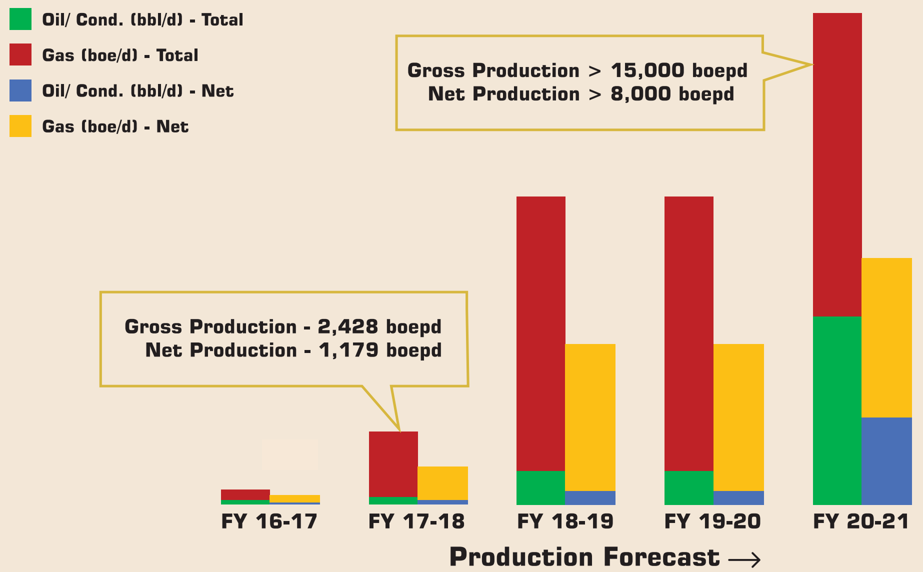
These stellar results are the result of the significant progress we have made towards implementing our strategy of quickly monetising our discovered resource portfolio. I would like to particularly highlight three aspects of our performance in FY 2017-18.

First, in Assam, we have successfully commissioned the Hollong Modular Gas Processing Plant in March 2018. We have now hooked up all six wells and achieved full production capacity of 36 mmscfd of gas. Currently, we are focusing on ensuring full gas and condensate offtake to maintain production at capacity. The Dirok development has been achieved in a record time with the use of innovative contracting model and modular design to reduce the lead time and optimise the costs, delivering the development in lower than estimated capex.

We have also been encouraged by better than expected reservoir performance in the first phase and are currently developing a revised field development plan with follow-on drilling to further increase the production. We will also be targeting additional exploration potential in the subsequent drilling campaigns.

3-Year Growth Projects Pipeline:

1. Production ramp-up to capacity in Dirok; PY-1 field re-entry campaign.
2. Stabilise Kharsang Production; B80 Development; Dirok / PY-1 follow-on drilling.
3. Kherem, PY-3, Kharsang additional exploration potential.



Storage tanks at Kharsang field

*"We continue to focus on building a strong organization with a vision to emerge as the finest Independent Oil and Gas Company that beneficially transforms the interests of every stakeholder through Talent and Technology."*

Second, as part of our strategy to continuously upgrade our portfolio of discovered resources, we bid for and secured two additional discovered blocks - B80 and Kherem in DSF Bid Round I. In our offshore B80 block, we were the first operator to successfully have the field development plan approved by the DGH and are currently progressing development on a fast-track basis to deliver "First Oil" by Q1 FY 2020-21. The Phase-1 development envisages drilling of 2 subsea wells, installing a Mobile Offshore Processing Unit and hooking up the wells through flowlines. The oil and gas from the block is planned to be evacuated through the existing pipelines of ONGC.

Finally, as part of our strategy to pursue opportunistic acquisitions around our core areas, we acquired Geopetrol International Inc. This acquisition gives us a 30% participating interest (directly and indirectly) in the producing Kharsang field in Arunachal Pradesh and has enabled us to emerge as the largest producer of oil and gas in the North-East. With the existing production from Kharsang, we have started accruing revenues through the acquisition. We are also further encouraged by the deeper exploration potential in the block. Together with Dirok and Kherem, this represents a significant opportunity for us to continue to deliver production growth from our North-East portfolio.

Our financial turnaround is now complete with a debt-free balance sheet and growing cash flow from operations, giving us the capacity to fund growth opportunities. Our portfolio is fully rationalized and currently affords a pipeline of low risk, short cycle projects to continue the growth momentum. In the immediate future, our areas of focus remain successful completion of re-entry campaign in PY-1 field to rejuvenate the production, fast-track development of block B80 and ensuring optimal development of Kharsang field through monetization of additional potential.

We continue to focus on building a strong organization with a vision to emerge as the finest Independent Oil and Gas Company that beneficially transforms the interests of every stakeholder through Talent and Technology.

I thank all my colleagues in HOEC and their families for their contribution to our growth, all our stakeholders for their continuing support and the Board for their valuable guidance.

**P. Elango**
*Managing Director*

# Board's Report

**To**

**The Members**
**Hindustan Oil Exploration Company Limited**

Your Directors have pleasure in placing before you the 34th Annual Report on the business and operations of your Company along with the audited financial statements for the Financial Year ended March 31, 2018.

## 1. FINANCIAL HIGHLIGHTS

(₹ in lacs)

| Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Revenue from operations | 4,871.25 | 2,502.29 | 4,871.25 | 2,556.66 |
| Other Income | 1,143.72 | 1,708.69 | 1,183.72 | 1,932.86 |
| **Revenue** | **6,014.97** | **4,210.98** | **6,054.97** | **4,489.52** |
| Total Expenses | 2,680.03 | 3,079.69 | 2,751.54 | 3,382.77 |
| **Profit before exceptional items and tax** | **3,334.94** | **1,131.29** | **3,303.43** | **1,106.75** |
| Exceptional items | 448.67 | 2,894.64 | 448.67 | 2,894.64 |
| **Profit before tax** | **3,783.61** | **4,025.93** | **3,752.10** | **4,001.39** |
| Tax expense | – | 387.58 | – | 394.91 |
| **Profit for the year** | **3,783.61** | **3,638.35** | **3,752.10** | **3,606.48** |
| Other comprehensive income | (16.09) | (4.23) | (16.09) | (4.23) |
| **Total comprehensive income for the year** | **3,767.52** | **3,634.12** | **3,736.01** | **3,602.25** |

Note: The above figures are extracted from the audited standalone and consolidated financial statements as per Indian Accounting Standards (Ind AS)

## 2. BUSINESS PERFORMANCE

During the year, your Company produced 0.34 million barrels of oil equivalent (mmboe) of crude oil and gas as against 0.15 mmboe in the previous year. The increase in production is due to the commencement of commercial production from the Dirok field of Assam Block AAP-ON-94/1 on August 26, 2017.

Consequently, there is an uptrend in the revenue to ₹ 4,871.25 lacs as against ₹ 2,502.29 lacs for the previous year which is expected to continue, while the operating cost incurred during the year was ₹ 1,304.48 Lacs.

Other income is reduced from ₹ 1,708.69 lacs to ₹ 1,143.72 lacs, which is mainly due to reduction in the overall investment in mutual funds and the returns thereon.

Overall, there is no increase in the operating cost of other blocks. There is no increase in employee cost except for a one-time non-cash charge of ₹ 450.21 lacs towards share-based payment in respect of those options vested under the Company's Associate Stock Option Scheme, 2015.

On a standalone basis, the profit after tax is ₹ 3,783.61 lacs as against the profit of ₹ 3,638.35 lacs in the previous year. This is mainly due to the increase in operational profit in addition to the continuous effort of cost reduction. Cash balance in the Company as on March 31, 2018 is ₹ 13,334.83 lacs and the gross working capital is ₹ 19,325.64 lacs.

On a consolidated basis, the subsidiary has not carried out any business activity during the financial year 2017-18. However, on a consolidated basis the total income has increased from ₹ 4,489.52 lacs to ₹ 6054.97 lacs and a profit after tax of ₹ 3,752.10 lacs is reported for the current year for reasons as stated in the standalone accounts.

Your Company maintains a debt-free status as on the date of this Report.

### Capital Expenditure

During the year under review, a development expenditure of ₹ 4,811.36 lacs was incurred for the gas development project at Assam, PY-1 drilling campaign and B80 development. An expenditure of ₹ 814.72 lacs was incurred to secure the PSC for the adjoining area of Block CB-ON/7 during the year.

### Transfer to reserves

During the year under review, no amount was transferred to the capital reserves of the company. An ASOP reserve of ₹ 450.21 lacs has been created towards share-based payment in respect of those options vested under the Company's Associate Stock Option Scheme, 2015.

### Measures taken to improve the operational & financial performance

The Company has initiated measures to achieve improvement in operational and financial performance by focusing on cost optimization in existing producing fields. With respect to Dirok field in Assam Block, the Company has mobilised all the resources and completed the existing wells and drilled three more development wells. With respect to Block PY-1, jack-up rig, associated materials services was secured to commence the re-entry, side track and completion of the wells Earth and Mercury in the first quarter of FY 2018-19.

### 3. OUTLOOK

Your Company has capital requirements to implement its business plans and to continue the development of Dirok field in Assam, revisiting the development of PY-1 field, B80, Kherem and other fields in the immediate future, which can be met through the existing working capital by proper scheduling of the project activities. If necessary, additional capital will be raised to develop the blocks in the existing portfolio and for the inorganic opportunities.

### 4. DIVIDEND

Your Company is positioned on a growth trajectory and is actively pursuing both exploration opportunities and appraisal / development of discoveries established in its existing portfolio. To finance this growth, the Company needs financial resources in the immediate term and hence your Directors do not recommend any dividend for the year.

### 5. DEPOSITS FROM PUBLIC

Your Company has not accepted any deposits from public and as such, no amount on account of principal or interest are outstanding as at the balance sheet date.

### 6. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY COMPANY

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 form part of the Notes to the Standalone Financial Statements provided in this Annual Report.

### 7. NO CHANGE IN THE NATURE OF BUSINESS

There is no change in the nature of business being carried out by the Company.

### 8. SHARE CAPITAL

There is no change in share capital during the year. The company has not issued any shares with differential rights as to voting, dividend or otherwise.

### 9. PROMOTERS

During the year, M/s Burren Energy India Limited holding 5,745 shares in the Company made an application to the Company for re-classification of its status as public shareholder and the same was approved by the shareholders by way of passing a special resolution at the 33rd Annual General Meeting of the Company and is subject to the approval of the Stock Exchanges.

The promoters have declared that they have not pledged any of their shareholding in the Company.

### 10. SUBSIDIARY COMPANY

Your Company has one wholly owned subsidiary, namely Hindage Oilfield Services Limited.

Subsequent to the termination of the Distributorship Agreement by Bardahl Manufacturing Corp. USA in February 2016, the name of the Company has been changed to Hindage Oilfield Services Limited with effect from August 04, 2016 and there is a change in the nature of business to Oil Field Equipment and Services (OFES). The subsidiary has contemplated various business proposals in the OFES and will be commencing its operations during FY 2018-19.

During the year, no changes have occurred in the composition of the Board of Directors of the subsidiary company and the Board of Directors of your Company have reviewed the affairs of the subsidiary.

Pursuant to Section 129(3) of the Companies Act, 2013, the Indian Accounting Standards (Ind AS) and relevant provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Consolidated Financial Statements of the Company has been prepared and forms part of this Annual Report.

Also, a statement containing salient features of the financial statement of the Company's subsidiary is appended as Annexure - III to the Board's Report in the prescribed Form AOC-1.

Further, in accordance with Section 136 of the Companies Act, 2013, the Annual Audited Financial Statements including the Consolidated Financial Statements and related information of the company and the Audited Financial Statements of the subsidiary company are available on the company's website http://www.hoec.com/annual-report/. The documents will also be available for inspection at the Registered Office of the Company during normal working hours.

### 11. UNINCORPORATED 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 a line-by-line basis with similar items in the Company's Accounts, to the extent of the participating interest of the Company, as per various "Production Sharing Contracts" (PSCs) and "Revenue Sharing Contracts" (RSCs). The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective PSCs and RSCs.

## 12. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

In terms of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Management's Discussion and Analysis Report is set out in a separate section and forms part of this Annual Report.

## 13. CORPORATE GOVERNANCE REPORT

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Corporate Governance Report along with a certificate from a Company Secretary in Practice thereon is attached and forms part of this Report.

## 14. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of Annual Return in Form MGT-9, as required pursuant to Section 92 of the Companies Act, 2013, is given in Annexure - I and forms part of this Report.

## 15. DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year, the following changes took place in the composition of the Board of Directors.

**Inductions:**

Based on the recommendations of the Nomination and Remuneration Committee, Board has appointed Mr. Ashok Kumar Goel and Mr. Rohit Rajgopal Dhoot as Additional Directors (Non-Executive Non-Independent) with effect from March 01, 2018 and March 10, 2018 respectively. The said appointments will be placed for approval of the members at the ensuing Annual General Meeting.

**Re-appointments:**

The Nomination and Remuneration Committee and Board of Directors of the Company have recommended for approval of the members, the re-appointments of Mr. Elango Pandarinathan as Managing Director of the Company and Mr. Ramasamy Jeevanandam as Executive Director & CFO of the Company with effect from February 02, 2018, upon expiry of their previous term, for a period upto September 30, 2021.

In accordance with the provisions of section 152(6) of the Act and the Articles of Association of the Company, Mr. Elango Pandarinathan, retires by rotation at the ensuing Annual General Meeting (AGM), and being eligible seeks re-appointment.

The Board recommends the appointments / re-appointments as aforesaid.

Necessary information including the details of Directors being appointed / re-appointed, the terms and conditions and the proposed remuneration are given in the respective Resolutions and the explanatory statements included in the Notice convening the ensuing AGM.

During the year, the non-executive directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees, commission and reimbursement of expenses incurred by them for the purpose of attending meetings of the Company.

**Key Managerial Personnel:**

As on March 31, 2018, Mr. P. Elango, Managing Director, Mr. R. Jeevanandam, Executive Director & CFO and Ms. G. Josephin Daisy, Company Secretary are the Key Managerial Personnel (KMP) of the Company.

## 16. DECLARATION BY INDEPENDENT DIRECTORS

The Company has received necessary declaration from each independent director that he/she meets the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

There has been no change in the circumstances affecting their status as an Independent Director during the year.

## 17. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017, Board has carried out an annual evaluation of its own performance, the Committees of the Board and individual directors. The manner in which the evaluation has been carried out is explained in the Corporate Governance Report.

## 18. NUMBER OF MEETINGS OF THE BOARD

During the year, five (5) Board Meetings were convened and held. The details of meetings are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

## 19. COMMITTEES OF THE BOARD

Currently, the Board has five (5) Committees, namely Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee. The composition of the Board and its Committees are provided in the Corporate Governance Report section of this Annual Report.

## 20. REMUNERATION AND NOMINATION POLICY

The Board of Directors has framed a policy which lays down a frame work for the remuneration payable to Directors and other Key Managerial Personnel. This policy also states the criteria for selection and appointment of Board Members. The details of the policy are stated in the Corporate Governance Report.

Nominee Directors of the Company on the Board of Hindage Oilfield Services Limited (wholly owned subsidiary of HOEC) do not receive any remuneration or commission.

## 21. DIRECTORS REMUNERATION

Details of the remuneration paid to the Executive and Non-Executive Directors of the Company are given in the Corporate Governance report Section of this Annual Report.

## 22. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the year under review were on an arm's length basis and in the ordinary course of business. However, no related party transactions were entered pursuant to section 134(3)(h) of the Companies Act, 2013 read with the rule 8 of Companies (Accounts) Rules, 2014. Your Directors draw the attention of the members to Note 37 to the standalone financial statements which set out the related party disclosures.

## 23. MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Company. However, the following event has occurred between the end of the financial year and the date of Report.

Your Company entered into a Share Purchase Agreement to acquire the entire share capital of Geopetrol International Inc., a Company incorporated in the Republic of Panama, which is a party to various production sharing contracts in India, including a producing oil field "Kharsang" in the state of Arunachal Pradesh, with 30% participating interest both directly and indirectly.

## 24. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There were no material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

## 25. DIRECTORS' RESPONSIBILITY STATEMENT

The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS), the relevant provisions of the Companies Act, 2013 and the Rules made thereunder, guidelines issued by SEBI and guidance note on Accounting for oil and gas producing activities (Ind AS) issued by the Institute of Chartered Accountants of India.

The financial statements are prepared under the historical cost convention on accrual basis except for certain financial instruments that are measured at fair values, and guidelines.

In terms of Section 134(5) of the Companies Act, 2013, your directors, to the best of their knowledge and belief and according to the information and explanation obtained by them, state that:

(i) in the preparation of annual accounts for the financial year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation for material departures, if any;

(ii) the directors had selected such accounting policies and applied them consistently and made judgments 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 and loss of the Company for that period;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the directors had prepared the annual accounts on a going concern basis;

(v) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

(vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, the work performed by the internal, statutory and secretarial auditors, including the audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by the Board and Audit Committee, the Company's internal financial controls were adequate and effective during the year under review.

## 26. PARTICULARS OF EMPLOYEES

A statement disclosing the details pursuant to the provisions of Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are set out in Annexure - II to this Report.

## 27. EMPLOYEES STOCK OPTIONS

The details of employee stock options vested under ASOP 2015 during the year ended March 31, 2018 form part of the Notes to the Standalone Financial Statements and are provided in the Corporate Governance section of this Annual Report.

Subsequently, based on the recommendations of the Nomination and Remuneration Committee, the Board at its meeting held on May 12, 2018 terminated the remainder of the ASOP 2015.

## 28. AUDIT REPORTS AND AUDITORS

**Audit Reports for the financial year ended March 31, 2018:**

- The Auditors Report on the standalone and consolidated financial statements forms part of this Annual Report and does not contain any observations / reservations / qualifications.
- The Secretarial Audit Report issued is included as Annexure IV to this Report and it does not contain any observations / reservations / qualifications. The Company complies with all applicable secretarial standards.
- Your Company has maintained cost records which were duly audited in terms of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014. The cost audit report for the financial year ended March 31, 2018 was filed with the Central Government within the prescribed timelines.
- The Internal Auditors findings are discussed, and suitable corrective actions are taken as per the directions of the Audit Committee on an ongoing basis to improve efficiency in operations.
- Neither the Statutory Auditors nor the Secretarial Auditors have reported to the Audit Committee under section 143(12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would be required to be mentioned in the Board's Report.

**Auditors for the financial year ending March 31, 2019:**

**Statutory Auditor**

M/s. Deloitte Haskins & Sells LLP (FRN:117366 W / W 100018), Chartered Accountants, were appointed as Statutory Auditors for a period of five (5) years to hold office from the conclusion of the 31$^{st}$ AGM of the Company held on September 25, 2015 until the conclusion of 36$^{th}$ AGM.

**Secretarial Auditor**

In terms of Section 204 of the Companies Act, 2013 and rules made there under M/s. S. Sandeep & Associates, Company Secretaries in Practice are appointed to conduct the secretarial audit.

**Cost Auditor**

The Board of Directors have appointed Mr. K. Suryanarayanan, a Cost Accountant in Practice, as Cost Auditor of the Company at a fee of ₹ 2,00,000 (Rupees Two Lacs only) plus applicable taxes and out of pocket expenses, subject to ratification of the said fees by the shareholders at the ensuing Annual General Meeting.

The cost audit report for the financial year 2018-2019 would be filed with the Central Government within the prescribed timelines.

**Internal Auditor**

The Board has engaged M/s. Guru & Ram, Chartered Accountants, as its Internal Auditors. Their scope of work includes review of internal controls and its adherence, statutory compliances, health, safety and environment compliance, compliance towards related party transactions and risk assessments.

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

Your Company operates in an environmentally responsible manner for enduring benefit to all stakeholders. During the year under review, several steps were taken for conservation of energy, some of which are as follows:

**A) Conservation of Energy:**

a) The steps taken or impact on conservation of energy are:

1. Due consideration has been given to energy consumption while procuring equipment with preference for BEE Star rated equipment, wherever feasible.
2. As a responsible Corporate Citizen and in adherence to climate change policy, the Company is continuously taking effective steps to conserve energy and to reduce Green Houses Gases (GHG) emissions, wherever feasible.
3. Minimized environmental impact from its activities with its initiatives on energy and resource conservation and use of renewable energy like solar panels.
4. The Company regularly monitors air emission sources and ambient air quality and ensures that emission levels at all times remain lower than the statutory limits.
5. Except the emergency lights, timers are installed to turn off all lights automatically during day hours to help in minimizing the energy consumption.
6. Periodical preventive maintenance and condition monitoring of the aged equipment thereby increasing life expectancy of assets, eliminating premature replacement and lowering energy consumption.
7. Carrying out Environmental Impact Assessment (EIA) study in conformance to HOEC's Environment and Safety Policy to formulate appropriate environmental management plan and mitigation measures to eliminate or minimize pollution, environmental disturbances during the life-cycle of the project.

b) Steps taken by the Company for utilizing alternate source of energy: The Company is in the process of formulating a policy for use of solar energy and has experimented in its process installation at Assam.

c) Capital investment on energy conservation equipment: No additional investment is made or implemented for reduction in energy consumption.

d) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: Reduction in emission of Green House Gases as a result of minimal use of air conditioning and reduced consumption of power and fuel.

**B) Technology absorption:**

(a) Technology absorption, adaptation and innovation: The company has adopted energy efficient Modular approach for Gas Processing Plant proposed at Assam in which Variable Frequency Drives (VFD) are installed in the equipment and machineries.

(b) No technology import was made during the last 3 years.

(c) No Research and Development expenditure was made during the year.

(d) No benefits were derived like product improvement, product development or import substitution during the year.

**C) Foreign exchange earnings and outgo:**

(a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

Company is engaged in production of crude oil and natural gas. The existing Government policies and Production Sharing Contracts (PSCs), to which Company is a party, is subject to domestic market obligations till self-sufficiency in domestic production of hydrocarbons.

(b)

| Particulars | FY 2017-18 (₹ in lacs) | FY 2016-17 (₹ in lacs) |
|---|---|---|
| Foreign exchange earning | Nil | Nil |
| Expenditure in foreign currency | | |
| Opex: | 9.30 | 6.72 |
| Capex: | 2,080.94 | 2,294.86 |

## 30. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has in place a CSR policy which is available on the website http://www.hoec.com/csr/. The details of the composition and meetings of the CSR Committee is provided in the Corporate Governance Report section of this Annual Report.

## 31. RISK MANAGEMENT

The Risk Management Committee identifies and monitors the risks associated with the Company's operations. The Committee is responsible for reviewing the risk factors and ensuring its effective mitigation and management. In addition, the Audit Committee oversees the areas of financial risks and controls.

The development and implementation of risk management policy has been covered in the Management's Discussion and Analysis Report, which forms part of this Annual Report.

## 32. PROTECTION TO WOMEN EMPLOYEES

The Company has in place a Corporate Policy on Anti-Sexual Harassment of Employees, in terms of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has also been constituted and during the year under review no complaints were received from any employee.

## 33. HUMAN CAPITAL & MANAGEMENT

The Company continues to pursue the best practices to develop its human capital. The Company has a transparent Performance Appraisal System with focus on the organizational objectives aligned with Key Performance Indicators. An objective performance measurement with an assessment of potential and identification of training needs for individual growth are being pursued.

Over the last year, we have added more prospective employees taking the total strength to 90 at the end of previous year and the annualised attrition rate for the year stands at 5.84 %.

## 34. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the provisions of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF after completion of seven years. Further according to the said Rules, the shares on which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the demat account of the IEPF Authority.

Accordingly, the Company has during the year under review, transferred the unclaimed and unpaid dividends of ₹ 6,29,219 and 7,55,564 shares as per the requirements of the IEPF Rules. Details of the same are provided in the Shareholder information section of the Corporate Governance Report and are also available on our website at http://www.hoec.com/unclaimed-dividend/.

Your Company has filed necessary forms with the Ministry of Corporate Affairs in this regard.

## 35. LISTING WITH STOCK EXCHANGES

The Company confirms that it has paid the Annual Listing Fees for the year 2017-18 to NSE and BSE where the Company's shares are listed.

## 36. ACKNOWLEDGEMENTS

Your Directors place on record their gratitude for the support and co-operation received from Government agencies namely the Ministry of Petroleum & Natural Gas, Directorate General of Hydrocarbons, Ministry of Defence, Ministry of Environment and Forests and the State Governments of Assam, Gujarat and Tamil Nadu and the authorities working under them. Your Directors express their gratitude to the Company's stakeholders, shareholders, business partners and the bankers for their understanding and support and look forward to their continued support in future. Your Directors value the professionalism, dedication and commitment of the HOEC team to overcome any challenges and to drive growth.

For and on behalf of the Board of Directors

| | |
|---|---|
| **S.B. Mathur** | **P. Elango** |
| **Chairman** | **Managing Director** |
| DIN: 00013239 | DIN: 06475821 |

Date: June 15, 2018
Place: Mumbai

# Annexures to the Board's Report:

## Annexure - I

## Form No. MGT-9

**Extract of Annual Return as on the financial year ended on 31.03.2018**

(Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management & Administration) Rules, 2014)

### I. REGISTRATION & OTHER DETAILS

| | | |
|---|---|---|
| 1. | CIN | L11100GJ1996PLC029880 |
| 2. | Registration Date | 22 September 1983 |
| 3. | Name of the Company | HINDUSTAN OIL EXPLORATION COMPANY LIMITED |
| 4. | Category / Sub-category of the Company | Public Company / Limited by shares |
| 5. | Address of the Registered office & contact details | 'HOEC House', Tandalja Road, Off Old Padra Road, Vadodara - 390020, Gujarat, India<br>E-mail Id: hoecshare@hoec.com<br>Website: www.hoec.com<br>Chennai office: 'Lakshmi Chambers', No. 192, St. Mary's Road, Alwarpet, Chennai - 600018, Tamil Nadu, India<br>Tel: 044-66229000 |
| | | Fax: 044-66229011/12 |
| 6. | Whether listed company | Yes |
| 7. | Name, Address & contact details of the Registrar & Transfer Agent, if any. | Link Intime India Pvt. Ltd.<br>Regd. Office: C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400083, Maharashtra, India<br>Tel No.: 022-49186270 Fax: 022-49186060<br>E-mail Id: rnt.helpdesk@linkintime.co.in<br>Service Branch: B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara - 390020, Gujarat, India<br>Tel: 0265-2356573, 2356794 Fax: 0265-2356791<br>E-mail Id: vadodara@linkintime.co.in |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

| Sr. No. | Name and description of main products / services | NIC Code of the product/service | Percentage of total turnover of the Company |
|---|---|---|---|
| 1. | Crude Oil | 0610 | 30% |
| 2. | Natural Gas | 0620 | 70% |

### III. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

| Sr. No. | Name of the Company | Address of company | CIN | Holding / Subsidiary / Associate | % of Shares Held | Applicable section |
|---|---|---|---|---|---|---|
| 1. | Hindage Oilfield Services Limited | 'HOEC House' Tandalja Road Vadodara - 390020 Gujarat, India | U11100GJ1988PLC011536 | Subsidiary | 100% | 2(87)(ii) |

## IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **A. Promoters** | | | | | | | | | |
| **(1) Indian** | | | | | | | | | |
| a. Individual / HUF | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b. Central Govt. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c. State Govt(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d. Bodies Corp. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e. Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f. Any other | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| **Sub Total (A)(1)** | **0** | **0** | **0** | **0.00** | **0** | **0** | **0** | **0.00** | **0.00** |
| **(2) Foreign** | | | | | | | | | |
| a. NRIs - Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b. Other - Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c. Bodies Corporate | 5,745 | 0 | 5,745 | 0.0044 | 5,745 | 0 | 5,745 | 0.0044 | 0.00 |
| d. Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e. Any other | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| **Sub Total (A)(2)** | **5,745** | **0** | **5,745** | **0.0044** | **5,745** | **0** | **5,745** | **0.0044** | **0.00** |
| **Total Shareholding of Promoter (A) = (A)(1) + (A)(2)** | **5,745** | **0** | **5,745** | **0.0044** | **5,745** | **0** | **5,745** | **0.0044** | **0.00** |
| **B. Public Shareholding** | | | | | | | | | |
| **(1) Institutions** | | | | | | | | | |
| a. Mutual Funds | 0 | 2,500 | 2,500 | 0.00 | 22,40,000 | 300 | 22,40,300 | 1.72 | 1.72 |
| b. Banks / FI | 2,97,612 | 2,260 | 2,99,872 | 0.23 | 2,47,628 | 2,160 | 2,49,788 | 0.19 | (0.04) |
| c. Central Govt. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d. State Govt(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e. Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f. Insurance Companies | 17,50,537 | 0 | 17,50,537 | 1.34 | 10,00,000 | 0 | 10,00,000 | 0.77 | (0.57) |
| g. FIIs | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| h. Foreign Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| i. Others- | | | | | | | | | |
| i) Foreign Portfolio Investor | 54,28,960 | 1,000 | 54,29,960 | 4.16 | 61,63,747 | 0 | 61,63,747 | 4.72 | 0.56 |
| ii) Alternate Investment Funds | 0 | 0 | 0 | 0.00 | 14,000 | 0 | 14,000 | 0.01 | 0.01 |
| iii) UTI | 0 | 600 | 600 | 0.00 | 0 | 600 | 600 | 0.00 | 0.00 |
| **Sub-total (B)(1)** | **74,77,109** | **6,360** | **74,83,469** | **5.73** | **96,65,375** | **3,060** | **96,68,435** | **7.41** | **1.68** |
| **(2) Non-Institutions** | | | | | | | | | |
| a. Bodies Corporate | 4,80,77,904 | 43,847 | 4,81,21,751 | 36.88 | 4,79,83,518 | 33,901 | 4,80,17,419 | 36.80 | (0.08) |
| b. Individuals | | | | | | | | | |
| i. Individual shareholders holding nominal share capital up to ₹ 1 lac | 2,34,07,548 | 15,52,172 | 2,49,59,720 | 19.13 | 2,32,96,541 | 9,20,821 | 2,42,17,362 | 18.56 | (0.57) |
| ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lac | 4,43,40,979 | 0 | 4,43,40,979 | 33.98 | 4,32,72,204 | 0 | 4,32,72,204 | 33.16 | (0.82) |

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| c. Others | | | | | | | | | |
| IEPF | 0 | 0 | 0 | 0.00 | 7,55,564 | 0 | 7,55,564 | 0.58 | 0.58 |
| Non-Resident Indians | 15,61,408 | 2,41,852 | 18,03,260 | 1.38 | 15,78,737 | 2,01,496 | 17,80,233 | 1.36 | (0.02) |
| HUF | 23,00,815 | 5,146 | 23,05,961 | 1.77 | 17,90,763 | 5,046 | 17,95,809 | 1.38 | (0.39) |
| Clearing Members | 13,03,079 | 0 | 13,03,079 | 1.00 | 9,24,611 | 0 | 9,24,611 | 0.71 | (0.29) |
| Trusts | 18,731 | 0 | 18,731 | 0.01 | 18,861 | 0 | 18,861 | 0.01 | 0.00 |
| Market Maker | 1,48,796 | 0 | 1,48,796 | 0.11 | 25,738 | 0 | 25,738 | 0.02 | (0.09) |
| Office Bearers | 4,648 | 0 | 4,648 | 0.00 | 11,308 | 0 | 11,308 | 0.01 | 0.01 |
| **Sub-total (B)(2)** | **12,11,61,058** | **18,43,017** | **12,30,04,075** | **94.26** | **11,96,57,845** | **11,61,264** | **12,08,19,109** | **92.59** | **(1.67)** |
| **Total Public Shareholding (B) = (B)(1) + (B)(2)** | **12,86,38,167** | **18,49,377** | **13,04,87,544** | **99.99** | **12,86,38,167** | **18,49,377** | **13,04,87,544** | **99.99** | **0.00** |
| **C. Shares held by Custodian for GDRs & ADRs** | **0** | **0** | **0** | **0.00** | **0** | **0** | **0** | **0.00** | **0.00** |
| **Grand Total (A+B+C)** | **12,86,43,912** | **18,49,377** | **13,04,93,289** | **100.00** | **12,86,43,912** | **18,49,377** | **13,04,93,289** | **100.00** | **0.00** |

## ii) Shareholding of Promoters

| Sr. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of total shares of the Company | % of Shares Pledged/ encumbered to total shares | No. of Shares | % of total shares of the Company | % of Shares Pledged/ encumbered to total shares | Change in shareholding during the year |
| 1 | Burren Energy India Ltd. | 5,745 | 0.0044 | 0.00 | 5,745 | 0.0044 | 0.00 | 0.00 |
| | **Total** | **5,745** | **0.0044** | **0.00** | **5,745** | **0.0044** | **0.00** | **0.00** |

## iii) Change in Promoters' Shareholding: No change

## iv) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):

| Sr. No. | Top 10 Shareholders* | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Housing Development Finance Corporation Ltd. | 1,48,26,303 | 11.36 | 1,40,86,303 | 10.79 |
| 2 | LCI Estates LLP (formerly held under the name of LCI Estates Private Limited) | 81,00,000 | 6.21 | 81,00,000 | 6.21 |
| 3 | Dhoot Industrial Finance Limited | 61,98,431 | 4.75 | 61,98,431 | 4.75 |
| 4 | Poddar Pigments Ltd. | 55,00,000 | 4.21 | 50,00,000 | 3.83 |
| 5 | Vijai Shree Private Ltd. | 46,16,270 | 3.54 | 46,16,270 | 3.54 |
| 6 | Fil Investments (Mauritius) Ltd. | 43,39,156 | 3.33 | 43,39,156 | 3.33 |
| 7 | Gks Logistics Private Limited | 28,00,000 | 2.15 | 23,00,000 | 1.76 |
| 8 | Kotak Midcap | 0 | 0.00 | 22,40,000 | 1.72 |
| 9 | Fidelity India Fund | 6,81,357 | 0.52 | 10,53,868 | 0.81 |
| 10 | General Insurance Corporation of India | 17,50,537 | 1.34 | 10,00,000 | 0.77 |

* The shares of the Company are traded on a daily basis and hence the date-wise increase / decrease in shareholding is not indicated. Shareholding is consolidated based on Permanent Account Number (PAN) of the shareholder.

v) **Shareholding of Directors and Key Managerial Personnel:**

| Sr. No. | Shareholding of each Director and Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | Mr. Sunil Behari Mathur | | | | |
| | At the beginning of the year | 28,000 | 0.0214 | 28,000 | 0.0214 |
| | Date wise Increase / Decrease | Nil | Nil | Nil | Nil |
| | At the end of the year | 28,000 | 0.0214 | 28,000 | 0.0214 |
| 2 | Ms. Sharmila Amin | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase / Decrease | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 3 | Mr. Pronip Kumar Borthakur | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase / Decrease | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 4 | Mr. Ashok Kumar Goel (1)<br>(appointed w.e.f. 01.03.2018) | | | | |
| | At the beginning of the year | 1,84,65,078 | 14.15 | 1,84,65,078 | 14.15 |
| | Date wise Increase / Decrease | Nil | Nil | Nil | Nil |
| | At the end of the year | 1,84,65,078 | 14.15 | 1,84,65,078 | 14.15 |
| 5 | Mr. Rohit Rajgopal Dhoot (2)<br>(appointed w.e.f. 10.03.2018) | | | | |
| | At the beginning of the year | 30,34,107 | 2.33 | 30,34,107 | 2.33 |
| | Date wise Increase / Decrease | Nil | Nil | Nil | Nil |
| | At the end of the year | 30,34,107 | 2.33 | 30,34,107 | 2.33 |
| 6 | Mr. Elango Pandarinathan | | | | |
| | At the beginning of the year | 51,21,879 | 3.92 | 51,21,879 | 3.92 |
| | Date wise Increase / Decrease: | | | | |
| | Sale on 29.01.2018 | | | (6,00,000) | (0.46) |
| | At the end of the year | | | 45,21,879 | 3.46 |
| 7 | Mr. Ramasamy Jeevanandam | | | | |
| | At the beginning of the year | 51,27,624 | 3.93 | 51,27,624 | 3.93 |
| | Date wise Increase / Decrease: | | | | |
| | Sale on 29.01.2018 | | | (6,00,000) | (0.46) |
| | At the end of the year | | | 45,27,624 | 3.47 |
| 8 | Ms. G. Josephin Daisy | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise Increase / Decrease | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |

Note:

(1) Mr. Ashok Kumar Goel holds the said shares on behalf of Ashok Goel Trust.

(2) Mr. Rohit Rajgopal Dhoot holds the said shares on behalf of Dhoot Rohit Kumar Family Trust I.

## V. INDEBTEDNESS

The Company is debt-free as on March 31, 2018 and as such, no amount on account of principal or interest are outstanding at the end of the financial year ended March 31, 2018.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Director and / or Manager

(in ₹)

| Sr. No. | Particulars of Remuneration | Name of MD/WTD | | Total Amount |
|---|---|---|---|---|
| | | Mr. P. Elango | Mr. R. Jeevanandam | |
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 97,30,104 | 92,36,544 | 1,89,66,648 |
| | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 | 75,000 | 75,000 | 1,50,000 |
| | (c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961 | – | – | – |
| 2 | Stock Option | – | – | – |
| 3 | Sweat Equity | – | – | – |
| 4 | Commission | | | |
| | - as % of profit | – | – | – |
| | - others, specify | – | – | – |
| 5 | Others, please specify | – | – | – |
| | **Total** | **98,05,104** | **93,11,544** | **1,91,16,648** |

### B. Remuneration to other directors

(in ₹)

| Sr. No. | Particulars of Remuneration | Name of Directors | | | Total Amount |
|---|---|---|---|---|---|
| | | Mr. S.B.Mathur | Ms. Sharmila Amin | Mr. P.K.Borthakur | |
| **1** | **Independent Directors** | | | | |
| | Fee for attending board and committee meetings | 2,80,000 | 3,60,000 | 3,80,000 | 10,20,000 |
| | Commission * | 6,00,000 | 6,00,000 | 6,00,000 | 18,00,000 |
| | Others, please specify | – | – | – | – |
| | **Total (1)** | **8,80,000** | **9,60,000** | **9,80,000** | **28,20,000** |
| **2** | **Other Non-Executive Directors** | – | – | – | – |
| | Fee for attending board and committee meetings | – | – | – | – |
| | Commission | – | – | – | – |
| | Others, please specify | – | – | – | – |
| | **Total (2)** | **–** | **–** | **–** | **–** |
| | **Total=(1+2)** | **8,80,000** | **9,60,000** | **9,80,000** | **28,20,000** |

* which is within 1% of the net profit of the company for the year ended 31 March 2018 and subject to the approval of the shareholders.

### C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD

(in ₹)

| Sr. No. | Particulars of Remuneration | Key Managerial Personnel | Total Amount |
|---|---|---|---|
| | | Company Secretary Ms. G. Josephin Daisy | |
| 1 | Gross salary | | |
| | (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 6,82,248 | 6,82,248 |
| | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 | – | – |
| | (c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961 | – | – |
| 2 | Stock Option | – | – |
| 3 | Sweat Equity | – | – |
| 4 | Commission | | |
| | - as % of profit | – | – |
| | - others, specify | – | – |
| 5 | Others, please specify | – | – |
| | **Total** | **6,82,248** | **6,82,248** |

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES**

There were no penalties / punishment / compounding of offences during the year ended March 31, 2018.

For and on behalf of the Board of Directors

| | | |
|---|---|---|
| | **S.B. Mathur** | **P. Elango** |
| Date: June 15, 2018 | **Chairman** | **Managing Director** |
| Place: Mumbai | DIN: 00013239 | DIN: 06475821 |

# Annexure - II

**Information pursuant to Section 197 of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

a.

| Name of Director / KMP | Title* | Remuneration FY 2017-18 | Remuneration FY 2016-17 | % increase in remuneration in FY 2017-18 as compared to FY 2016-17 | Ratio of remuneration to MRE excluding WTDs | Ratio of remuneration to MRE excluding WTDs |
|---|---|---|---|---|---|---|
| Mr. S. B. Mathur | NE-ID | 8,80,000 | 3,40,000 | 159 | 1.58 | 1.58 |
| Ms. Sharmila Amin | NE-ID | 9,60,000 | 4,40,000 | 118 | 1.72 | 1.72 |
| Mr. P. K. Borthakur | NE-ID | 9,80,000 | 3,40,000 | 188 | 1.76 | 1.76 |
| Mr. Ashok Goel | NE-NID | – | – | – | – | – |
| Mr. Rohit Dhoot | NE-NID | – | – | – | – | – |
| Mr. P. Elango | MD | 98,05,104 | 98,05,104 | 0 | 17.58 | 17.58 |
| Mr. R. Jeevanandam | ED & CFO | 93,11,544 | 93,11,544 | 0 | 16.69 | 16.69 |
| Ms. G. Josephin Daisy | CS | 6,82,248 | 2,14,178 | | 1.22 | 1.22 |

* [NE-ID - Non-Executive Independent Director
NE-NID - Non-Executive Non-Independent Director
MD - Managing Director
ED & CFO - Executive Director & Chief Financial Officer
CS - Company Secretary
MRE - Median Remuneration Employees]

Note

(1) The commission to independent directors as approved by the Board, which is subject to the approval of shareholders, has been included.

(2) Since the remuneration of the CS is only for part of FY 2016-17 the percentage increase in remuneration as compared to FY 2017-18 is not stated.

b) The MRE excluding WTDs was ₹ 5,57,790 for FY 2017-18 as against ₹ 6,30,003 for FY 2016-17. The decrease in MRE (excluding EDs) for FY 2017-18 as compared to FY 2016-17 is 11%.The decrease in MRE (including EDs) for FY 2017-18 as compared to FY 2016-17 is 11%.

c) The number of permanent employees on the rolls of Company: 90

d) The Company affirms that the remuneration is as per the remuneration policy of the Company.

e) Names and details of top ten employees (excluding EDs) in terms of remuneration drawn:

| Sr. No. | Name | Designation | Remuneration received (in ₹) | Nature of employment | Qualifications and experience in yrs. | Date of commencement of employment | Age (in yrs.) | Last employment held | Percentage of equity shares held by the employee | Whether relative of any directors or manager |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1 | Bhuwan Chandra Gariya | Head - Exploration, Off-shore& Technical | 63,69,240 | Permanent | M.Sc. Physics 33 yrs. | 05.09.2008 | 57 | ONGC | 0.00 | No |
| 2 | Sagar Mehta | Head-Cambay Business unit | 55,09,170 | Permanent | M.Sc., MBA 27 yrs. | 01.06.1989 | 53 | Nil | 0.00 | No |
| 3 | Sachin Bayond | Lead-C&P, Head-Admin | 36,03,954 | Permanent | PG Diploma in Management 17 yrs. | 26.10.2015 | 39 | Adani Power Ltd | 0.00 | No |
| 4 | P Ramakrishna | Asset Manager - Block AAP-ON-94/1 & Head (C&P) | 27,88,950 | Permanent | M.Tech. in Chemical Engineering 29 yrs. . | 01.10.2017 | 55 | Cairn India | 0.01 | No |
| 5 | Satyanarayan Zanwar | Installation Manager | 23,71,014 | Permanent | B.E Instrumentation. 21 yrs. | 03.02.2005 | 46 | Swazi Paper Mills Ltd | Nil | No |
| 6 | Debasish Gupta | Resident Manager - Assam | 21,84,684 | Permanent | PG Diploma in Personnel Management & Industrial Relations 26 yrs. | 02.01.2017 | 51 | Premier Exploration Services Pvt. Ltd. | Nil | No |
| 7 | V Srinivasan | Senior Geologist | 19,75,860 | Permanent | M.Tech in Petroleum Exploration, M.Sc. in Geology 19 yrs. | 02.12.2015 | 37 | Sterling Global Oil Resources Ltd. | Nil | No |
| 8 | Sridhar N | Head-Finance | 19,29,336 | Permanent | B. Com 21 yrs. | 01.10.2015 | 41 | Hardy Exploration & Production (India) Inc. | Nil | No |
| 9 | Arunava Mondal | Senior Geologist | 16,73,688 | Permanent | Petroleum Engineering (M.Tech) 17 yrs. | 27.08.2014 | 34 | Essar Oil Ltd | Nil | No |
| 10 | Anoop Kothari | Asst. Manager, C&P | 16,19,451 | Permanent | MBA in Finance & Marketing 9 yrs. | 02.01.2017 | 31 | Corpus India | 0.00 | No |

For and on behalf of the Board of Directors

**S.B. Mathur**
**Chairman**
DIN: 00013239

**P. Elango**
**Managing Director**
DIN: 06475821

Date: June 15, 2018
Place: Mumbai

# Annexure - III
# Form No. AOC - 1

**[Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014]**

## PART A: Subsidiary

**Statement containing salient features of the financial statements of subsidiary / associate company / joint ventures**

(₹ in lacs)

| Particulars | Details |
|---|---|
| Name of the subsidiary | Hindage Oilfield Services Limited |
| The date since when subsidiary was acquired | 30/03/1992 |
| Reporting period for the subsidiary concerned, if different from the holding company's reporting period | NA |
| Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | NA |
| Share capital | 50.00 |
| Reserves & surplus | 967.34 |
| Total assets | 198.31 |
| Total liabilities | 62.13 |
| Investments | 881.15 |
| Turnover | – |
| Profit / (Loss) before taxation | (31.51) |
| Provision for taxation | – |
| Profit / (Loss) after taxation | (31.51) |
| Proposed Dividend | – |
| Extent of shareholding (In percentage) | 100% |

Note:

1. There are no subsidiaries which are yet to commence operations
2. No subsidiaries have been liquidated or sold during the year.

## PART B: Associates and Joint Ventures

**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures**

The Company does not have any associate companies / joint ventures.

**For and on behalf of the Board of Directors**

| **S.B.Mathur** | **Sharmila Amin** | **P.K.Borthakur** | **Ashok Kumar Goel** | **Rohit Rajgopal Dhoot** |
|---|---|---|---|---|
| Chairman | Director | Director | Director | Director |

Place : Mumbai
Date : June 15, 2018

| **P.Elango** | **R.Jeevanandam** | **Josephin Daisy** |
|---|---|---|
| Managing Director | Director & CFO | Company Secretary |

# Annexure - IV

# Form No. MR-3

# Secretarial Audit Report

**for the financial year ended 31st March 2018**

[Pursuant to Section 204(1) of the Companies Act, 2013 and
Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

**The Members**
**Hindustan Oil Exploration Company Limited**
CIN: L11100GJ1996PLC029880
Tandalja Road, Off Old Padra Road,
Vadodara - 390020, Gujarat.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices of **HINDUSTAN OIL EXPLORATION COMPANY LIMITED** (hereinafter called "the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2018, has complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder.

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder;

(v) The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), as amended from time to time.

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not Applicable to the Company during the Audit Period)

  (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;(Not Applicable to the Company during the Audit Period)

  (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;(Not Applicable to the Company during the Audit Period)

  (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

  (g) The Securities and Exchange Board of India (Delisting of equity shares regulations), 2009; (Not Applicable to the Company during the Audit Period);

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not Applicable to the Company during the Audit Period); and

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(vi) All other laws which are applicable specifically to the Company in the Oil and Gas Exploration Sector which includes the following, namely -

a) The Petroleum Act, 1934 and the rules made thereunder

b) Petroleum and Natural Gas Regulatory Board Act 2006 and the rules made thereunder

c) The Oilfields (Regulation & Development) Act, 1948 and the rules made thereunder

d) The Mining Act, 1952 and the rules made thereunder

e) Indian Explosives Act, 1910 and the rules made thereunder

We have also examined compliance with the applicable clauses of the following:

a. Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board and General Meetings.

b. The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the applicable Acts, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that the Company has adopted and put in place Vigil Mechanism/Whistle Blower Policy in accordance with Section 177 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**For S.Sandeep & Associates**

**S.Sandeep**
**Managing Partner**

Place : Chennai
Date : May 12, 2018

FCS No.: 5853
C P No.: 5987

This report is to be read with our letter of even date which is annexed as ***Annexure A*** and forms an integral part of this report.

## *Annexure - A*

To

**The Members**
**Hindustan Oil Exploration Company Limited**
CIN: L11100GJ1996PLC029880
Tandalja Road, Off Old Padra Road,
Vadodara - 390020, Gujarat.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**For S.Sandeep & Associates**

**S.Sandeep**
**Managing Partner**
FCS No.: 5853
C P No.: 5987

Place : Chennai
Date : May 12, 2018

# Management's Discussion and Analysis Report

## OIL AND GAS INDUSTRY OUTLOOK AND OPPORTUNITIES

After a long period of low oil prices since the second half of 2014, the demand and supply dynamics in the industry seem to be re-arranging themselves towards increasing prices consolidating in the range of U$ 70 - 80. The increasing demand outlook is exerting an inflationary pull on the oil price. However, this is being balanced by major producers signaling their willingness to increase supply.

While the oil price scenario sorts itself out, the paradigm shift in the industry towards low risk and short cycle projects remains fundamental to value creation. In the new business environment, industry players need to focus on innovative management of cost and speed of execution to generate differential returns.

The Indian E&P sector is undergoing some fundamental changes, thanks to the Government implementing major policy reforms which were long due. The focus on reducing import dependence with the specific goal of 10% reduction by 2022 has resulted in changes that have opened the sector in a large way.

Specifically, the creation of the National Data Repository (NDR) and the launch of the Open Acreage Licensing Policy (OALP) have provided players with the opportunity to identify areas of interest and quickly bid for them. This has been coupled with the progressive Hydrocarbon Exploration and Licensing Policy (HELP) that adopts the following welcome changes - move to revenue sharing regime, rationalization of royalty and elimination of cess, full pricing and marketing freedom for the oil and gas produced and single licensing for all types of hydrocarbon. Together, these moves have eliminated some of the long-standing issues impacting the domestic E&P industry and provide a great opportunity for players with the understanding and the risk appetite to grow. Similarly, the Discovered Small Fields (DSF) bid rounds have been implemented for quickly monetizing the discovered assets and provide a low-risk opportunity for new players to enter the space.

The Government is continuing its efforts to increase the share of natural gas in the primary energy mix with key changes, including announcing premium for domestic gas in difficult areas, adding significant LNG re-gasification capacity, stepping-up City Gas Bid Rounds, extending the pipeline network, especially in North-East Region and priority allocation for CNG. The Industry is awaiting further key changes, including implementation of the National Gas Grid and the free market pricing for existing gas production.

### Global Oil Pricing

Crude Oil Prices (Brent) increased from US$ 52.31per barrel in April 2017 to US$ 66.02 per barrel in March 2018.

### Gas Pricing

Natural Gas prices declined in USA (Henry Hub) from US$ 3.1 per MMBTU in April 2017 to US$ 2.69 per MMBTU in March 2018 primarily due to increasing production from shale gas.

The price for domestic natural gas issued by Petroleum Planning & Analysis Cell (PPAC), Ministry of Petroleum & Natural Gas (MoP&NG), Government of India has increased from US$ 2.48 per MMBTU during April 2017 - September 2017 to US$ 2.89 per MMBTU during October 2017 - March 2018.

## HOEC VISION

HOEC is India's first private E&P company and has decades of experience operating multiple fields, both onshore and offshore in leading producing basins. Energy security being a strategic priority for the country, HOEC's business is, therefore, linked with the National Priority. We will work closely with all stakeholders to explore, develop and produce hydrocarbons in a safe and responsible manner.

Our passion is to find, develop and deliver oil & gas that everybody in our country needs. We believe talent and technology are the key ingredients to building and sustaining a successful E&P business.

Our vision is to establish and transform 'Resources' to 'Assets', thus generate shareholder value. It can be summarized as:

- Explore for Oil & Gas;
- Execute to transform Resources to Reserves; and
- Enhance value for all stakeholders by converting Reserves to Revenues.

**HOEC Business Strategy and Values**

HOEC's strategy is focused on delivering growth in the Company's core business, while enhancing profitability through:

- Establishing and sustaining low cost operations in all our assets
- Identifying and developing low risk, short cycle projects for rapidly increasing production
- Pursuing organic and in-organic opportunities that align with our growth model

Our near-term focus is to secure value from the excellent set of opportunities presented by our portfolio of discovered resources. This includes stabilising the production from Dirok field Phase-I at full capacity and enhancing the gas production from PY-1 field.

HOEC believes that securing and maintaining the social license to operate through good environmental, social, health and safe performance is an integral part of our business success.

Our commitment to these principles is demonstrated by the fact that we have had no lost-time accidents or environmental incidents during the year under review.

We conduct our business with respect and care for our communities and the environment in which we operate. We will be a good corporate citizen of India, and will maximise utilization of local talent, services, and equipment.

The key initiatives taken by the Company during FY 2017-18 to pursue these objectives are summarized below:

- Commissioned the Hollong Modular Gas Processing Plant (HMGPP) in Dirok field, Assam, during March 2018 and continuously grew the gas production quarter-on-quarter, targeting the full capacity of about 1 MMSCMD.
- Planned a two well re-entry campaign in PY-1 field for enhancing gas production that is currently being executed in Q1 FY 2018-19.
- Submitted and secured approval for Field Development Plan in respect of the DSF Block MB/OSDSF/B80/2016, becoming the first operator to do so.

**OPERATIONAL AND FINANCIAL DISCIPLINE**

Oil & Gas exploration is a capital-intensive industry with associated risks. The financial strategy of the Company is focused on monetising the existing assets and bringing value to the stakeholders. Accordingly, our near-term focus is to monetise the existing discovery in Assam and increase the value of other eight assets in our portfolio of discovered resources.

**Corporate Responsibility**

| | |
|---|---|
| **Safety First** | Never put any person or asset in an unsafe situation. |
| **Environment Friendly** | Not to harm the environment. |
| **Regulation Compliant** | Compliant with applicable laws all the time. |
| **Optimum Cost (US$/bbl)** | Complete the development in a cost and time effective manner. |
| **Investment Prudence** | Not to take risk beyond the means and to prioritize the opportunities in our portfolio on risked expected monetary value in any given year. |

In pursuit of its business strategy, all projects are screened on a rigorous, consistent basis for technical and commercial viability. We use our in-house geoscience expertise and third party independent experts to identify, evaluate and prioritize the opportunities.

As an Optimum Cost Operator in the industry, we scrutinize every value proposition to derive excellence in execution. Cost is considered an element to control when it does not result in value sacrifice in the E&P business.

Our objective is to provide a consistent compounded annual growth rate to our shareholders, commensurate to the risks in this business.

**Operations Overview**

The Company's activities relate to exploration, development and production (based on exploration success) of hydrocarbons (crude oil and natural gas), which are natural resources. HOEC's assets are geographically spread across Tamil Nadu, Gujarat and Assam with a balanced portfolio of development and production assets, both in onshore and offshore.

**Product-wise Performance**

The Company's aggregate production during FY 2017-18 was 0.34 million barrels of oil equivalent (MMBOE) (crude oil: 53,635 bbls; gas: 43.86 MMSCM) as against 0.15 million barrels of oil equivalent (MMBOE) (crude oil: 32,690 bbls; gas: 18.91 MMSCM) during the previous year. The increase in production is predominantly due to the commencement of commercial production from Dirok field of Assam Block.

### Reserves

As of March 31, 2018, the in-house estimates of Proved and Probable (P+P) reserves on working interest basis for the Company were 24.95 MMBOE, excluding the reserves of PY-3, CB-OS/1and AA/ONDSF/Kherem/2016.

## RISKS, THREATS, UNCERTAINTIES AND CONCERNS

HOEC's business, financial standing and reputation may be impacted by various risks and uncertainties, not all of which are within its control. Company identifies and monitors the key risks and uncertainties affecting our operations and runs the business in a way that minimizes their impact where possible.

The Company's level of risk and its management approach is discussed and reviewed by the Board, Audit Committee and Senior Management. The principal risks and uncertainties facing the Company and the actions taken to mitigate these risks are as follows:

### Strategic and Operational Risk

| Description of Risk | Mitigation |
|---|---|
| Business Model | Our Board Members along with Management team periodically review the Company's business model and effect necessary adjustments if economic circumstances so demand. The Board has constituted a Risk Management Committee under the chairmanship of Mr. P. K. Borthakur, (former Director Offshore, ONGC) as a Non-Executive Independent Director. |
| Portfolio Mix | The Company maintains a diverse portfolio of oil and gas assets across a range of sedimentary basins and at different project life cycles to minimize exposure to geographical, geological and commodity market risk. |
| Health, Safety and Environment | Oil and gas operations by its very nature carry a potentially high level of attendant safety and environmental risks and the impact of an accident can be significant in terms of human, environmental and financial cost.<br>HOEC carries out HAZOP, HAZID, SIMOPS and maintains risk register and Emergency Response Plan covering risks specific to various operations. The Company has devised a comprehensive policy framework as well as health and safety management and reporting systems. These are regularly monitored and reviewed by the Board and the Management. The Company also works closely with various regulatory authorities of the Central and State Governments and compliance audits are conducted.<br>The Company undertakes operations as per international environmental standards of the Oil & Gas Industry. Environmental Impact Assessments are prepared and approvals from authorities are secured before any project is executed. |
| Exploration, Geological and Reservoir Risk | Exploration is inherently a risky business, with statistically only a relatively small proportion of exploration wells resulting in commercial discovery. Systematic geo-scientific work flow is pursued under internal technical stewardship and peer reviewed by third party experts to minimise geological and reservoir risks and maximize opportunities. HOEC has now set up a Technical Advisory Committee (TAC) with seven domain experts. |
| Reserves Estimation and Recovery Risk | Numerous uncertainties are inherent in estimating crude oil and natural gas reserves. Reservoir engineering follows a subjective process of estimating underground accumulations of crude oil and natural gas. It is well recognized that these cannot be measured in an exact manner. Reserves estimations involve a high degree of technical judgment and it is a function of the quality of the available geological and reservoir data. Results of drilling, testing and production may substantially change the reserve estimates for a given reservoir over a period of time. For these reasons, actual recoverable reserves may vary substantially from original estimates. |
| Community Relationship | Continuous dialogue and engagement exists between the Company and its stakeholders, which is central to harmonious operations. A robust local content policy has been announced and being implemented. Local personnel are employed wherever possible and Company helps in developing skill sets of such personnel. |

### Financial Risk

| Description of Risk | Mitigation |
|---|---|
| Commodity Price Volatility | HOEC is exposed to volatility in the oil and gas prices since the Company does not undertake any oil price hedge. The impact of a falling oil price is however partly mitigated via the production sharing formula in the PSCs, whereby our share of gross production increases in a falling oil price environment due to cost recovery mechanism. Gas prices are fixed for certain duration and the same are based on policy guidelines issued by the Government. |
| Foreign Exchange Exposure and Interest Rate Risk | Company enjoys a natural hedge to a certain extent as its receivable and significant expenditure are denominated in United States Dollar (US$). |
| Cost Inflation impacting both Goods and Services | The Company pursues structured planning processes which allow sufficient time for procurement of services and tracking the critical path activities. Company maintains past procurement cost data and constantly monitors changes in market. |

### Compliance, Ethical and Governance Risk

| Description of Risk | Mitigation |
|---|---|
| Legal, Regulatory and Litigation | The Company's activities are subject to various laws and regulations. Regulatory changes may impact the value of the Company. Risks are mitigated by proactive assessment and ensuring compliance. The Company is party to various ongoing litigations, which if decided against the Company, may have an adverse impact on the financial position of the Company. |
| Ethical Conduct | The Company recognizes the importance and maintains transparent and responsible relationships with all its stakeholders and has a robust Whistle Blower Policy wherein the employees have a direct access to the Chairman of the Board. |
| Corporate Governance | The Company recognizes the importance of maintaining strong corporate governance procedures and processes. The Company has a robust governance framework in place. The Board reviews compliance with the applicable regulatory guidelines and best practices. |

### Insurance Coverage

Our business is subject to the operating risks. As protection against financial loss resulting from some of the operating hazards, we maintain insurance coverage for all operated and non-operated assets, including physical damage, control of well, seepage and pollution and employer's liability, third party liability, goods in transit, coverage for assets and comprehensive general liability insurance.

The coverage is subject to customary deductibles, waiting periods and recovery limits. We maintain insurance at levels that we believe are appropriate and consistent with industry practice and we regularly review our potential risks of loss and the cost and availability of insurance and revise our insurance program accordingly. The Company also procures director's liability insurance covering the cost of legal representation and crisis management.

## FINANCIAL REVIEW

Revenue from operations of HOEC for the FY 2017-18 has increased to ₹ 4,871.25 lacs as compared to ₹ 2,502.29 lacs of the previous year. This increase is primarily for reasons as detailed in the section 'Operational and Financial Discipline' of the Management's Discussion & Analysis Report.

The Company's production on working interest basis during the year is 3,34,990 boe (1179 boepd), and for the previous year was 146,976 boe (403 boepd) which is 128% higher than the previous year.

The other income for the FY 2017-18 was ₹ 1,143.72 lacs as compared to ₹ 1,708.69 lacs in the previous year, which includes interest income and income from financial investments.

The average price realised on sale of crude oil for current financial year is US$ 59.44/bbl and for gas is US$ 3.46 per mmbtu against US$ 46.99/bbl for crude oil and US$ 3.72 per mmbtu for gas in the previous year.

### Operating Costs

During the financial year 2017-18 operating expenses have increased to ₹ 1,304.48 lacs from ₹ 1,133.02 lacs, due to commissioning of production from Dirok field and other expenses have reduced to ₹ 337.67 lacs from ₹ 802.50 lacs in the previous year.

### Finance Costs

The Company has not incurred any interest or finance cost during the financial year 2017-18 except the impact of unwinding the decommissioning cost.

### Net Profit/Loss

On a standalone basis, the profit after tax for the Company was ₹ 3,783.61 lacs as against ₹ 3,638.35 lacs in the previous year.

### Cash Flow

The Operating profit before exceptional items and tax is ₹ 3,334.94 lacs in the current financial year against ₹ 1,131.29 lacs in the previous year. Operating profit before the working capital changes including the exceptional item is ₹ 4,043.34 lacs in the current financial year and for the previous year is ₹ 3,382.53 lacs. The exceptional item for the current year is ₹ 448.67 lacs and for the previous year was ₹ 2,894.64 lacs. The net decrease in cash and cash equivalents during the financial year is ₹ 6,713.39 lacs which is mainly on investment made in Dirok and PY-1 fields. The effective cash and cash equivalents of the Company at the end of the financial year is ₹ 11,813.54 lacs as against ₹ 18,526.89 lacs in the previous year.

### Companies (Indian Accounting Standards) Rules, 2015

In accordance with the Companies (Indian Accounting Standards), Rules 2015 of the Companies Act, 2013, HOEC has followed the Indian Accounting Standards (Ind AS) for preparation of its financial statements from April 01, 2016.

### Critical Accounting Policies and Estimates

The preparation of the financial statements requires the Company's management to make several estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. When alternatives exist among various accounting methods, the choice of accounting method can have a significant impact on reported amounts. The following is a discussion of the accounting policies, estimates and judgment which management believes are most significant in the preparation of the financial statements.

### Oil and Gas Properties

We account for crude oil and natural gas properties under the Successful Efforts Method (SEM) of accounting. Under the SEM, costs to acquire mineral interests in crude oil and natural gas properties, to drill and equip exploratory wells that find commercial quantities of proved reserves, and to drill and equip development wells are capitalized. Proved property acquisition costs are amortized by the unit of production method on a field-by-field basis, based on total proved developed crude oil and natural gas reserves, as approved by the Management Committees of the respective Unincorporated Joint Ventures. Costs associated with drilling successful exploratory wells and drilling development wells are amortized by the unit of production method on a field-by-field basis. These costs, along with support equipment and facilities, are amortized based on proved developed crude oil and natural gas reserves. Survey and seismic acquisition costs are expensed.

Besides being the recommended method under the Guidance Note issued by the Institute of Chartered Accountants of India, we believe that the SEM is the most appropriate method to use in accounting for our crude oil and natural gas properties because it provides a better representation of results of operations for a Company of our size.

### Site Restoration Liability

Our site restoration liability consists of estimated costs of dismantling and abandoning producing well sites and facilities, site reclamation and similar activities associated with our oil and gas properties. The recognition of Site Restoration Liability requires that management make estimates, assumptions and judgments regarding such factors as estimated probabilities, amounts and timings of obligation. The corresponding amount is added to the cost of the producing property and is expensed in proportion to the production for the year and the remaining estimated proved reserves of hydrocarbons based on latest technical assessment available with the Company. Any change in the value of the estimated liability is dealt with prospectively and reflected as an adjustment to the provision and the corresponding producing property.

## FINANCIAL POSITION

### Liquidity

At the year end, HOEC had cash and cash equivalent of ₹ 11,813.54 lacs. Cash surplus is placed in debt oriented liquid funds and bank deposits as approved by the Board. HOEC manages its short-term liquidity to generate returns by investing its surplus funds, while ensuring safety of capital.

### Capital Requirements

The Company has adequate cash in hand, working capital and internal accruals to implement its business plan to drive organic growth of its portfolio. The Board recognizes that the Company has a successful track record of raising capital in the past and that the Company shall raise financial resources as and when needed to meet any new growth opportunities.

**OUTLOOK**

Based on our business plan to covert the discovered resources in our portfolio of assets, our outlook remains positive.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company maintains a comprehensive system of internal control. This comprises the management systems, organizational structures, processes and standards that are implemented to conduct our business operations. The Company has a proper and adequate system of internal control commensurate with the size and nature of business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the company and ensuring compliance with corporate policies.

The Company also conducts periodic evaluations, mainly through its Internal Audit, to determine the adequacy of its Internal Controls System.

The Company has appointed M/s Guru & Ram, an independent firm with expertise in internal audit and assurance, which inter-alia ensures the adequacy of the procedures of recognizing and managing risks applied by the Management, the effectiveness of the Internal Controls System and the quality and reliability of the information given to the Management with regards to the System of Internal Controls. The adequacy of the Internal Controls System is monitored on a systematic basis by the Audit Committee, through reports submitted to it by the Internal Auditors. Reports by the Management and the Internal Auditors include assessments of the major risks and the effectiveness of the Internal Controls System in addressing them.

Systemic weaknesses identified, if any, are incorporated in the reports, including the impact they had or could have had, as well as the actions of Management to correct them. No significant control failures were reported during the year.

As part of the Company's internal control process, any transactions with related parties are approved by the Audit Committee and Board of Directors, and appropriately disclosed in the financial statements.

The Company's Information Technology (IT) Department provides the required tools and solutions to all employees and manage the operations and support of IT systems and applications efficiently using internal and external resources.

The Company has internal controls regarding fixed assets, inventories, cash and bank checks, etc., such as physical security, inventory counts and reconciliations of physically counted quantities with the recorded ones. Further, the Company has schedule of quarterly inventory counts to confirm inventory levels as per accounting records. The Company also has a delegated authorities and responsibilities, which depicts assigned authorities to various Company executives, to conduct certain transactions or actions (e.g. payments, receipts, contracts, etc.).

**WHISTLE-BLOWER POLICY**

The Company has a whistle-blower policy in place. A copy of the policy has been made available on the website of the Company. All employees, contractual persons, consultants, vendors and customers of HOEC can raise concerns about possible wrong doing by contacting the Ombudsperson (Chairman - HOEC Audit Committee) in a confidential manner.

**TALENT DEVELOPMENT**

Oil & Gas discoveries around the world happen because of talented people supported by technology. HOEC is committed to provide a robust platform for talented people to develop ideas, work as a team to create value and make a difference to the Company and society. Our ability to create sustainable shareholder value is linked with our ability to recruit, motivate and retain top talent. Accordingly, technical talent pool is being strengthened continuously both by engaging experienced experts on full and part time basis and by inducting young talent.

HOEC strives to ensure a caring and energised work environment, where employee engagement is high. This is sought to be achieved by empowering employees and encouraging innovation and ownership. Being a small team helps in seamless communication, where relationships amongst our employees are cohesive and team spirit is high.

HOEC values all employees for their contribution to our business. We are committed to develop and deploy people with the skills, capability and determination required to meet our business objectives. Opportunities for advancement are equal and not influenced by considerations other than performance and aptitude. Employees are motivated to develop within a flexible framework and are encouraged to provide feedback on their expectations.

## HEALTH, SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY

We believe that "All Lives Have Equal Value" and nothing that we do can be more important than ensuring safety. We are committed to making a positive contribution to the protection of the environment in areas in which we operate and to do everything possible to minimize any adverse effects of our operations.

A series of reports are generated on a regular basis to monitor compliance with standards on gas emissions, liquid effluents, solid waste, noise and incident statistics monitoring. These reports are then collated and used to highlight and propose an action plan for any area of non-compliance or where there is potential for improvement. Emergency Response Plan (ERP) is also in place for operational areas.

HOEC continued to maintain a sound health and safety record in FY 2017-2018. As always, special skills training on Job Safety Awareness (JSA) and Risk Assessment and several HSE awareness campaigns have been conducted in our operating sites in Assam and best practices have been felicitated by HSE Awards Program.

The Key Performance Indicators (KPIs) related to HSE are as below:

| KPI's statistics | FY 2017-18 | FY 2016-17 |
|---|---|---|
| Fatalities Accident Rate (FAR) | 0 | 0 |
| No. of LTIs | 0 | 1 |
| Days since last LTI | 479 | 114 |
| Oil Spill Incidents | 0 | 0 |
| Fatal Accident Rate | 0 | 0 |
| LTI Frequency | 0.01 | 0.01 |
| LTI Severity | 0 | 0 |

### Corporate Social Responsibility

HOEC believes that its License to Operate is to be earned from the local community in the area of its operations and it is keen to leave a positive economic and social impact through its operations and make a difference to the quality of life of its local stakeholders. Promoting local content in all our operations is at the core of our CSR policy and accordingly, Company has rolled-out a local content policy for the Assam Gas Development Project.

Our CSR Policy and Programmes seek to:

- Promote local content by developing entrepreneurship and local enterprises;
- Improve access to clean drinking water;
- Enhance the quality of education in our operating area;
- Promote personal safety, environmental and technology awareness; and
- Support promotion of local culture and sports.

## KEY STRENGTHS OF HOEC

### Quality Asset Portfolio

- Portfolio of discovered resources - all blocks with discoveries producing or ready to be developed.
- Diverse geographical footprint - Presence in 4 out of 7 producing basins in India.
- Balanced portfolio - Offshore / Onshore & Oil / Gas.
- Upside potential for exploration within portfolio with infrastructure for rapid monetisation.
- Operatorship in majority of blocks to drive value creation.

### Strong Organization

- India's first private E&P company with decades of experience operating onshore and offshore fields.
- Professional management with proven industry experience.
- Delivered leading HSE performance with strong focus on safe and sustainable operations.
- Superior technical capability across the E&P value chain.
- Proven experience in fast track development and low-cost operations, both onshore and offshore.
- Recognised as a partner of choice to develop and maintain social and regulatory license to operate.

***Note:***

*In preceding sections of this Annual Report, in particular the Board's Report, and the Management's Discussion and Analysis Report -*

*(a) previous year figures have been re-grouped to conform to the current year presentation; and*

*(b) figures have been rounded off.*

# Report on Corporate Governance

HOEC not only adheres to the prescribed corporate governance practices as per SEBI Listing Regulations but is also committed to adopt emerging best principles and practices worldwide. In accordance with provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("SEBI Listing Regulations"), and some of the best practices followed internationally on Corporate Governance, the report containing the details of corporate governance systems and processes at HOEC is as follows:

## 1. STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Good governance practices stem from a progressive culture and positive mind set of an organization, anchored to the principles of transparency and trust thereby creating an enduring value for all the stakeholders.

The key to your Company's Corporate Governance principles are to maintain a highest degree of integrity, transparency, accountability, ethical behaviour and long-term sustainability in its business conduct and to be a good corporate citizen by ensuring investor protection, better compliance with statutory laws and regulations and by adopting best industry practices.

The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably and increasing the Company's value. The Company has defined policy and guidelines for ethical conduct of business and has established framework for meetings of the Board and its Committees. These guidelines seek to systematize the decision-making process at the meeting of the Board and its Committees in an informed and efficient manner.

The Board critically evaluates strategic direction of the Company, management policies and their effectiveness. The agenda for Board reviews include strategic review from each of the Board Committees, a detailed analysis and review of annual strategic plans, operating plans, capital allocation, budgets and financial reports.

At the heart of our processes is the extensive use of technology. This ensures robustness and integrity of financial reporting, internal controls, allows optimal use and protection of assets, facilitates accurate and timely compilation of financial statements and management reports and ensures compliance with statutory laws, regulations and company policies.

Over the years, governance processes and systems have been strengthened at HOEC. Corporate Governance is a continuous process for constant improvement of governance. We have undertaken several initiatives towards maintaining the highest standards of governance which includes formulating and adhering to the following management systems, guidelines, policies and codes.

- Corporate Governance Policy
- Whistle Blower Policy
- Directors' Code of Conduct
- Code of Conduct for Independent Directors
- Code of Ethics for Senior Management
- Code of Conduct for Regulating, Monitoring and Trading by Insiders and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
- Policy for Disclosure of Event or Information and Determination of Materiality
- Policy on Material Subsidiaries
- Policy on Board papers
- Policy on Information Management
- Policy on Document Retention
- Corporate Social Responsibility Policy
- Health Safety and Environment (HSE) Policy
- Contracts and Procurement Procedure Manual
- Our People Policy
- Human Resources Guideline
- Policy on Anti Sexual Harassment of Employees
- Operational Excellence Policy
- Policy on Sustainability
- Policy on Security
- Anti-Corruption Guideline
- Management and Control Model

In addition, Your Company positions itself for a meaningful role towards communities and its environs which directly or indirectly co-relate themselves with Company's success and growth.

The Company has a strong sense of participation in community development such as using and developing local sources wherever possible for our operations. It has an established system to encourage and recognize employees' participation in environmental and social initiatives, that contribute to organizational sustainability, conservation of energy and promotion of safety and health.

## 2. BOARD OF DIRECTORS

### (i) Board composition and category of Directors

As on March 31, 2018, the Company has seven (7) Directors - three (3) Non-Executive Independent Directors, two (2) Non-Executive Non-Independent Directors and two (2) Executive Directors.

Mr. Sunil Behari Mathur, Chairman of the Board is a Non-Executive Independent Director and Ms. Sharmila Amin is a Non-Executive Independent Woman Director. There are no inter-se relationships between the Board members.

Accordingly, the composition of the Board is in compliance with provisions of Regulation 17 of SEBI Listing Regulations and Section 149 of Companies Act, 2013. The profile of the Directors is available at http://www.hoec.com/directors/.

None of the Directors on the Board hold directorships in more than ten public companies. Further, none of them is a member of more than ten committees or chairman of more than five committees across all the public companies in which he or she is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2018 have been made by the Directors.

### (ii) Functions of the Board

Board is the highest decision-making body subject to the powers and matters reserved to Members that may be exercised in their meeting.

Board accords its approval to all the key decisions of the Company. For day to day routine operations, the Board has delegated authority to the Managing Director.

All matters of strategic or material nature are placed before the Board with background, situational and option analysis, notes and relevant documents thereby enabling the Board to take informed decisions.

### (iii) Separation of Board's supervisory role from Executive Management

The Company, in line with the best corporate governance practice, has separated the Board's supervisory role from that of the executive management.

### (iv) Selection of Directors and their Role

Considering the requirement of skill sets on the Board, eminent people having a good standing in their respective field / profession and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination & Remuneration Committee for appointment as Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and memberships held in various Committees of other companies by such persons. The Board considers the Committee's recommendations and takes appropriate decision.

Independent Directors are non-executive directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act, having vast, diversified, professional and operational experience in the areas of general management, finance, insurance and public administration. This pool of rich and diverse experience enriches and adds value to the discussions and decisions arrived by the Board.

The maximum tenure of independent directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria of independence as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act.

The format of letter of appointment issued to Independent Directors is available on our website athttp://www.hoec.com/code-of-conduct/.

During the year, a meeting of the Independent Directors was held on January 20, 2018. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

**(v) Names and categories of the Directors on Board, other Directorships and Committee Chairmanships / Memberships and shareholding as on March 31, 2018**

| Name of the Directors | Date of Appointment | Category | No. of Directorship(s) held in Indian public Companies[1] | | No. of Committee positions held in other public Companies[2] | | No. of shares held in the company |
|---|---|---|---|---|---|---|---|
| | | | Chairperson | Member | Chairperson | Member | |
| Mr. Sunil Behari Mathur (Chairman) | 17.11.2014 | Independent, Non-Executive | 2 | 10 | 4 | 10 | 28,000 |
| Ms. Sharmila Amin | 17.12.2014 | Independent, Non-Executive | Nil | 1 | 1 | 2 | Nil |
| Mr. Pronip Kumar Borthakur | 15.06.2016 | Independent, Non-Executive | Nil | 1 | Nil | 2 | Nil |
| Mr. Ashok Kumar Goel | 01.03.2018 | Non-Independent, Non-Executive | 2 | 3 | Nil | 3 | 1,84,65,078[6] |
| Mr. Rohit Rajgopal Dhoot | 10.03.2018 | Non-Independent, Non-Executive | Nil | 5 | Nil | 1 | 30,34,107[7] |
| Mr. Elango Pandarinathan[3] | 02.02.2015 | Managing Director | Nil [4] | 1[4] | Nil | 1 | 45,21,879 |
| Mr. Ramasamy Jeevanandam [3] | 02.02.2015 | Executive Director & Chief Financial Officer | Nil | 1[5] | Nil | 2 | 45,27,624 |

Note: [1] Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013.

[2] As per Regulation 26 of SEBI Listing Regulations, Chairmanships / Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee.

[3] Board has approved re-appointment of Mr. Elango Pandarinathan as Managing Director and Mr. Ramasamy Jeevanandam as Executive Director & CFO of the Company w.e.f. February 02, 2018 for a period upto September 30, 2021, subject to the shareholders' approval.

[4] Non-Executive Director & Chairman of Hindage Oilfield Services Limited, wholly owned subsidiary of HOEC-unlisted public company.

[5] Non-Executive Director of Hindage Oilfield Services Limited, wholly owned subsidiary of HOEC.

[6] Mr. Ashok Kumar Goel holds the said shares on behalf of Ashok Goel Trust.

[7] Mr. Rohit Rajgopal Dhoot holds the said shares on behalf of Dhoot Rohit Kumar Family Trust I.

**(vi) Board Meetings**

During the year under review, five (5) Board meetings were held and the intervening gap between the meetings did not exceed one hundred and twenty days. The required quorum was present for all the meetings.

Details of the attendance of Directors at the Board meetings and Annual General Meeting held during the year are as follows:

| Name of the Director | Date of the Board Meeting | | | | | No. of meetings entitled to attend | No. of meetings attended | Attendance at last AGM 25-Sep-17 |
|---|---|---|---|---|---|---|---|---|
| | 18-Apr-17 (1) | 11-Aug-17 (2) | 24-Sep-17 (3) | 28-Oct-17 (4) | 20-Jan-18 (5) | | | |
| Mr. Sunil Behari Mathur | Yes | Yes | Yes | Yes | Yes | 5 | 5 | Yes |
| Ms. Sharmila Amin | Yes | Yes | Yes | Yes | Yes | 5 | 5 | Yes |
| Mr. Pronip Kumar Borthakur | Yes | Yes | Yes | Yes | Yes | 5 | 5 | Yes |
| Mr. Ashok Kumar Goel [1] | – | – | – | – | – | – | – | – |
| Mr. Rohit Rajgopal Dhoot [2] | – | – | – | – | – | – | – | – |
| Mr. Elango Pandarinathan | Yes | Yes | Yes | Yes | Yes | 5 | 5 | Yes |
| Mr. Ramasamy Jeevanandam | Yes | Yes | Yes | Yes | Yes | 5 | 5 | Yes |
| Total strength of the Board | 5 | 5 | 5 | 5 | 5 | | | |
| No. of directors present | 5 | 5 | 5 | 5 | 5 | | | |

Note: [1] Mr. Ashok Kumar Goel was appointed as Director w.e.f. March 01, 2018

[2] Mr. Rohit Rajgopal Dhoot was appointed as Director w.e.f. March 10, 2018

**(vii) Directors resigned / retiring during the year and re-appointments / appointments**

The details of the appointment / re-appointment of directors during the year are given elsewhere in this Annual Report and forms part of this Report.

**(viii) Code of Conduct for the Directors and Senior Executives**

In compliance with the SEBI Listing Regulations, the Company has laid down and implemented the Directors' Code of Conduct and Code of Ethics for Senior Management of the Company.

All Board Members, Senior Management and personnel who are one level below the Senior Management but instrumental in the critical operations / functions are covered under the said Codes and have affirmed their compliance thereof to the said Code.

The Company continues to ensure effective implementation and enforcement of these Codes to achieve the objectives enshrined in these Codes. All directors and employees are updated and sensitized about these Codes. Copies of the Codes are available on the intranet and have been also hosted on the Company's website *http://www.hoec.com/code-of-conduct/* for their reference and compliance.

**(ix) Code of Conduct for prevention of Insider Trading**

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, the Company has laid down and adopted a Code of Conduct for Regulating, Monitoring and Trading by Insiders and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information based and modelled on said Regulations. The said Code incorporates the amendments made in the aforesaid Regulations from time to time. The Company inter-alia observes a closed period for trading in securities of the Company for Directors / Officers and Designated Employees of the Company for the period of at-least seven days prior to the consideration of quarterly / half-yearly / yearly results.

The trading window is also closed in anticipation of price sensitive information / announcements / events. The said closure extends up to at least 48 hours after the disclosure of the said results / price sensitive information / announcements / events to the Stock Exchanges.

**(x) Information provided to the Board**

During the year, the information as mentioned in Schedule II Part A of the SEBI Listing Regulations has been placed before the Board for its consideration.

The Managing Director & Chief Financial Officer jointly give certificate of compliance of the laws applicable to the Company on a periodical basis to the Board, for its review and noting. These certificates also contain reasons and action plans to remedy non-compliance, if any.

The agenda and notes on the agenda items are circulated to the Directors in advance. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is circulated prior to the day of the meeting and tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted by the Chairman.

Draft minutes are circulated to all the members of the Board / Committee for their comments within the prescribed time. The minutes are entered in the Minutes Book within thirty (30) days from conclusion of the meeting.

The company complies with all applicable secretarial standards.

## 3. COMMITTEES OF THE BOARD

**(i) Procedure at the Committee Meetings**

The Company's guidelines relating to the Board Meetings are also applicable to the Committee Meetings as far as practicable. Each Committee and also their Chairman have the authority to engage outside experts, advisors and counsels to the extent it considers appropriate to assist in its function. Minutes of proceedings of the Committee Meetings are circulated to the concerned Committee members for approval and then placed before the Board for taking note thereof.

**(ii) Audit Committee**

The Audit Committee of the Company is constituted in line with the provisions of the Companies Act, 2013 and SEBI Listing Regulations. As on March 31, 2018, the Audit Committee comprised of Mr. Sunil Behari Mathur as Chairman, Ms. Sharmila Amin, Mr. Pronip Kumar Borthakur & Mr. R. Jeevanandam as members.

All the members of this Committee possess relevant financial / accounting expertise / exposure. The Audit Committee invites such of the executives as it considers appropriate, representatives of the statutory auditors and representatives of the internal auditors to be present at its meetings.

The Company Secretary acts as the Secretary to the Audit Committee. The Chairman of the Audit Committee was present at the last Annual General Meeting held on September 25, 2017.

During the year under review, four (4) Audit Committee meetings were held and the intervening gap between the meetings did not exceed one hundred and twenty days. The required quorum was present for all the meetings.

Details of the attendance of members at the Audit Committee meetings held during the year are as follows:

| Name of the Member | Date of the Audit Committee meeting | | | | No. of meetings entitled to attend | No. of meetings attended |
|---|---|---|---|---|---|---|
| | 18-Apr-17 (1) | 11-Aug-17 (2) | 28-Oct-17 (3) | 20-Jan-18 (4) | | |
| Mr. Sunil Behari Mathur | Yes | Yes | Yes | Yes | 4 | 4 |
| Ms. Sharmila Amin | Yes | Yes | Yes | Yes | 4 | 4 |
| Mr. Pronip Kumar Borthakur | Yes | Yes | Yes | Yes | 4 | 4 |
| Mr. Ramasamy Jeevanandam | Yes | Yes | Yes | Yes | 4 | 4 |

a) The Audit Committee is empowered to -

- investigate any activity within its terms of reference.
- seek information from any employee.
- obtain outside legal or other professional advice.
- secure attendance of outsiders with relevant expertise, if it considers necessary.

b) The terms of reference of the Audit Committee, inter alia, includes the following:

- oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditors, including cost auditors, and fixation of audit fees and other terms of appointment.
- approving payment to statutory auditors, including cost auditors for any other services rendered by them.
- reviewing with the management, the annual financial statements and auditors report thereon before submission to the Board for approval, with particular reference to:
  - matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report
  - changes, if any, in accounting policies and practices and reasons for the same
  - major accounting entries involving estimates based on the exercise of judgment by the management
  - significant adjustments made in financial statements arising out of audit findings
  - compliance with listing and other legal requirements relating to financial statements
  - disclosure of related party transactions
  - qualifications in draft audit report
- reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- reviewing and monitoring the auditor's independence, performance and effectiveness of audit process.
- approval or any subsequent modification of transactions of the Company with related parties.
- evaluation of internal financial controls and risk management systems.
- reviewing with the management, the performance of statutory auditors, including cost auditors and internal auditors, adequacy of internal control systems.
- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- discussion with internal auditors, any significant findings and follow-up thereon.
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- discussion with statutory auditors, before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

- to review the functioning of the Whistle Blower mechanism.
- approval of appointment of the CFO (i.e. the Whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing qualifications, experience and background of the candidate.
- reviewing financial statements, in particular the investments made by the Company's unlisted subsidiary
- reviewing the following information:
  - the Management's Discussion and Analysis of financial condition and results of operations;
  - statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
  - management letter / letters of internal control weaknesses issued by the statutory auditors;
  - internal audit reports relating to internal control weaknesses; and
  - the appointment, removal and terms of remuneration of internal auditors.
- to call for comments from the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and to discuss any related issue with the internal and statutory auditors and the management of the Company.
- carrying out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and / or other Committees of Directors.

**Whistle Blower Policy**

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism of reporting illegal or unethical behaviour. The Company has a whistle blower policy wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or such other person as may be notified by the management to the workgroups. During the year, no personnel have been denied access to the Audit Committee. The Whistle Blower Policy is available on the website of the Company at http://www.hoec.com/whistleblower-policy/. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

The Ethics Helpline can be contacted to report any suspected or confirmed incident of fraud/misconduct on:
Mr. Sunil Behari Mathur,
Plot No. 10, A-10, Vasant Vihar, New Delhi - 110 057;
E-Mail: ombudsperson@hoec.com.

**(iii) Nomination and Remuneration Committee**

The Committee's constitution and terms of reference are in compliance with provisions of the Companies Act, 2013 and SEBI Regulations as amended from time to time.

As on March 31, 2018, the Nomination and Remuneration was constituted with Ms. Sharmila Amin as Chairperson, Mr. Sunil Behari Mathur and Mr. Pronip Kumar Borthakur as Members.

During the year under review, four (4) Nomination and Remuneration Committee meetings were held and the required quorum was present for all the meetings.The Chairman of the Nomination and Remuneration Committee was present at the last Annual General Meeting held on September 25, 2017.

Details of the attendance of members at the Nomination and Remuneration Committee meetings held during the year are as follows:

| Name of the Member | Date of the Nomination and Remuneration Committee meeting | | | | No. of meetings entitled to attend | No. of meetings attended |
|---|---|---|---|---|---|---|
| | 24-Sep-17 (1) | 20-Jan-18 (2) | 22-Feb-18 (3) | 05-Mar-18 (4) | | |
| Ms. Sharmila Amin | Yes | Yes | Yes | Yes | 4 | 4 |
| Mr. Sunil Behari Mathur | Yes | Yes | Yes | Yes | 4 | 4 |
| Mr. Pronip Kumar Borthakur | Yes | Yes | Yes(1) | Yes(1) | 4 | 4 |

Note: (1) Meetings held on February 22, 2018 and March 05, 2018, was attended by Mr. Pronip Kumar Borthakur through video conferencing.

a) The terms of reference of the Nomination and Remuneration Committee, inter-alia, include the following.

- to identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and / or removal;
- to decide the term of services and compensation payable to Whole-time / Managing Director;
- to formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- to formulate the criteria for evaluation of Independent Directors and the Board;
- to recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees;
- to administer, monitor and formulate detailed terms and conditions of the Incentive schemes; and
- to discharge such other functions as may be referred by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

**b) Remuneration Policy**

The Company inter-alia while deciding the remuneration package takes into consideration, the employment scenario and demand for talent in the upstream oil and gas sector. In addition, the remuneration package of the industry / other industries for the requisite managerial talent and the qualification and experience held by the appointee are being considered. Annual increments, if any, of the employees are considered and recommended by the Nomination and Remuneration Committee and approved by the Board.

The Company pays remuneration by way of salary, benefits, perquisites and allowances to its Executive Directors within the ceilings prescribed under the Act, based on the performance of the Company as well as that of the Executive Director.

During the year under review, the Company paid sitting fees of ₹ 20,000 per meeting to its Non-Executive Directors for attending meetings of the Board and its Committees. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

The Board has, based on the recommendations of the Nomination and Remuneration Committee, approved payment of commission to the Non-Executive Independent Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act, 2013 from the financial year 2017-18, which is subject to the approval of the shareholders. The said commission is decided by the Board of Directors and distributed amongst the Non-Executive Independent Directors based on their attendance and contribution at the Board and Committee meetings,as well as the time spent on operational matters other than at meetings.

**c) Performance Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations, annual performance evaluation of Board, the Committees of the Board and the individual Directors were carried out.

The performance of the Board was evaluated by the Board by seeking inputs from all the directors on the basis of criteria such as board composition and quality, effectiveness of meetings and procedure, board development, strategy and risk management and board and management relations.

The performance of the Committees was evaluated by the Board by seeking inputs from the Committee members on the basis of criteria such as committee composition, function and duties and effectiveness of meetings and procedure.

In a separate meeting of the independent directors, performance of the non-independent directors, the Chairman and the Board as a whole was evaluated, taking into account the views of the executive and non-executive directors.

The Board and Nomination and Remuneration Committee reviewed the performance of individual directors on the basis of criteria such as contribution of the individual director to the meetings, preparedness, adherence to Code of Conduct, initiatives and advisory role, ability to contribute and monitor governance level at Board/ Committee meetings, effective deployment of domain knowledge and expertise, independence of behaviour and judgement, etc.

In the meeting of that followed the meeting of the independent directors and the Nomination and Remuneration Committee, the performance of the Board, its committees and individual directors was also discussed. Performance evaluation of independent directors was done by the entire Board, excluding the independent director being evaluated.

### d) Details of Remuneration of Directors for the year ended March 31, 2018

**Remuneration to Executive Directors:**

The remuneration paid to Executive Directors comprises of salary, allowances, perquisites and bonuses, if any, which were approved by the Members at the 31st Annual General Meeting as recommended by the Board.

The managerial remuneration payable to Mr. P. Elango, Managing Director and Mr. R. Jeevanandam, Executive Director & CFO for the term of their re-appointment from February 02, 2018 shall be subject to the approval of the shareholders and such other statutory approvals as may be necessary.

| Name of Director | Fixed Component (in ₹) | | | | Performance Linked Incentive (in ₹) | | | Total Remuneration (in ₹) (Refer Note 2 below) |
|---|---|---|---|---|---|---|---|---|
| | Salary | Contribution to Provident Fund & Superannuation Fund | Other allowances/ perquisites (Refer Note 1 below) | Total (A) | Bonus | Stock Options (No. of shares) | Total (B) | |
| Mr. P. Elango | 4,140,000 | 496,800 | 5,680,104 | 10,316,904 | - | - | - | 10,316,904 |
| Mr. R. Jeevanandam | 3,930,000 | 471,600 | 5,396,544 | 9,798,144 | - | - | - | 9,798,144 |

Notes: 1. In computing the above Managerial Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits, or notional amount (as per Income Tax Rules) has been added where the actual amount of expenditure cannot be ascertained.

2. As per the policy of the Company, gratuity and eligible leave encashment is payable at the time of retirement / separation and hence, gratuity and leave encashment are included in the remuneration of the year in which they are payable.

3. Details of remuneration paid to the Directors are given in Form MGT - 9.

The details of employee stock options vested under ASOP 2015 during the year ended March 31, 2018 form part of the Notes to the Standalone Financial Statements provided in this Annual Report. Brief details of the same are as follows:

| Date of grant | Grantee | Date of vesting | No. of options vested | Exercise Price |
|---|---|---|---|---|
| 25.09.2015 | Mr. P. Elango | 26.08.2017 | 10,00,000 | ₹ 10 per share |
| 25.09.2015 | Mr. R. Jeevanandam | 26.08.2017 | 7,50,000 | ₹ 10 per share |

The said options are yet to be exercised by the grantees. An amount of ₹ 450.21 lacs was considered and accounted as Share Based Payment during the year.

**Remuneration to Non-Executive Directors:**

The Company has not granted any stock option to any of its Non-Executive Directors.

The Board has approved payment of commission of ₹ 6,00,000 each to the Non-Executive Independent Directors, which is not exceeding one percent of the net profits of the Company calculated in accordance with the provisions of section 198 of the Companies Act, 2013, in respect of the net profits of the Company from the financial year 2017-18, subject to the approval of the shareholders.

| Name of Director | Sitting Fees (in ₹) | Commission* (in ₹) | Total Remuneration (in ₹) |
|---|---|---|---|
| Mr. Sunil Behari Mathur | 2,80,000 | 6,00,000 | 8,80,000 |
| Ms. Sharmila Amin | 3,60,000 | 6,00,000 | 9,60,000 |
| Mr. Pronip Kumar Borthakur | 3,80,000 | 6,00,000 | 9,80,000 |

* which is within 1% of the net profit of the company for the year ended 31 March 2018 and subject to the approval of the shareholders

**(iv) Stakeholders Relationship Committee**

The Stakeholders Relationship Committee of the Company is constituted in line with the provisions of the Companies Act, 2013 and SEBI Listing Regulations. As on March 31, 2018, the Committee was constituted with Ms. Sharmila Amin as Chairperson and Mr. Pronip Kumar Borthakur, Mr. P. Elango and Mr. R. Jeevanandam as members.

During the year under review, four (4) Stakeholders Relationship Committee meetings were held and the intervening gap between the meetings did not exceed one hundred and twenty days. The required quorum was present for all the meetings.

Details of the attendance of members at the Stakeholders Relationship Committee meetings held during the year are as follows:

| Name of the Member | Date of the Stakeholders Relationship Committee meeting | | | | No. of meetings entitled to attend | No. of meetings attended |
|---|---|---|---|---|---|---|
| | 18-Apr-17 (1) | 11-Aug-17 (2) | 28-Oct-17 (3) | 20-Jan-18 (4) | | |
| Ms. Sharmila Amin | Yes | Yes | Yes | Yes | 4 | 4 |
| Mr. Pronip Kumar Borthakur | Yes | Yes | Yes | Yes | 4 | 4 |
| Mr. P. Elango | Yes | Yes | Yes | Yes | 4 | 4 |
| Mr. R. Jeevanandam | Yes | Yes | Yes | Yes | 4 | 4 |

a) The terms of reference of the Stakeholders Relationship Committee inter-alia are

- to consider and resolve the shareholders / investors grievances / complaints pertaining to transfer and transmission of shares, issue of duplicate shares, non-receipt of annual report, non-receipt of dividends declared, etc.
- oversee the performance of the Company's Registrars and Transfer Agents.
- monitor the implementation and compliance with the Company's Code of Conduct for prohibition of Insider Trading.

b) Name, designation and address of Compliance Officer& Nodal Officer for the purpose of IEPF Regulations:

Ms. G. Josephin Daisy
Company Secretary & Compliance Officer,
Hindustan Oil Exploration Company Limited,
'Lakshmi Chambers', 192,
St. Mary's Road, Alwarpet,
Chennai-600 018, (Tamil Nadu) India.
Tel: +91 (044) 66229000
Fax: +91 (044) 66229011/12
E-mail:hoecshare@hoec.com

c) Details of investor complaints received and replied / resolved during the year are as follows:

| Particulars | Total grievances / complaints received | Total grievances / complaints addressed | Pending grievances / complaints as on March 31, 2018 |
|---|---|---|---|
| Received from Investors | 8 | 8 | – |
| Received from NSDL / CDSL | – | – | – |
| Referred by SEBI | 3 | 3 | – |
| Referred by Stock Exchange(s) | – | – | – |
| RBI / Govt. Authorities | – | – | – |
| Total | 11 | 11 | – |

There were no grievances / complaints from shareholders which remained unaddressed / unresolved except where Company was restrained by courts or constrained because of courts' proceedings or subject matters of complaints were disputed. Every effort is made to redress investors' grievances / complaints in least possible time.

**(v) Other Committees**

**a) Corporate Social Responsibility (CSR) Committee**

CSR Committee of the Company is constituted in line with the provisions of Section 135 of the Act with Mr. Sunil Behari Mathur as Chairman and Mr. Pronip Kumar Borthakur, Ms. Sharmila Amin and Mr. P. Elango as members.

Policy on Corporate Social Responsibility for the Company has been formulated and the same is available on the company's website *http://www.hoec.com/csr/.*

The broad terms of reference of the CSR committee is as follows:

- formulate and recommend to the Board, a CSR policy indicating the activities to be undertakenby the Company as specified in Schedule VII of the Act;
- recommend the amount of expenditure to be incurred on the activities referred to above; and
- monitor the CSR Policy of the Company from time to time.

**b) Risk Management Committee**

Business Risk Evaluation and Management is an ongoing process within the organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities.

Risk Management Committee of the Company is constituted with Mr. Pronip Kumar Borthakur as Chairman, Mr. P. Elango and Mr. R. Jeevanandam as members and also a member of the Senior Management. During the year under review, one (1) Risk Management Committee meeting was held on October 27, 2017.

**(vi) Independent Directors' Meeting**

During the year under review, the Independent Directors met on January 20, 2018 to:

- review the performance of the non-independent directors and the board as a whole;
- review the performance of the Chairman of the Company, taking into account the views of executive directors and non-executive directors; and
- assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## 4. GENERAL BODY MEETINGS

**(a) Location, Date and Time of last three Annual General Meetings are as follows:**

| Year | Location | Date | Time |
|---|---|---|---|
| 2014-15 | "Tropicana Hall",<br>The Gateway Hotel,<br>Akota Gardens, Akota,<br>Vadodara - 390 020.<br>Gujarat, India | 25.09.2015 | 10.30 a.m. |
| 2015-16 | "Chandarva Hall",<br>Welcom Hotel Vadodara,<br>R.C. Dutt Road, Alkapuri,<br>Vadodara - 390 007.<br>Gujarat, India | 26.09.2016 | 10.30 a.m. |
| 2016-17 | 'Tropicana Hall'<br>The Gateway Hotel Vadodara,<br>Akota Gardens, Akota,<br>Vadodara - 390 020. | 25.09.2017 | 10.30 a.m. |

**(b) Special Resolutions passed at the Annual General Meeting (AGM) for the last 3 years are as under:**

At the Annual General Meeting held on September 25, 2015:

- Appointment of Mr. Sunil Behari Mathur as an Independent Director for a period of 5 years.
- Appointment of Mr. P. Elango as Managing Director for a period of 3 years.
- Appointment of Mr. R. Jeevanandam as Whole Time Director & CFO for a period of 3 years.
- Approval of HOEC Associate Stock Option Scheme 2015.
- Grant of Employee Stock Options to issue securities exceeding 1% of the issued capital of the Company during any one financial year to eligible associates under ASOP 2015.
- Approval of borrowing powers of the Company.
- Powers to create charges for the Company.
- Powers to raise capital.
- Ratification of remuneration paid to Mr. Manish Maheshwari in his capacity as Managing Director.

No Special Resolution was passed at the Annual General Meeting held on September 26, 2016.

At the Annual General Meeting held on September 25, 2017:

- Re-classification of Burren Energy India Limited to Public Category

No Special Resolution was passed through postal ballot during the last three years. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a resolution through postal ballot.

No Extra-Ordinary General Meetings of the members held during the financial year 2017-18.

## 5. SUBSIDIARY COMPANY

The Company does not have any material unlisted subsidiary and hence is not required to have an Independent Director on the Board of such subsidiary. The Audit Committee reviews the financial statements of the Company's unlisted subsidiary. The minutes of the meetings of the Board of Directors of the subsidiary are periodically placed before and reviewed by the Board of Directors of the Company.

## 6. MEANS OF COMMUNICATION

a) Quarterly / Annual Results of the Company are published in the newspapers viz. Business Line, Business Standard and Loksatta. The results are displayed on the Company's website www.hoec.com.

b) Presentations made to the institutional investors and analysts after the declaration of the quarterly, half-yearly and annual results are sent to the Stock Exchanges and are also displayed on the Company's website http://www.hoec.com/quarterly-result/.

c) Official news releases and official media releases are sent to the Stock Exchanges and are also displayed on the Company's website http://www.hoec.com/new-news/.

d) Annual Report

The Annual Report containing, inter-alia, the Audited Annual Standalone and Consolidated Financial Statements, Board's Report, Auditors' Report and other important information are circulated to the members and others entitled thereto and is also available on the website in a user-friendly and downloadable form. Management's Discussion and Analysis Report forms part of the Annual Report and is given in a separate section.

e) Chairman's Communique

Printed copy of the Chairman's speech is distributed to the shareholders at the Annual General Meeting.

f) SEBI Complaints Redressal System (SCORES)

The investors' complaints are processed through SCORES, a centralized web-based redressal system. The salient features of this system are: (i) centralized database of all complaints; (ii) online upload of Action Taken Reports (ATRs) by the concerned companies; and (iii) online viewing by investors of actions taken on the complaint and its current status.

g) Electronic filing with the Stock Exchanges

i) NSE Electronic Application Processing System (NEAPS) is a web-based application designed by NSE for Corporates. The Shareholding pattern, Corporate Governance Report and other announcements are also filed electronically on NEAPS.

ii) BSE Corporate Compliance & Listing Centre (the 'Listing Centre') is a web-based application designed for Corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

h) Designated exclusive e-mail ID

The Company has designated the email-id hoecshare@hoec.com exclusively for investor servicing.

i) Green Initiative

As a responsible corporate citizen, the Company supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India (MCA), by its Circulars, enabling electronic delivery of documents including the Annual Report to the shareholders at their e-mail address registered with the Depository Participants (DPs) / Registrars & Share Transfer Agents.

Shareholders who have not registered their e-mail addresses so far, are requested to register their e-mail addresses. Shareholders holding shares in demat form can register their e-mail address with their concerned DPs. Shareholders who hold shares in physical form are requested to register their e-mail addresses with the RTA M/s Link Intime India Pvt. Ltd. by sending a letter, duly signed by the first / sole-holder quoting details of Folio No.

Also, the shareholders may register / update their email ID with the Company by filling the registration form given at http://www.hoec.com/inv_reg/.

Company's website is a comprehensive reference on the Company's management, business, policies, corporate governance, investor relations, HSE, updates and news, as it serves to inform the shareholders by giving complete financial details, annual reports, shareholding patterns, corporate benefits, information relating to stock exchanges, Registrars and Share Transfer Agent, etc.

## 7. GENERAL SHAREHOLDERS INFORMATION

a) Annual General Meeting for FY 2017-2018:

| | | |
|---|---|---|
| Day and Date | : | Monday, August 20, 2018 |
| Time | : | 10:30 a.m. |
| Venue | : | 'Tropicana Hall',<br>The Gateway Hotel Vadodara,<br>Akota Gardens, Akota,<br>Vadodara - 390 020 |

b) Financial Year: 1st April to 31st March

c) Dividend Payment Date:
Board has not recommended dividend for the Financial Year 2017-18.

d) Corporate Identity Number (CIN) of the Company:
L11100GJ1996PLC029880

e) Listing on Stock Exchanges:
Equity Shares of the Company at present are listed at -
(1) BSE Limited (BSE) and
(2) National Stock Exchange of India Limited (NSE)
The Company has paid annual listing fees for the Financial Year 2017-2018 to the said Stock Exchanges.

f) Stock / Scrip Code:
BSE: 500186
NSE: HINDOILEXP

The Company has established connectivity for trading of equity shares in the depository system with both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

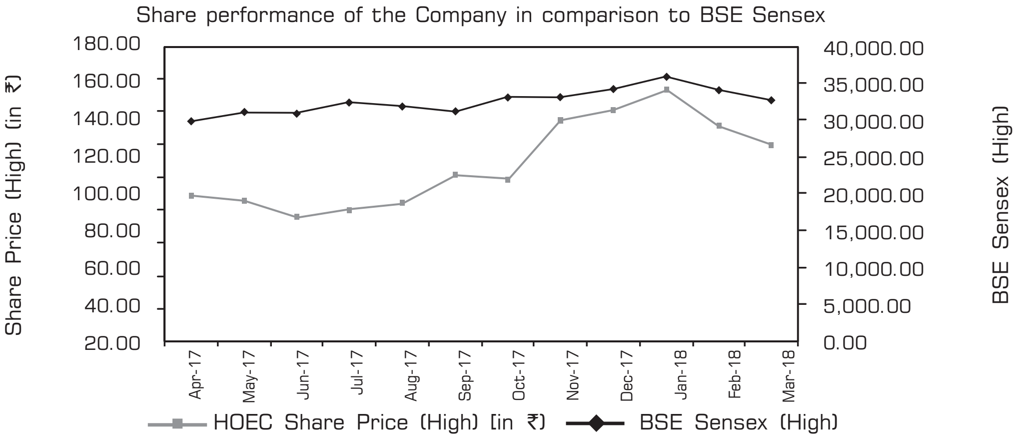
ISIN Number for NSDL/CDSL (Dematerialised Shares): INE345A01011

g) Registrar & Transfer Agents:
Link Intime India Private Limited
Regd. Office: C-101, 247 Park,
L.B.S. Marg, Vikhroli (West),
Mumbai - 400083, Maharashtra
Tel No.: 022 49186270; Fax: 022 49186060
E-mail id: rnt.helpdesk@linkintime.co.in
Service Branch: B-102 & 103, Shangrila Complex,
First Floor, Opp. HDFC Bank,
Near Radhakrishna Char Rasta,
Akota, Vadodara - 390020, Gujarat
Tel: 0265-2356573, 2356794; Fax: 0265-2356791
E-mail id: vadodara@linkintime.co.in

**h) Share Price on HOEC vis-à-vis BSE Sensex April 2017 - March 2018** **(All prices in ₹)**

| Month | BSE Sensex Close | HOEC Share Price | | | No. of shares traded during the month | Total Turnover (₹ in lacs) |
|---|---|---|---|---|---|---|
| | | High | Low | Close | | |
| Apr - 17 | 29,918.40 | 89.30 | 79.00 | 82.15 | 69,14,798 | 5,844.72 |
| May - 17 | 31,145.80 | 85.40 | 71.25 | 72.75 | 38,54,573 | 3,045.65 |
| Jun - 17 | 30,921.61 | 76.00 | 67.40 | 71.25 | 31,27,171 | 2,262.18 |
| Jul - 17 | 32,514.94 | 81.05 | 71.00 | 75.55 | 25,65,189 | 1,936.96 |
| Aug - 17 | 31,730.49 | 84.25 | 66.65 | 82.15 | 29,12,177 | 2,273.50 |
| Sep - 17 | 31,283.72 | 102.40 | 79.50 | 87.30 | 1,03,90,046 | 9,453.23 |
| Oct - 17 | 33,213.13 | 99.00 | 88.00 | 92.75 | 57,25,450 | 5,383.31 |
| Nov - 17 | 33,149.35 | 135.00 | 93.40 | 125.35 | 1,60,27,567 | 19,064.34 |
| Dec - 17 | 34,056.83 | 141.60 | 123.00 | 132.40 | 82,16,613 | 10,948.91 |
| Jan - 18 | 35,965.02 | 153.75 | 125.90 | 127.10 | 1,15,89,272 | 16,195.82 |
| Feb - 18 | 34,184.04 | 131.30 | 109.20 | 119.50 | 41,02,298 | 4,926.83 |
| Mar - 18 | 32,968.68 | 120.25 | 97.50 | 110.40 | 32,60,752 | 3,585.08 |

### i) Share Price Chart (BSE)

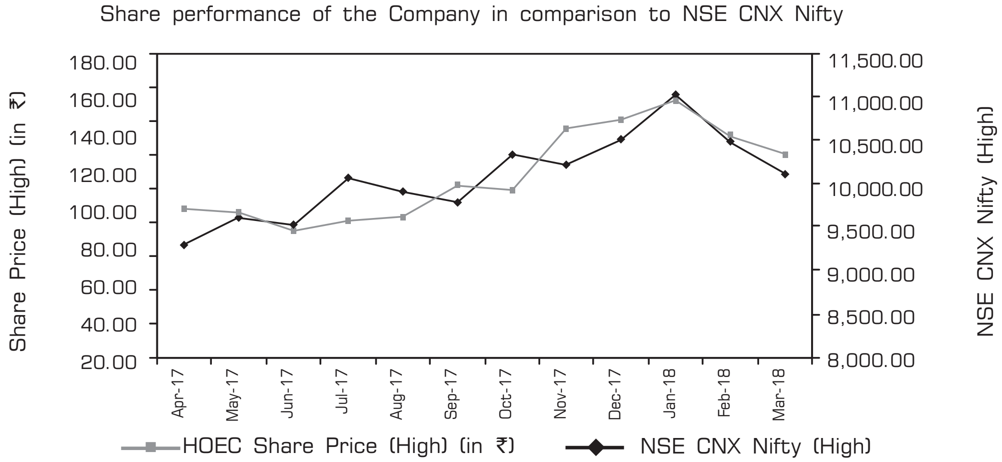



### j) Share Price on HOEC vis-à-vis NSE April 2017 - March 2018

(All prices in ₹)

| Month | NSE Sensex Close | HOEC Share Price | | | Total traded during the month | Total Turnover (₹ in lacs) |
|---|---|---|---|---|---|---|
| | | High | Low | Close | | |
| Apr - 17 | 9,304.05 | 89.40 | 79.05 | 82.20 | 2,11,82,997 | 17,918.30 |
| May - 17 | 9,621.25 | 85.45 | 71.10 | 72.60 | 1,22,57,922 | 9,685.43 |
| Jun - 17 | 9,520.90 | 76.20 | 67.25 | 71.35 | 93,45,630 | 6,761.69 |
| Jul - 17 | 10,077.10 | 81.25 | 71.00 | 75.65 | 91,83,167 | 6,959.16 |
| Aug - 17 | 9,917.90 | 84.20 | 67.05 | 82.10 | 1,19,61,439 | 9,332.81 |
| Sep - 17 | 9,788.60 | 102.40 | 79.25 | 87.40 | 4,50,29,846 | 41,120.86 |
| Oct - 17 | 10,335.30 | 99.40 | 87.90 | 92.65 | 2,23,03,604 | 20,959.02 |
| Nov - 17 | 10,226.55 | 134.80 | 93.25 | 125.25 | 6,74,00,106 | 80,039.28 |
| Dec - 17 | 10,530.70 | 141.50 | 123.25 | 132.70 | 3,16,57,793 | 42,363.64 |
| Jan - 18 | 11,027.70 | 153.35 | 125.65 | 126.85 | 4,71,67,856 | 66,445.66 |
| Feb - 18 | 10,492.85 | 131.35 | 110.10 | 119.60 | 1,33,78,731 | 16,084.96 |
| Mar - 18 | 10,113.70 | 120.30 | 97.75 | 110.45 | 1,29,06,157 | 14,209.63 |

### k) Share Price Chart (NSE)



**l) De-materialisation of shares and liquidity**

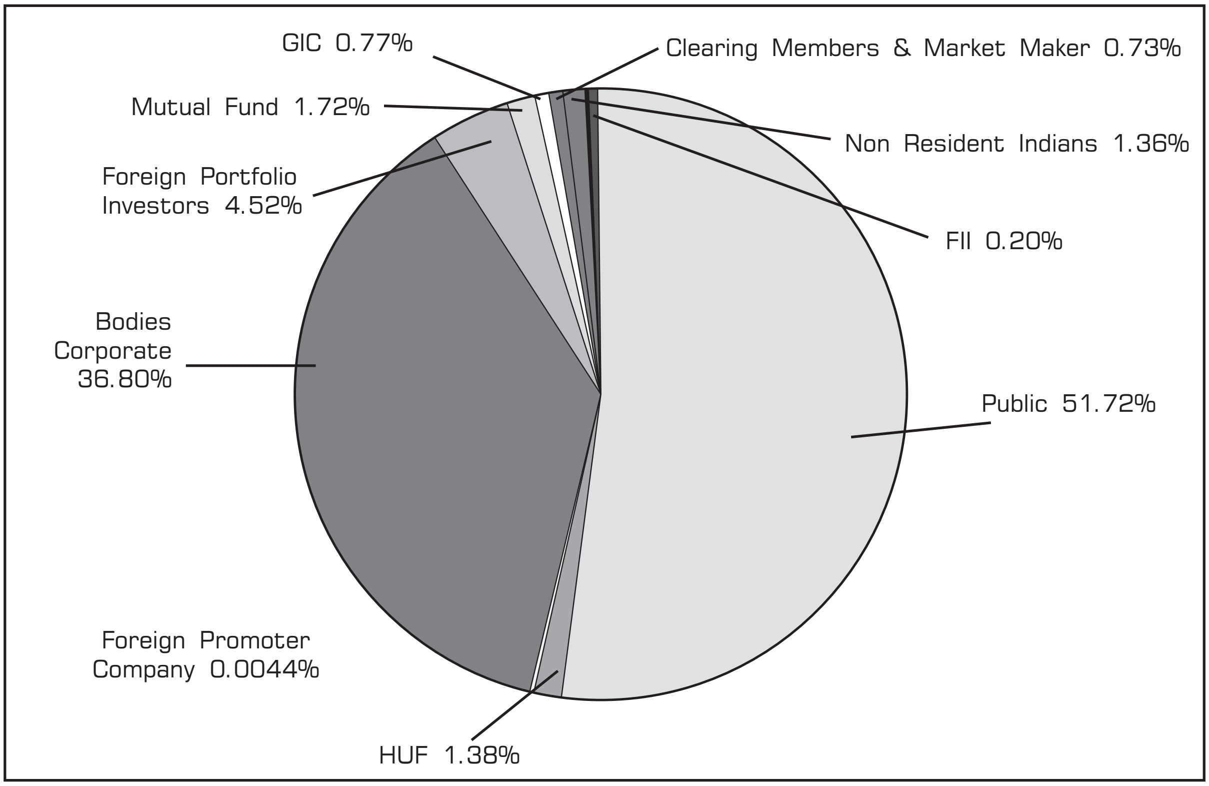
The break-up of equity shares held in physical and dematerialized form as on March 31, 2018 is as given below:

| Particulars | Physical Segment | Demat Segment | | Total |
|---|---|---|---|---|
| | | NSDL | CDSL | |
| No. of Shares | 11,64,324 | 10,32,69,682 | 2,60,59,283 | 13,04,93,289 |
| Percentage | 0.8922 | 79.1379 | 19.9698 | 100.00 |

**m) Distribution of Shareholding as on March 31, 2018**

| Distribution of Shares | Number of Shareholders | Percentage of total shareholders | Shares | Percentage of Total Share Capital |
|---|---|---|---|---|
| 1-500 | 61,782 | 84.33 | 89,04,269 | 6.82 |
| 501-1000 | 5,721 | 7.81 | 45,79,798 | 3.51 |
| 1001-2000 | 2,955 | 4.03 | 44,56,393 | 3.41 |
| 2001-3000 | 926 | 1.26 | 23,61,536 | 1.81 |
| 3001-4000 | 412 | 0.56 | 14,82,754 | 1.14 |
| 4001-5000 | 363 | 0.50 | 17,18,349 | 1.32 |
| 5001-10000 | 571 | 0.78 | 41,97,788 | 3.22 |
| 10001 & above | 531 | 0.73 | 10,27,92,402 | 78.77 |
| Total | 73,261 | 100.00 | 13,04,93,289 | 100.00 |

**n) Shareholding Pattern as on March 31, 2018**



**o) Statement showing shareholding of more than 1% of the Paid-up Capital as on March 31, 2018**

| Sr. No. | Name of Shareholders | No. of Shares | % of Capital |
|---|---|---|---|
| 1 | Ashok Kumar Goel[1] | 1,84,65,078 | 14.15 |
| 2 | Housing Development Finance Corporation Limited | 1,40,86,303 | 10.79 |
| 3 | LCI Estates LLP | 81,00,000 | 6.21 |
| 4 | Dhoot Industrial Finance Limited | 61,98,431 | 4.75 |
| 5 | Poddar Pigments Ltd | 50,00,000 | 3.83 |
| 6 | Vijai Shree Private Ltd | 46,16,270 | 3.54 |
| 7 | Ramasamy Jeevanandam | 45,27,624 | 3.47 |
| 8 | Elango Pandarinathan | 45,21,879 | 3.46 |
| 9 | Fil Investments (Mauritius) Ltd | 43,39,156 | 3.33 |
| 10 | Rohit Rajgopal Dhoot[2] | 30,34,107 | 2.33 |
| 11 | GKS Logistics Private Limited | 23,00,000 | 1.76 |
| 12 | Kotak Midcap | 22,40,000 | 1.72 |

Note:

(1) Mr. Ashok Kumar Goel holds the said shares on behalf of Ashok Goel Trust

(2) Mr. Rohit Rajgopal Dhoot holds the said shares on behalf of Dhoot Rohit Kumar Family Trust I

(3) Shareholding is consolidated based on Permanent Account Number (PAN) of the shareholder

**p) Share Transfer System**

i) Share Transfer in physical form requests are generally registered and returned within a period of 15 days from the date of receipt and requests for dematerialization, re-materialization are generally confirmed within a period of 21 days from the date of its receipt, if documents are complete in all respect.

ii) As on March 31, 2018, 12,93,28,965 equity shares representing 99.11% of total equity shares are dematerialized. Promoters hold their shareholding in dematerialized form.

iii) Nomination facility for shareholding

As per the provisions of the Companies Act, 2013, facility for making nomination is available for Members in respect of shares held by them. Members holding shares in physical form may obtain nomination form from the Company. Members holding shares in dematerialized form shall contact their Depository Participants (DPs) in this regard.

iv) Permanent Account Number (PAN)

Members who hold shares in physical form are advised to furnish to the Company a copy of the PAN card of the transferees, members, surviving joint holders, legal heirs while obtaining the services of transfer, transposition, transmission and issue of duplicate share certificates in accordance with the SEBI mandates.

**q) Dividend**

i) Payment of dividend through National Electronic Clearing Service (NECS)

The Company provides the facility for remittance of dividend to the Members through NECS. To facilitate dividend payment through NECS, Members who hold shares in Demat mode should inform their Depository Participant and such of the Members holding shares in physical form should inform the Company of the core banking account number allotted to them by their bankers. In cases where the core banking account number is not intimated to the Company / Depository Participant, the Company will issue dividend warrants to the Members.

ii) Transfer of unclaimed dividend and corresponding shares to the Investor Education and Protection Fund

Your Company has transferred the funds lying unpaid or unclaimed for a period of more than seven years to Investor Education and Protection Fund (IEPF).

Dividend remitted to IEPF during the last three years:

| Financial year | Type of Dividend | Date of declaration | Date of transfer to IEPF | Amount transferred to IEPF (in ₹) |
|---|---|---|---|---|
| 2007-08 | Final Dividend | 30.09.2008 | 16.10.2015 | 13,94,091 |
| 2010-11 | Interim Dividend | 12.08.2010 | 26.09.2017 | 6,29,219 |

During the year the Company transferred 7,55,564 shares to IEPF on December 22, 2017 to IEPF. The shares transferred were on account of dividends unclaimed for seven consecutive years.

Details of the same are uploaded on the Company's website at http://www.hoec.com/unclaimed-dividend/.

As on the date of this Report there is no outstanding dividends liable to be transferred to IEPF.

The Company has during the year under review, filed necessary forms with the Ministry of Corporate Affairs in this regard.

Shareholders may note that both the unclaimed dividend and corresponding shares transferred to IEPF including all the benefits accruing on such shares, if any, can be claimed back from IEPF by submitting an online application in the prescribed Form No. IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claims shall lie against the Company in respect of the dividend/shares so transferred.

r) There are no outstanding ADR / GDR / Warrants issued by the Company.

**s) Facilities location**

The Company is engaged in the business of Oil & Gas exploration, development & production and is at present operating at various fields as mentioned in section "Our Asset Portfolio" in the Annual Report. The address of the respective production facilities as on March 31, 2018 are summarized as follows:

i. PY-1 Offshore Production facility
SUN Platform, Offshore Cauvery Basin Block PY-1, Tamil Nadu, India.
PY-1 Gas Processing Plant Pillaiperumalnallur, Thirukadaiyur, Nagapattinam Dist.,
Tamil Nadu - 609 311, India.

ii. Palej Production Facility (PPF)
Block-CB-ON-7, Near Palej, Village Makan, Vadodara Dist., Gujarat - 392 220, India.

iii. North Balol Gas Collection Station (GCS)
Block North Balol, Near Village Palaj,
Mehsana Dist., Gujarat - 384 410, India.

iv. Asjol Early Production System (EPS)
Block Asjol, Village Katosan, Mehsana Dist., Gujarat - 384 430, India.

v. Dirok Gas Gathering Station
HOEC Gas Gathering Station, Near Tongline, Dirok Tea Estate, P O Margherita,
Tinsukia Dist., Assam - 786181, India.

**t) Address for Correspondence:**

Secretarial Department,
Hindustan Oil Exploration Company Limited
'Lakshmi Chambers', 192, St. Mary's Road, Alwarpet, Chennai - 600018, Tamil Nadu, India
Tel.: +91 (044) 66229000
Fax: +91 (044) 66229011/12
E-mail id: hoecshare@hoec.com

**8. OTHER DISCLOSURES**

a) Disclosure on materially significant related party transactions i.e. transactions of the Company material in nature, with its promoters, the directors and the management, their relatives or subsidiaries, etc. that may have potential conflict with the interests of the Company at large:

None of the transactions with any of the related parties were in conflict with the interest of the Company. All related party transactions are negotiated on arm's length basis and are intended to further the interests of the Company. Attention of members is drawn to the disclosure of transactions with related parties set out in Note no. 39 of the financial statements, forming part of the Annual Report.

b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any authority on any matter related to capital markets during last three years.

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

c) The Company has adopted a Policy on determination of materiality for disclosures and a policy on Retention of Documents is also in place.

d) Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996

M/s. S. Sandeep & Associates, Company Secretaries in Practice carried out the Share Capital Audits periodically, to reconcile the total admitted equity share capital with NSDL and CDSL and the total issued and listed equity share capital. The audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL. The said Audit Report is submitted to BSE Limited and the National Stock Exchange of India Limited and also placed before Stakeholders' Relationship Committee and the Board of Directors.

e) Code of Conduct

The members of the Board and Senior Management Personnel have affirmed the compliance with Code applicable to them during the year ended March 31, 2018. The annual report of the Company contains a certificate from the Managing Director in terms of SEBI Listing Regulations on affirmation of compliance with the Company's Code of Conduct by the Board members and Senior Management Personnel.

f) Compliance Certificate of the Auditors

As required under Schedule V of SEBI Listing Regulations, a certificate from M/s. S. Sandeep & Associates, Company Secretaries in Practice confirming compliance with the conditions of Corporate Governance is attached.

g) MD and CFO Certification

As required under SEBI Listing Regulations, a certificate from Managing Director and Chief Financial Officer of the Company is provided in this Annual Report.

h) Adoption of mandatory and non-mandatory requirements of SEBI Listing Regulations

The Company has complied with all the mandatory requirements and has adopted some of the non-mandatory requirements of SEBI Listing Regulations. In respect of adoption of non-mandatory and discretionary requirements, the Company will review its implementation from time to time.

i) Training of Board members

The Board members are provided with the necessary documents, brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices. Further, periodic presentations are made at the meetings of the Board and its Committees on business and performance updates of the Company, global business environment, business strategy and risks involved.

j) Compliance with Indian Accounting Standards (Ind AS)

In the preparation of financial statements, the Company has followed the Indian Accounting Standards in accordance with the Companies (Indian Accounting Standards), Rules, 2015 of the Companies Act, 2013. The significant accounting policies used for the preparation of the financial statements are set out in the Notes to the financial statements.

k) E-voting facility to Members

In compliance with provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, the Company is pleased to provide its members the electronic voting facility (e-voting) for the 34th Annual General Meeting (AGM). The company engages the e-voting services provided by Central Depository Services (India) Limited. The members have the option either to vote through e-voting or by physical ballot at the venue of AGM.

For and on behalf of the Board of Directors

| | |
|---|---|
| **S.B. Mathur** | **P. Elango** |
| **Chairman** | **Managing Director** |
| DIN: 00013239 | DIN: 06475821 |

Date : June 15, 2018
Place : Mumbai

## Certificate on Corporate Governance

To,
**The Members**
**Hindustan Oil Exploration Company Limited**

We have examined the compliance of the conditions of Corporate Governance by Hindustan Oil Exploration Company Limited ("the Company"), for the financial year ended on March 31, 2018, as stipulated in Regulations 17 to 27 and other relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations during the financial year ended March 31, 2018.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S Sandeep & Associates**
Company Secretaries

**S Sandeep**
Company Secretary in Practice
C.P. No.: 5987
FCS: 5853

Date : May 12, 2018
Place : Chennai

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## Declaration regarding compliance by Board Members and Management Personnel with the Company's Code of Conduct

I hereby declare that all the members of the Board and the Senior Management Personnel of the Company have affirmed compliance with their respective Code of Conduct, as applicable to them for the Financial Year ended March 31, 2018.

**P. Elango**
**Managing Director**
DIN: 06475821

Date : June 15, 2018
Place : Mumbai

## Managing Director and WTD & CFO Certificate for the financial year ended March 31, 2018

We, P. Elango and R. Jeevanandam in our capacity as the Managing Director and Whole Time Director & Chief Financial Officer, respectively of Hindustan Oil Exploration Company Limited, certify that:

A. We have reviewed the financial statements and cash flow statement for the year ended March 31, 2018 and that to the best of our knowledge and belief:

   (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D. We have indicated to the auditors and the Audit committee:

   (1) significant changes in internal control over financial reporting during the year;

   (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   (3) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

This certificate is being issued in compliance of Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**P.Elango**
**Managing Director**
DIN: 06475821

**R.Jeevanandam**
**Whole Time Director & CFO**
DIN: 07046442

Date : May 12, 2018
Place : Chennai

# INDEPENDENT AUDITOR'S REPORT

**To the Members of**
**Hindustan Oil Exploration Company Limited**

**Report on the Standalone Ind AS Financial Statements**

We have audited the accompanying standalone Ind AS financial statements of **Hindustan Oil Exploration Company Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information, which includes six Unincorporated joint ventures accounted on proportionate basis.

**Management's Responsibility for the Standalone Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements of unincorporated joint ventures referred to in the Other Matters paragraphs (a) and (b) below, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Other Matters**

a) We did not audit the financial statements of six unincorporated joint ventures included in the standalone Ind AS financial statements of the Company whose financial statements reflect total assets of ₹ 3,959.71 Lakhs as at 31st March 2018 and total revenues of ₹ 8.73 Lakhs for the year ended on that date, as considered in the standalone Ind AS financial statements. The financial statements of these unincorporated joint ventures have been audited by the other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these unincorporated joint ventures and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid unincorporated joint ventures, is based solely on the report of such other auditors.

b) We have placed reliance on technical/commercial evaluation by the management in respect of categorisation of wells as exploratory, development, producing and dry wells, allocation of costs incurred on them, proved developed hydrocarbon reserves and depletion thereof on Oil and Gas assets, impairment and liability for site restoration costs.

Our opinion on the standalone financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of these matters.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements of the unincorporated joint ventures, referred to in the Other Matters paragraph above we report, to the extent applicable that:

   a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   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, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

   e) On the basis of the written representations received from the directors of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements;

      ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts; and

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**
**Chartered Accountants**
(Firm's Registration No. 117366W/W-100018)

**Bhavani Balasubramanian**
Partner
Membership No. 22156

Date : May 12, 2018
Place: Chennai

## ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph e under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **Hindustan Oil Exploration Company Limited** ("the Company") as of 31st March, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells LLP**
**Chartered Accountants**
(Firm's Registration No. 117366W/W-100018)

**Bhavani Balasubramanian**
Partner
Membership No. 22156

Date : May 12, 2018
Place: Chennai

**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and there are no unclaimed deposits as at 31st March, 2018.

(vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, GST, Service Tax, Customs Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, GST, Service Tax, Customs Duty, Value Added Tax, cess and other material statutory dues in arrears as at 31st March, 2018 for a period of more than six months from the date they became payable.

(c) Details of dues of Service Tax which have not been deposited as on 31st March, 2018 on account of disputes are given below:

| Name of Statute | Nature of Dues | Forum where Dispute is Pending | Period to which the Amount Relates | Amount Involved (₹) | Amount Unpaid (₹) |
|---|---|---|---|---|---|
| Finance Act, 1994 | Service Tax | CESTAT, Chennai | April 2006 to November 2007 | 1,474,789 | 1,474,789 |
| | | CESTAT, Chennai | October 2007 to March 2011 | 15,417,128 | 14,838,985 |

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells LLP**
**Chartered Accountants**
(Firm's Registration No. 117366W/W-100018)

**Bhavani Balasubramanian**
Partner
Membership No. 22156

Date : May 12, 2018
Place: Chennai

# STANDALONE BALANCE SHEET AS AT MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

| Particulars | Notes | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **1 Non-current assets** | | | |
| Property, plant & equipment | 4 | | |
| a) Oil and gas assets | 4 (a) | 26,293.63 | 22,198.42 |
| b) Others | 4 (b) | 660.21 | 683.75 |
| Capital work-in-progress | 5 | 562.45 | 612.66 |
| Investment property | 6 | 83.13 | 87.33 |
| Intangible assets | 7 | 982.75 | 197.65 |
| Financial assets | | | |
| Investment in subsidiary | 8(a) | 50.00 | 50.00 |
| Deposit under site restoration fund | 8(b) | 5,513.30 | 5,143.70 |
| Other bank balances | 8(c) | 5.20 | – |
| Other financial assets | 8(d) | 39.71 | 3.53 |
| Deferred tax asset | 9 | – | – |
| **Total non-current assets** | | **34,190.38** | **28,977.04** |
| **2 Current assets** | | | |
| Inventories | 10 | 2,827.47 | 2,469.69 |
| Financial assets | | | |
| Investments | 11 | 4,183.50 | 15,103.84 |
| Trade receivables | 12 | 1,607.30 | 473.78 |
| Cash and cash equivalents | 13 | 8,418.36 | 2,842.72 |
| Other bank balances | 14 | 732.97 | 586.69 |
| Other financial assets | 15 | 652.63 | 84.43 |
| Income tax assets (Net) | 16 | 834.28 | 927.69 |
| Other current assets | 17 | 69.13 | 43.75 |
| **Total current assets** | | **19,325.64** | **22,532.59** |
| **TOTAL ASSETS** | | **53,516.02** | **51,509.63** |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 18 | 13,050.93 | 13,050.93 |
| Other equity | 19 | 24,302.47 | 20,084.74 |
| **Total equity** | | **37,353.40** | **33,135.67** |
| **Liabilities** | | | |
| **1 Non-current liabilities** | | | |
| Financial liabilities | | | |
| Trade payables | 20 | 2,211.07 | 2,211.07 |
| Provision for decommissioning | 21 | 9,662.67 | 9,365.00 |
| Other non-current liabilities | 22 | 19.72 | 19.84 |
| **Total non-current liabilities** | | **11,893.46** | **11,595.91** |
| **2 Current liabilities** | | | |
| Financial liabilities | | | |
| Trade payables | 23(a) | 1,788.86 | 1,782.60 |
| Other financial liabilities | 23(b) | 2,331.82 | 4,925.11 |
| Other current liabilities | 24 | 148.48 | 70.34 |
| **Total current liabilities** | | **4,269.16** | **6,778.05** |
| **Total liabilities** | | **16,162.62** | **18,373.96** |
| **TOTAL EQUITY & LIABILITIES** | | **53,516.02** | **51,509.63** |

The accompanying notes forming part of the standalone financial statements

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**Bhavani Balasubramanian**
Partner

Place : Chennai
Date : May 12, 2018

**For and on behalf of the Board of Directors**

**S.B.Mathur** Chairman

**Sharmila Amin** Director

**P.K.Borthakur** Director

**Ashok Kumar Goel** Director

**Rohit Rajgopal Dhoot** Director

**P.Elango** Managing Director

**R.Jeevanandam** Director & CFO

**Josephin Daisy** Company Secretary

# STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

| Particulars | Notes | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 25 | 4,871.25 | 2,502.29 |
| Other income | 26 | 1,143.72 | 1,708.69 |
| **Total income** | | **6,014.97** | **4,210.98** |
| **EXPENSES** | | | |
| Share of expenses from producing oil and gas blocks | 27 | 1,304.48 | 1,133.02 |
| (Increase) / decrease in stock of crude oil and condensate | 28 | (454.72) | (30.78) |
| Employee benefits expense | 29 | 557.94 | 122.29 |
| Finance cost | 30 | 99.98 | – |
| Depreciation, depletion and amortization | 4,6,7 | 834.68 | 948.97 |
| Other expenses | 31 | 337.67 | 802.50 |
| Write off of obsolete inventories | | – | 103.69 |
| **Total expenses** | | **2,680.03** | **3,079.69** |
| **Profit before exceptional items and tax** | | **3,334.94** | **1,131.29** |
| Exceptional items | 32 | 448.67 | 2,894.64 |
| **Profit before tax** | | **3,783.61** | **4,025.93** |
| **Tax expense** | | | |
| (1) Current tax | | – | – |
| (2) Adjustment of tax relating to earlier periods | | – | 387.58 |
| Total tax expense | | **–** | **387.58** |
| **Profit for the year** | | **3,783.61** | **3,638.35** |
| **Other comprehensive income** | | | |
| Other comprehensive income not to be reclassified to profit or loss: | | | |
| - Re-measurement (losses) on defined benefit plans | | (16.09) | (4.23) |
| - Income tax effect on re-measurement | | – | – |
| | | **(16.09)** | **(4.23)** |
| **Total comprehensive income for the year** | | **3,767.52** | **3,634.12** |
| | | | |
| Earnings per equity share of ₹ 10 attributable to equity holders. | 33 | | |
| Basic | | 2.90 | 2.78 |
| Diluted | | 2.88 | 2.78 |

The accompanying notes forming part of the standalone financial statements

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**Bhavani Balasubramanian**
Partner

Place : Chennai
Date : May 12, 2018

**For and on behalf of the Board of Directors**

**S.B.Mathur**
Chairman

**Sharmila Amin**
Director

**P.K.Borthakur**
Director

**Ashok Kumar Goel**
Director

**Rohit Rajgopal Dhoot**
Director

**P.Elango**
Managing Director

**R.Jeevanandam**
Director & CFO

**Josephin Daisy**
Company Secretary

# STANDALONE STATEMENT OF CHANGES OF EQUITY FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**a) Equity Share Capital**

| Particulars | Amount |
|---|---|
| Balance as at March 31, 2017 | 13,050.93 |
| Balance as at March 31, 2018 | 13,050.93 |

**b) Other Equity**

| Particulars | Reserves and surplus | | | | Total |
|---|---|---|---|---|---|
| | Security premium | Capital reserve | Associate stock option plan reserve | Retained earnings | |
| **Balance as at April 1, 2016** | **78,415.21** | **96,084.50** | - | **(158,049.09)** | **16,450.62** |
| Profit for the year | – | – | – | 3,638.35 | 3,638.35 |
| Other comprehensive income | – | – | – | (4.23) | (4.23) |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **3,634.12** | **3,634.12** |
| **Balance as at March 31, 2017** | **78,415.21** | **96,084.50** | **–** | **(154,414.97)** | **20,084.74** |
| Profit for the year | – | – | – | 3,783.61 | 3,783.61 |
| Other comprehensive income | – | – | – | (16.09) | (16.09) |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **3,767.52** | **3,767.52** |
| Recognised share-based payments | – | – | 450.21 | – | 450.21 |
| **Balance as at March 31, 2018** | **78,415.21** | **96,084.50** | **450.21** | **(150,647.45)** | **24,302.47** |

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**Bhavani Balasubramanian**
Partner

Place : Chennai
Date : May 12, 2018

**For and on behalf of the Board of Directors**

**S.B.Mathur** Chairman
**Sharmila Amin** Director
**P.K.Borthakur** Director
**Ashok Kumar Goel** Director
**Rohit Rajgopal Dhoot** Director

**P.Elango** Managing Director
**R.Jeevanandam** Director & CFO
**Josephin Daisy** Company Secretary

# STANDALONE STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit before tax** | **3,783.61** | **4,025.93** |
| Adjustments for: | | |
| Depreciation, depletion and amortization | 834.68 | 948.97 |
| Share-based payments charge | 450.21 | – |
| Unwinding of discount on decommissioning liability | 99.98 | – |
| Provision for compensated absences | 9.01 | 4.99 |
| Write off of obsolete inventories | – | 103.69 |
| Excess liabilities / provisions written back | (1.26) | (1.14) |
| Profit on disposal of property, plant and equipment | – | (1.74) |
| Interest income | (511.03) | (408.19) |
| Net income from financial instruments at fair value through profit or loss | (621.79) | (1,289.98) |
| Dividend income | (0.07) | – |
| **Operating profit before working capital changes** | **4,043.34** | **3,382.53** |
| **Working capital adjustments for:** | | |
| Trade receivables | (1,133.51) | (256.95) |
| Inventories | (357.79) | (329.96) |
| Loans and advances and other current assets | (999.35) | (266.81) |
| Trade payables and other liabilities | (2,328.80) | 55.50 |
| **Cash Generated from operations** | **(776.11)** | **2,584.31** |
| Direct taxes refunds (net of payments) | 93.41 | 7,253.36 |
| **Net cash generated by operating activities** | **(682.70)** | **9,837.67** |
| **Cash flow from Investing activities** | | |
| Property, plant and equipment | (4,822.32) | (4,674.37) |
| Proceeds from disposal of property, plant and equipment | - | 1.74 |
| Exploration cost | (814.72) | - |
| Purchase of software | – | (267.11) |
| Profit on sale of financial assets | 621.79 | 1,289.98 |
| Interest received | 511.03 | 408.19 |
| Bank deposit -Lien for bank guarantees | (1,526.50) | – |
| Dividend received | 0.07 | – |
| **Net cash flows used in investing activities** | **(6,030.65)** | **(3,241.57)** |
| **Net increase in cash and cash equivalents** | **(6,713.35)** | **6,596.10** |
| **Cash and cash equivalents at the beginning of the year** | **18,526.89** | **11,930.79** |
| **Cash and cash equivalents at the end of the year** | **11,813.54** | **18,526.89** |
| **Components of cash and cash equivalents** | | |
| Balances with banks | | |
| - In deposit accounts | 720.98 | 763.33 |
| - In current accounts | 6,909.06 | 2,659.72 |
| Current Investments | 4,183.50 | 15,103.84 |
| **Total cash and cash equivalents** | **11,813.54** | **18,526.89** |

The accompanying notes forming part of the standalone financial statements

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**Bhavani Balasubramanian**
Partner

Place : Chennai
Date : May 12, 2018

**For and on behalf of the Board of Directors**

**S.B.Mathur** Chairman | **Sharmila Amin** Director | **P.K.Borthakur** Director | **Ashok Kumar Goel** Director | **Rohit Rajgopal Dhoot** Director

**P.Elango** Managing Director | **R.Jeevanandam** Director & CFO | **Josephin Daisy** Company Secretary

# NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

## 1. Corporate Information

Hindustan Oil Exploration Company Limited ('the Company' or "HOEC") was incorporated in India on September 22, 1983 under the provisions of the Companies Act, 1956. The Company's shares are listed on the National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE'). HOEC is engaged in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore.

The Company is a participant in various oil and gas blocks / fields which are in the nature of joint operation through Production Sharing Contracts ('PSC') entered by the Company with Government of India along with other entities. The details of Company's participating interests and of the other entities are as follows:

| Sl. No. | Unincorporated Joint Ventures | Participants | Share (%) | |
|---|---|---|---|---|
| | | | As at March 31, 2018 | As at March 31, 2017 |
| 1 | PY-1 | Hindustan Oil Exploration Company Limited (O) | 100 | 100 |
| 2 | CY-OS-90/1 (PY-3) | Hardy Exploration & Production (India) Inc. (O) | 18 | 18 |
| | | Oil and Natural Gas Corporation Limited | 40 | 40 |
| | | Hindustan Oil Exploration Company Limited | 21 | 21 |
| | | Tata Petrodyne Limited | 21 | 21 |
| 3 | Asjol | Hindustan Oil Exploration Company Limited (O) | 50 | 50 |
| | | Gujarat State Petroleum Corporation Limited | 50 | 50 |
| 4 | North Balol | Hindustan Oil Exploration Company Limited (O) | 25 | 25 |
| | | Gujarat State Petroleum Corporation Limited | 45 | 45 |
| | | Gujarat Natural Resources Limited (GNRL) | 30 | 30 |
| 5 | CB-ON/7 (Palej) | Hindustan Oil Exploration Company Limited (O) | 35 | 35 |
| | | Gujarat State Petroleum Corporation Limited | 35 | 35 |
| | | Oil and Natural Gas Corporation Limited | 30 | 30 |
| 6 | CB-OS/1 | Oil and Natural Gas Corporation Limited (O) | 55.26 | 55.26 |
| | | Hindustan Oil Exploration Company Limited | 38.07 | 38.07 |
| | | Tata Petrodyne Limited | 6.67 | 6.67 |
| 7 | AAP-ON-94/1 (Assam) | Hindustan Oil Exploration Company Limited (O) | 26.882 | 26.882 |
| | | Indian Oil Corporation Limited | 29.032 | 29.032 |
| | | Oil India Limited | 44.086 | 44.086 |
| 8 | MB/OSDSF/ B80/2016 | Hindustan Oil Exploration Company Limited (O) | 50 | 50 |
| | | Adhboot Estates Private Limited | 50 | 50 |
| 9 | AA/ONDSF/ KHEREM/2016 | Hindustan Oil Exploration Company Limited (O) | 40 | 40 |
| | | Oil India Limited | 40 | 40 |
| | | Prize Petroleum Company Limited | 20 | 20 |

*(O) Operator*

The Company has a wholly owned subsidiary, M/s. Hindage Oilfield Services Limited (formerly known as, HOEC Bardahl India Limited), as at the year end.

## 2. Significant Accounting Policies

### i) Statement of Compliance and Basis of Preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and Guidance note on Accounting for oil and gas producing activities (Ind AS) issued by the Institute of Chartered Accountants of India. These financial statements for the year ended March 31, 2018 for the Company has been prepared in accordance with Ind AS.

For all periods up to and including the year ended March 31, 2018, the Company had prepared its financial statements under historical cost convention on accrual basis in accordance with the generally accepted accounting principles and the accounting standards notified under section 133 of the Companies Act 2013.

The Financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

As the operating cycle cannot be identified in normal course due to the nature of industry, the same has been assumed to have a duration of 12 months. Accordingly, all assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Ind AS-1 'Presentation of Financial Statements' and Schedule III to the Companies Act, 2013.

The financial statements are presented in Indian Rupees, unless otherwise stated.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under the current market conditions.

The Company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement which are described as follows:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability.

(c) Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants.

**ii) Interest in joint operations**

A joint operation is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Company has entered into Unincorporated Joint Ventures (UJVs) with other oil and gas companies and executed Production Sharing Contracts ("PSC") and Revenue Sharing Contracts ("RSC") with the Government of India. These UJVs are in the form of Joint arrangements wherein the participating entity's assets and liabilities are proportionate to its participating interest.

The UJVs entered into by the company are joint operations wherein the liabilities are several, not joint, and not joint and several and therefore do not come under the category of Joint Venture as defined under the Ind AS. In accounting for these joint operations, the company recognizes its assets and liabilities in proportion to its participating interest in the respective UJV. Likewise, revenue and expenses from the UJV are recognized for its participating interest only. The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in the UJVs in accordance with the Ind AS.

The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Unincorporated Joint Ventures ("UJV") which are accounted, based on the available information in the audited financial statements of UJV on line by line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various PSCs and RSCs. The financial statements of the UJVs are prepared by the respective Operators in accordance with the requirements prescribed by the respective PSCs. Hence, in respect of these UJV's, certain disclosures required under the relevant accounting standards have been made in the financial statements.

**iii) Foreign exchange transactions**

The functional currency of the Company is Indian Rupees which represents the currency of the primary economic environment in which it operates.

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using mean exchange rate prevailing on the last day of the reporting period.

Exchange differences on monetary items are recognized in the Statement of Profit and Loss in the period in which they arise.

**iv) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable at the transacted price.

(i) Revenue from the sale of crude oil, condensate and natural gas, net of value added tax and profit petroleum to the Government of India, is recognized on transfer of custody to customers, and the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

(ii) Income from service if any is recognized on accrual basis on its completion and is net of taxes.

(iii) Interest income is recognized on the basis of time, by reference to the principal outstanding and at effective interest rate applicable on initial recognition.

(iv) Dividend Income from investments is recognized when the right to receive has been established.

(v) Rental income arising from operating leases is accounted on straight-line basis over the lease term.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**v) Taxes**

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

The tax rates and tax laws used to compute are the laws that are enacted or substantively enacted as on the reporting date. The management evaluates makes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Current income taxes**

The current income tax expense includes income taxes payable by the Company. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intends to settle the asset and liability on a net basis.

**Deferred income taxes**

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount. It is recognized only to the extent it is probable that the taxable profit will be available against which the deductible temporary differences and the carry forward losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realized.

The Company recognizes interest levied and penalties related to income tax assessments in income tax expenses.

**vi) Property plant and equipment (other than oil and gas assets)**

Land and buildings held for use in the production and supply of goods or services, or for administrative purposes are stated in the balance sheet at cost less accumulated depreciation and the accumulated impairment losses. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less depreciation.

Historical cost comprises the purchase price and any attributable cost of bringing the asset for its intended use. It includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs for acquisition of fixed assets are capitalized till such assets are ready to be put to use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Improvements to Leasehold premises are amortized over the remaining primary lease period.

**(i) Useful lives used for depreciation (other than oil and gas assets):**

The Company follows the useful lives set out under Schedule II of the Companies Act, 2013 for the purpose of determining the useful lives of respective blocks of property plant and equipment. The following are the useful lives followed:

- Buildings : 60 years
- Office Equipment : 05 years
- Computers : 03 years
- Furniture and Fixtures : 10 years
- Vehicles : 08 years

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**(ii) De-recognition of assets**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continuous use of the asset. Any gain or loss arising from such disposal, retirement or de-recognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds and the carrying amount of the item. Such gain or loss is recognized in the statement of profit and loss.

In case of de-recognition of a revalued asset, the corresponding portion of the revaluation surplus as is attributable to that asset is transferred to retained earnings on such de-recognition. Such transfers to retained earnings are made through Other Comprehensive Income and not routed through profit or loss.

**vii) Oil and gas assets**

Oil and gas assets are stated at historical cost less accumulated depletion and impairment. These are accounted in respect of an area / field having proved oil and gas reserves, when the wells in the area / field is ready to commence commercial production.

The Company generally follows the "Successful Efforts Method" of accounting for oil and gas assets as set out by the Guidance Note issued by the ICAI on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on acquisition of license interest is initially capitalized on license by license basis as Intangible Assets. Costs are not depleted within exploratory and development work in progress until the exploration phase is completed or commercial oil and gas reserves are discovered.

(a) Cost of surveys and studies relating to exploration activities are expensed as and when incurred.

(b) Cost of exploratory / appraisal well(s) are expensed when it is not successful and the cost of successful well(s) are retained as exploration expenditure till it is transferred to Producing property on commercial production as tangible assets.

(c) Cost of temporary occupation of land and cost of successful exploratory, appraisal and development wells are considered as development expenditure. These expenses are capitalized as Producing Property on commercial production.

**Depletion to oil and gas assets**

Depletion is charged on a unit of production method based on proved reserves for acquisition costs and proved and developed reserves for capitalized costs consisting of successful exploratory and development wells, processing facilities, assets for distribution, estimated site restoration costs and all other related costs. These assets are depleted within each cost center. Reserves for these purposes are considered on working interest basis which are assessed annually. Impact of changes to reserves if any are accounted prospectively.

**viii) Site restoration**

Provision for decommissioning costs are recognized as and when the Company has a legal or constructive obligation to plug and abandon a well, dismantle and remove Plant and Equipment to restore the site on which it is located. The estimated liability towards the costs relating to dismantling, abandoning and restoring well sites and allied facilities are recognized in respective assets when the well is completed, and the Plant and Equipment are installed.

The amount recognized is the present value of the estimated future expenditure determined using existing technology at current prices and escalated using appropriate inflation rate till the expected date of decommissioning and discounted up to the reporting date using the appropriate risk-free interest rate.

The corresponding amount is also capitalized to the cost of the producing property and is depleted on unit of production method. Any change in the estimated liability is dealt with prospectively and is also adjusted to the carrying value of the producing property.

Any change in the present value of the estimated decommissioning expenditure other than the periodic unwinding of discount is adjusted to the decommissioning provision and the carrying value of the asset. In case reversal of provision exceeds the carrying amount of the related asset, the excess amount is recognized in the Statement of Profit and Loss. The unwinding of discount on provision is charged in the Statement of Profit and Loss as finance cost.

Provision for decommissioning cost in respect of assets under Joint Operations is considered as per the participating interest of the Company in the block/field.

**ix) Intangible assets**

Intangible assets with a finite useful life acquired separately are measured on initial recognition, at costs. Intangible assets are carried at costless accumulated amortization and impairment losses if any.

The Company amortizes intangible assets with a finite useful life using the straight-line method. The useful life considered for computer software is 6 years.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**x) Impairment**

The carrying values of assets / cash generating units are assessed for impairment at the end of every reporting period. If the carrying amount of an asset exceeds the estimated recoverable amount, an impairment is recognized as expense in the statement of profit and loss. The recoverable amount is the greater of the net selling price and value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on an appropriate discount factor.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset is increased to its recoverable amount. However, such reversal shall not exceed the carrying amount had there been no impairment loss.

**xi) Inventories**

The accounting treatment in respect of recognition and measurement of inventory is as follows:

(i) Closing stock of crude oil and condensate in saleable condition is valued at the estimated net realizable value in the ordinary course of business.

(ii) Stores, spares, capital stock and drilling tangibles are valued at cost on first in first out basis or estimated net realizable value, whichever is lower.

Inventories are periodically assessed for restatement at lower of cost or net realizable value. On restatement, any write-down of inventory to net realizable value is recognized as an expense in the period the write-down or loss occurs. In case of increase in the net realizable value, the increase is recognized and reversed to the extent of write-down.

**xii) Employee benefits**

Employee benefits include salaries, wages, provident fund, gratuity, leave encashment towards un-availed leave, compensated absences and other terminal benefits.

All short-term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

**a) Defined contribution plan**

The Company's contribution to provident fund is considered as defined contribution plan and are recognized as and when the employees have rendered services entitling them to contributions.

**b) Defined benefit plan**

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date using the Projected Unit Credit method.

Re-measurement comprising actuarial gains and losses are reflected immediately in the balance sheet with a charge or credit recognized in the Other Comprehensive Income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is recognized the Statement of Profit and Loss except those included in cost of assets as permitted.

Defined benefit costs are categorized as Service cost, Net interest expense and re-measurement cost.

**c) Long term employee benefit**

The liability for long term compensated absences which are not expected to occur within 12 months after the end of the period in which the employee rendered related service are recognized as liability based on actuarial valuation as at the balance sheet date.

**d)** Other Employee Benefits including allowances, incentives etc. are recognized based on the terms of the employment.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**xiii) Employee share based payment**

Equity settled share-based payments to employees are measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity settled share-based payment is expensed on straight line basis over the vesting period based on the Company's estimate of the equity instrument that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that cumulative expense reflects the revised estimate, with corresponding adjustment to the equity-settled employee benefits reserve.

**xiv) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All finance assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or disposal are added to or deducted from the fair value of the financial assets or financial liabilities.

**Financial assets**

All regular purchases or sales of financial assets are recognized and derecognized on the trade date. Recognized financial assets are subsequently measured in their entirety at the fair value. In case of investments in wholly owned subsidiary, the investments are considered at cost subject to impairment if any.

A financial asset is de-recognized only when the Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

**Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition.

**Financial liabilities**

All financial liabilities are recognized initially at fair value. In the case of loans, borrowings and payables, recognition is net of directly attributable transaction and other costs. The Company's financial liabilities may include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments. The measurement of financial liabilities is at fair value and adjustment thereon is routed through profit or loss.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

**xv) Provisions, contingent liabilities and contingent assets**

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which the reliable estimate can be made.

Provisions (excluding retirement benefits and compensated absences) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date adjusted to reflect the current best estimates.

In case of contingent liabilities, where there is no certainty of outflow or the amount of obligation cannot be measured reliably, disclosure is made in the notes forming part of the financial statements. Contingent assets are not recognized in the financial statements. However, where the realization of income is reasonably certain, a disclosure of the fact is provided.

**xvi) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset to the Company. All other leases are classified as operating leases. Operating lease payments for land are recognized as prepayments and amortized on a straight-line basis over the term of the lease. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

**xvii) Earnings per share**

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**xviii) Cash flow statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows are segregated into operating, investing and financing activities.

**xix) Cash and cash equivalents**

Cash comprises for the purposes of cash flow statement comprise cash on hand and demand deposits with banks. Cash equivalents are short-term balances with a maturity of not exceeding three months, highly liquid investments that are readily convertible in to known amount of cash which are subject to insignificant risk of change in value.

**3. Critical accounting judgments, assumptions and key sources of estimation uncertainty**

Inherent in the application of many of the accounting policies used in preparing the Financial Statements is the need for Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual outcomes could differ from the estimates and assumptions used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

Key source of judgments, assumptions and estimation uncertainty in the preparation of the Financial Statements which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of Oil and Gas reserves, impairment, useful lives of Property, Plant and Equipment, depletion of oil and gas assets, decommissioning provision, employee benefit obligations, provisions, provision for income tax, measurement of deferred tax assets and contingent assets & liabilities.

**3.1 Critical judgments in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (Refer note 4.2), that the Management have made in the process of applying the Company's accounting policies and that have the significant effect on the amounts recognized in the Financial Statements.

**(a) Determination of functional currency**

Currency of the primary economic environment in which the Company operates ("the functional currency") is Indian Rupee (₹) in which the company primarily generates and expends cash. Accordingly, the Management has assessed its functional currency to be Indian Rupee (₹).

**(b) Evaluation of indicators for impairment of oil and gas assets**

The evaluation of applicability of indicators of impairment of assets requires assessment of external factors such as significant decline in asset's value, significant changes in the technological, market, economic or legal environment, market interest rates etc. and internal factors such as obsolescence or physical damage of an asset, poor economic performance of the asset etc. which could result in significant change in recoverable amount of the oil and gas assets.

**3.2 Assumptions and key sources of estimation uncertainty**

**a) Estimation of provision for decommissioning**

The Company estimates provision for decommissioning for the future decommissioning of oil & gas assets at the end of their economic lives. Most of these decommissioning activities would be in the future, the exact requirements that may have to be met when the occurrence of removal events are uncertain. Technologies and costs for decommissioning are varying constantly. The timing and amounts of future cash flows are subject to significant uncertainty.

The timing and the future expenditures are reviewed at the end of each reporting period, together with rate of inflation for current cost estimates and the interest rate used in discounting the cash flows. The economic life of the oil & gas assets is estimated based on the economic production profile of the relevant oil & gas asset.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

b) **Estimation of reserves**

Management estimates production profile (proved and developed reserves) in relation to all the oil and gas assets determined as per the industry practice. The estimates so determined are used for the computation of depletion and loss of impairment if any.

The year-end reserves of the Company have been estimated by the G&G team which follows the guidelines for application of the petroleum resource management system consistently. The Company has adopted the reserves estimation by following the guidelines of Society of Petroleum Engineers (SPE) which defines "Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on development project(s) applied". Volumetric estimation is made which uses reservoir rock and fluid properties to calculate hydrocarbons in-place and then estimate the recoverable reserves from it. As the field gets matured with production history the material balance, simulation, decline curve analysis are applied to get more accurate assessments of reserves.

The annual revision of estimates is based on the yearly exploratory and development activities and results thereof. In addition, new in- place volume and ultimate recoverable reserves are estimated for any new discoveries or new pool of discoveries in the existing fields and the appraisal activities may lead to revision in estimates due to new sub-surface data. Similarly, reinterpretation is also carried out based on the production data by updating the static and dynamic models leading to change in reserves. New interventional technology, change in classifications and contractual provisions may also necessitate revision in the estimation of reserves.

c) **Defined Benefit Obligation (DBO)**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**4. Property, plant & equipment**

**Summary**

| Carrying amount of: | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **a) Oil and gas assets** | **26,293.63** | **22,198.42** |
| **b) Others** | | |
| - Freehold land | 227.52 | 227.52 |
| - Buildings | 414.40 | 435.48 |
| - Furniture & fixtures | 1.32 | 1.60 |
| - Vehicles | 0.97 | 1.48 |
| - Computers | 11.45 | 14.94 |
| - Office equipment | 4.55 | 2.73 |
| | **660.21** | **683.75** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

| Carrying amount of: | Oil and gas assets | Others | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | Freehold land | Buildings | Furnitures & fixures | Vehicles | Office equipment | Computers | |
| **Cost or deemed cost** | | | | | | | | |
| **Balance as at April 1, 2016** | **227,503.10** | **227.52** | **760.93** | **57.27** | **26.43** | **91.02** | **83.36** | **2,28,749.63** |
| Additions | 1.88 | – | – | 0.79 | – | 2.72 | 22.25 | 27.64 |
| Disposals/adjustments | (663.46) | | | | (13.57) | (1.16) | (8.83) | (687.02) |
| Transfer from Capital Work-in-progress | 17,708.98 | – | – | – | – | – | – | 17,708.98 |
| **Balance as at March 31, 2017** | **244,550.50** | **227.52** | **760.93** | **58.06** | **12.86** | **92.58** | **96.78** | **2,45,799.23** |
| Additions | 200.62 | - | - | 0.32 | - | 4.31 | 3.39 | 208.64 |
| Transfer from Capital Work-in-progress | 4,663.89 | – | – | – | – | – | – | 4,663.89 |
| **Balance as at March 31, 2018** | **249,415.01** | **227.52** | **760.93** | **58.38** | **12.86** | **96.89** | **100.17** | **2,50,671.76** |
| **Accumulated depreciation and impairment** | | | | | | | | |
| **Balance as at April 1, 2016** | **221,515.79** | – | **303.30** | **55.85** | **24.17** | **89.09** | **78.92** | **2,22,067.12** |
| Depreciation for the year | 836.29 | – | 22.15 | 0.61 | 0.78 | 1.92 | 11.75 | 873.50 |
| Deletions | – | – | – | – | (13.57) | (1.16) | (8.83) | (23.56) |
| **Balance as at March 31, 2017** | **222,352.08** | – | **325.45** | **56.46** | **11.38** | **89.85** | **81.84** | **2,22,917.06** |
| Depreciation for the year | 769.30 | – | 21.08 | 0.60 | 0.51 | 2.49 | 6.88 | 800.86 |
| Deletions | – | – | – | – | – | – | – | – |
| **Balance as at March 31, 2018** | **223,121.38** | – | **346.53** | **57.06** | **11.89** | **92.34** | **88.72** | **2,23,717.92** |
| **Net book value** | | | | | | | | |
| **Balance as at March 31, 2017** | **22,198.42** | **227.52** | **435.48** | **1.60** | **1.48** | **2.73** | **14.94** | **22,882.17** |
| **Balance as at March 31, 2018** | **26,293.63** | **227.52** | **414.40** | **1.32** | **0.97** | **4.55** | **11.45** | **26,953.84** |

5. **Capital work-in-progress**

| Particulars | Development Expenditure | Exploration Expenditure | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance as at April 1, 2016** | **2,533.33** | **13,972.79** | **16,506.12** |
| Additions | 5,310.18 | – | 5,310.18 |
| Transfer to oil and gas assets | (6,122.13) | (11,586.85) | (17,708.98) |
| **Balance as at March 31, 2017** | **1,721.38** | **2,385.94** | **4,107.32** |
| Additions | 4,613.68 | – | 4,613.68 |
| Transfer to oil and gas assets | (4,663.89) | – | (4,663.89) |
| **Balance as at March 31, 2018** | **1,671.17** | **2,385.94** | **4,057.11** |
| **Accumulated impairment** | | | |
| **Balance as at April 1, 2016** | **1,108.72** | **2,385.94** | **3,494.66** |
| Additions | – | – | – |
| **Balance as at March 31, 2017** | **1,108.72** | **2,385.94** | **3,494.66** |
| Additions | – | | |
| **Balance as at March 31, 2018** | **1,108.72** | **2,385.94** | **3,494.66** |
| **Net book value** | | | |
| **Balance as at March 31, 2017** | **612.66** | **–** | **612.66** |
| **Balance as at March 31, 2018** | **562.45** | **–** | **562.45** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

### 6. Investment property

| Particulars | Building |
|---|---|
| **Cost** | |
| **Balance as at April 1, 2016** | **282.39** |
| Additions | - |
| **Balance as at March 31, 2017** | **282.39** |
| Additions | - |
| **Balance as at March 31, 2018** | **282.39** |
| **Accumulated amortization** | |
| **Balance as at April 1, 2016** | **190.65** |
| Amortization for the year | 4.41 |
| **Balance as at March 31, 2017** | **195.06** |
| Amortization for the year | 4.20 |
| **Balance as at March 31, 2018** | **199.26** |
| **Net book value** | |
| **Balance as at March 31, 2017** | **87.33** |
| **Balance as at March 31, 2018** | **83.13** |

**6.1 Fair value of the Company's investment property**

The following table gives details of the fair value of the Company's investment property as at March 31,2018 and March 31, 2017.

| Particulars | Level 3 : March 31, 2018 | March 31, 2017 |
|---|---|---|
| Building | 1,290.00 | 1,290.00 |

The fair value of the Company's investment property have been arrived at on the basis of a valuation carried out by M/s Vitec Consultancy, independent valuers, not related to the Company. M/s Vitec Consultancy are registered with the authority which governs the valuers in India, and they have appropriate qualifications and relevant experience in the valuation of properties in the relevant locations. Fair value was derived using the market comparable approach based on the recent market/government prices without any significant adjustments being made to the market observable data.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

### 7. Intangible assets

| Particulars | Software | Exploration | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance as at April 1, 2016** | **259.56** | **–** | **259.56** |
| Additions | 267.11 | – | 267.11 |
| **Balance as at March 31, 2017** | **526.67** | **–** | **526.67** |
| Additions | – | 814.72 | 814.72 |
| **Balance as at March 31, 2018** | **526.67** | **814.72** | **1,341.39** |
| **Accumulated amortization and impairment** | | | |
| **Balance as at April 1, 2016** | **257.96** | **–** | **257.96** |
| Amortization for the year | 71.06 | – | 71.06 |
| **Balance as at March 31, 2017** | **329.02** | **–** | **329.02** |
| Amortization for the year | 29.62 | – | 29.62 |
| **Balance as at March 31, 2018** | **358.64** | **–** | **358.64** |
| **Net book value** | | | |
| **Balance as at March 31, 2017** | **197.65** | **–** | **197.65** |
| **Balance as at March 31, 2018** | **168.03** | **814.72** | **982.75** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**8. Financial assets**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **(a) Investments in subsidiary** | | |
| ***Unquoted equity shares of subsidiary*** | | |
| 50,002 (PY: 50,002) equity shares of ₹ 100 each fully paid-up in Hindage Oilfield Services Limited | 50.00 | 50.00 |
| **Total** | **50.00** | **50.00** |
| **(b) Deposit under site restoration fund scheme** | | |
| Site restoration deposit with bank with maturity period in excess of 12 months | 5,513.30 | 5,143.70 |
| **Total** | **5,513.30** | **5,143.70** |
| The above amount has been deposited with banks under section 33ABA of the Income Tax Act, 1961 and can be withdrawn only for the purposes of site restoration pursuant to an abandonment plan agreed with the Government of India. Therefore, this amount is considered as restricted cash and not considered as 'Cash and cash equivalents'. | | |
| **(c) Other bank balance** | | |
| Bank deposits-maturity > 12 months | 5.20 | – |
| **Total** | **5.20** | **–** |
| **(d) Other financial assets - non current** | | |
| **(i) Unsecured and considered good** | | |
| Capital Advances | 39.71 | 3.53 |
| **(ii) Unsecured and considered doubtful** | | |
| Capital advances | 13.55 | 13.55 |
| Advances recoverable in cash or kind | - | 476.30 |
| **Less: Provision for doubtful advances** | (13.55) | (489.85) |
| **Total** | **39.71** | **3.53** |

**9. Deferred tax assets (net)**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Exploration expenses | 4,227.87 | 4,890.55 |
| Development expenses | 729.73 | 867.26 |
| Provision for doubtful advances | – | 157.48 |
| Depreciation, depletion, amortization and impairment of assets | 9,525.08 | 15,527.27 |
| Unabsorbed business losses and depreciation | 26,368.12 | 25,075.05 |
| Others | 1.61 | – |
| **Deferred tax assets** | **40,852.41** | **46,517.61** |
| Less: Amounts not recognised (Refer notes below) | (40,852.41) | (46,517.61) |
| **Deferred tax assets** | **–** | **–** |

Notes: Deferred tax asset has not been recognized in the absence of virtual certainty that sufficient future taxable income couldbe available to utilize these assets.

There is no provision for tax in view of the brought forward losses / unabsorbed depreciation relating to earlier years available for set off while computing income under the provisions of the Income Tax Act, 1961.

The Company is entitled for a Minimum Alternate Tax credit of ₹ 4,821.97 lacs as on 31 March 2018.

# NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

## 10. Inventories

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Finished goods | | |
| - Crude oil | 33.98 | 29.19 |
| - Condensate | 517.52 | 58.96 |
| Drilling and production stores, and spares* | 2,275.97 | 2,381.54 |
| | **2,827.47** | **2,469.69** |

* Net of write off current year nil (previous year ₹ 103.69 lacs)

## 11. Investments - Current

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | Quantity | ₹ in lacs | Quantity | ₹ in lacs |
| **Financial assets carried at fair value through profit and loss.** | | | | |
| **i) Quoted equity instruments** | | | | |
| Reliance Industries Limited Equity Shares @ ₹ 10 each | 1272 | 11.23 | 318 | 4.20 |
| Reliance Communication Ventures Limited Equity Shares @ ₹ 10 each | 318 | 0.07 | 318 | 0.12 |
| Reliance Infrastructure Limited Equity Shares @ ₹ 10 each | 23 | 0.10 | 23 | 0.13 |
| Reliance Capital Limited Equity Shares @ ₹ 10 each | 30 | 0.13 | 15 | 0.09 |
| Reliance Power Limited Equity Shares @ ₹ 10 each | 79 | 0.03 | 79 | 0.04 |
| (i) | | **11.56** | | **4.58** |
| **ii) Mutual Funds** | | | | |
| Units of Liquid/Liquid plus/Short Term/Medium Term schemes | | | | |
| Birla Dynamic Bond Fund - Retail - Growth @ ₹ 10 each | 1,356,824.12 | 406.81 | 3,230,788.75 | 938.02 |
| Birla Floating Rate-Long term fund - Growth @ ₹ 10 each | - | - | 264,070.19 | 524.93 |
| Birla Savings Fund - Growth @ ₹ 100 each | - | - | 365,663.37 | 1,165.19 |
| HDFC Floating Rate Income Fund - Short Term -Option-G @₹ 10 each | - | - | 5,314,420.17 | 1,502.38 |
| HDFC High Interest Fund -Dynamic Plan- Growth @ ₹ 10 each | - | - | 967,458.56 | 547.88 |
| HDFC High Interest Fund -Short Term Plan- Growth @ ₹ 10 each | 3,301,766.80 | 1,136.93 | 5,488,824.43 | 1,778.92 |
| ICICI Prudential Short Term Fund -Regular-Growth @ ₹ 10 each | 2,222,466.21 | 804.81 | 3,193,051.92 | 1,089.54 |
| IDFC SSIF - Medium Term Fund - Growth @ ₹ 10 each | - | - | 3,911,047.14 | 1,084.43 |
| IDFC SSIF - Investment plan -Growth @ ₹ 10 each | 627,355.72 | 258.88 | 627,355.72 | 253.69 |
| IDFC Ultra short term fund - Growth @ ₹ 10 each | - | - | 3,457,931.91 | 796.33 |
| Kotak Bond (Short Term) - Growth - (Reg. Plan) @ ₹ 1,000 each | - | - | 5,125,612.62 | 1,575.40 |
| Reliance Dynamic Bond Fund - Growth @ ₹ 10 each | 3,187,920.00 | 738.95 | 3,187,920.00 | 712.83 |
| Reliance Short Term Fund - Growth @ ₹ 10 each | 724,708.58 | 236.63 | 724,708.58 | 223.33 |
| SBI Short Term Debt Fund - Regular Plan - Growth @ ₹ 10 each | - | - | 5,714,742.89 | 1,080.14 |
| Tata Ultra short Fund Regular Plan - Growth @ ₹ 1,000 each | - | - | 18,538.72 | 457.00 |
| Tata Short Term Bond Fund Regular Plan- Growth @ ₹ 10 each | - | - | 726,754.75 | 222.16 |
| TATA Dynamic Bond Fund - Growth @ ₹ 10 each | 2,232,409.71 | 588.93 | 4,517,070.87 | 1,147.09 |
| (ii) | | **4,171.94** | | **15,099.26** |
| **iii) Unquoted Equity Instruments** | | | | |
| Equity Shares of ₹ 10 each of Gujarat Securities Limited | 100,000 | 10.00 | 100,000 | 10.00 |
| Aggregate amount of impairment in value of investments | | -10.00 | | -10.00 |
| (iii) | | - | | - |
| **Total (i) + (ii) + (iii)** | | **4,183.50** | | **15,103.84** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**11. Investments - Current** *(continued)*

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Aggregate amount (cost) of Quoted Investments | 0.49 | 0.49 |
| **Market Value of Quoted Investments** | **11.56** | **4.58** |
| Aggregate amount (cost) of mutual fund Investments | 3,789.33 | 14,132.21 |
| **Fair value of mutual fund Investments** | **4,171.94** | **15,099.26** |
| Aggregate Value of Unquoted equity Instruments | – | – |
| **Total Investments** | **4,183.50** | **15,103.84** |

**12. Trade Receivables - current**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Unsecured and considered good (unless otherwise stated)** | | |
| Other trade receivables | 1,607.30 | 473.78 |
| | **1,607.30** | **473.78** |

**12.1** The Company enters into long-term crude oil and gas sales arrangement with its customers. The average credit period on sale of products is varying from 7- 45 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice.

Accordingly, the Company assess the impairment loss on dues from the customers on facts and circumstances relevant to each transaction. Usually, Company collects all its receivables from its customers within 30 days.

The Company has less credit risk due to the fact that the Company has significant receivables from customers which are reputed and creditworthy public-sector undertakings (PSUs).

**Age of receivables**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Within the credit period | 1,228.55 | 434.81 |
| 1-30 days past due | 286.42 | 38.97 |
| 31-90 days past due | 48.45 | – |
| More than 90 days past due | 43.88 | – |
| **Total** | **1,607.30** | **473.78** |

**13. Cash and cash equivalents**

For the purposes of statement of cash flow, cash and cash equivalents include cash on hand and balance with banks. Cash & cash equivalents and term deposits not exceeding 3 months at the end of the reporting period can be reconciled to the related items in the balance sheet as follows:

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Balances with banks:** | | |
| Current accounts | 6,909.06 | 2,659.72 |
| Bank deposits- maturity < 3 months | 1,509.30 | 183.00 |
| | **8,418.36** | **2,842.72** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**14. Other bank balances**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Bank Deposits- maturity > 3 months; < 12 months | 732.97 | 580.33 |
| Unclaimed/unpaid dividend accounts | - | 6.36 |
| | **732.97** | **586.09** |

**15. Other Financial assets - current**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Security deposits | 78.94 | 78.65 |
| Pre-deposit - Service tax | 5.78 | 5.78 |
| Advances recoverable in cash or kind | 448.67 | – |
| Interest accrued on deposits | 119.24 | – |
| | **652.63** | **84.43** |

**16. Income tax assets (net) - current**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Advance income tax (net of provision-nil, previous year-nil) | 834.28 | 927.69 |
| | **834.28** | **927.69** |

**17. Other current assets**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Unsecured and considered good** | | |
| Additional fund with LIC for gratuity | – | 7.81 |
| Advances recoverable in cash or kind | 8.22 | 1.17 |
| Prepaid expenses | 60.91 | 34.77 |
| | **69.13** | **43.75** |

**18. Equity share capital**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Authorized** | | |
| 500,000,000 (PY: 500,000,000) equity shares of ₹ 10 each | 50,000.00 | 50,000.00 |
| **Issued** | | |
| 130,563,363 (PY: 130,563,363) equity shares of ₹ 10 each | 13,056.34 | 13,056.34 |
| **Subscribed and Fully Paid up** | | |
| 130,493,289 (PY: 130,493,289) equity shares of ₹ 10 each | 13,049.33 | 13,049.33 |
| Add: Amount Paid-up on Shares Forfeited (32,975 shares) | 1.60 | 1.60 |
| **Total issued, subscribed and fully paid-up share capital** | **13,050.93** | **13,050.93** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**(a) Reconciliation of equity shares and the amount outstanding at the beginning and at the end of the period:**

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | No. | Amount | No. | Amount |
| At the beginning of the year | 130,493,289 | 13,049.33 | 130,493,289 | 13,049.33 |
| Issued during the year | – | – | – | – |
| **Outstanding at the end of the year** | **130,493,289** | **13,049.33** | **130,493,289** | **13,049.33** |

**(b) Terms/rights attached to equity shares**

The Company has one class of equity shares having par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities.

**(c) Details of shareholders holding more than 5% of the aggregate shares in the Company**

| Name of shareholders | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | No. | % of holding | No. | % of holding |
| Ashok Kumar Goel | 18,465,078 | 14.15 | 18,465,078 | 14.15 |
| HDFC Limited | 14,086,303 | 10.79 | 14,826,303 | 11.36 |
| LCI Estates LLP | 8,100,000 | 6.21 | 8,100,000 | 6.21 |

**19. Other equity**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Capital reserve | 96,084.50 | 96,084.50 |
| Securities premium account | 78,415.21 | 78,415.21 |
| ASOP Reserve (refer note 29) | 450.21 | – |
| **Retained earnings** | | |
| Opening balance | (154,414.97) | (158,049.09) |
| Profit for the Year | 3,767.52 | 3,634.12 |
| Net (Deficit) in the statement of profit and loss | (150,647.45) | (154,414.97) |
| **Total Reserves and Surplus** | **24,302.47** | **20,084.74** |

**20. Financial liabilities - non-current**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Trade payables | 2,211.07 | 2,211.07 |
| | **2,211.07** | **2,211.07** |

**21. Provision for decommissioning**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Provision for decommissioning | 9,662.67 | 9,365.00 |
| | **9,662.67** | **9,365.00** |

**21.1 Movement of Provision for Others**

| Particulars | 2017-18 | 2016-17 |
|---|---|---|
| **Balance at beginning of the year** | **9,365.00** | **9,365.00** |
| Recognized during the year | 197.69 | - |
| Unwinding of discount | 99.98 | - |
| **Balance at end of the year** | **9,662.67** | **9,365.00** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**21.2** The Company estimates provision for decommissioning as per the principles of Ind AS 37 'Provisions, Contingent Liabilities and Contingent Assets' for the future decommissioning of Oil & Gas assets at the end of their economic lives. Most of these decommissioning activities would be in the future for which the exact requirements that may have to be met when the removal events occur are uncertain. Technologies and costs for decommissioning are constantly changing. The timing and amounts of future cash flows are subject to significant uncertainty. The economic life of the Oil & Gas assets is estimated on the basis of long term production profile of the relevant oil & gas asset. The timing and amount of future expenditures are reviewed annually, together with rate of inflation for escalation of current cost estimates and the interest rate used in discounting the cash flows.

**21.3** Decommissioning liability for PY-1 field is reviewed as on 31 March, 2018 by an independent engineering consultant and the estimated liability as on 31 March, 2018 is ₹ 6025.17 lacs with adjustment towards inflation and discounting there on. Accordingly, the financial cost charged for the current year is ₹ 90.42 lacs.

**21.4** Decommissioning liability for Dirok field was estimated as on 31 March, 2018 is ₹ 197.68 lacs after adjusting for inflation and discounting thereon.

### 22. Other non-current liabilities

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Provision for compensated absences | 16.78 | 19.84 |
| Provision for gratuity | 2.94 | - |
| | **19.72** | **19.84** |

### 23. Financial liabilities- current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **a) Trade payables** | | |
| Micro, small & medium enterprises (note (i)) | – | 0.24 |
| Others | 1,788.86 | 1,782.36 |
| | **1,788.86** | **1,782.60** |
| **b) Other financial liabilities** | | |
| Unclaimed/unpaid dividend | – | 6.36 |
| Security deposit | 85.00 | 85.00 |
| Payable to joint venture partners | 2,246.82 | 4,833.75 |
| | **2,331.82** | **4,925.11** |

**(i) Details of dues to micro, small & medium enterprises**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Principal amount payable (but not due) to suppliers as at year end | – | 0.24 |
| Interest accrued and due to suppliers on the above amount as at year end | – | – |
| Payment made to suppliers (other than interest) beyond the appointed day, during the year | – | – |
| Interest paid to suppliers (other than Section 16) | – | – |
| Interest paid to suppliers (Section 16) | – | – |
| Interest due and payable to suppliers for payments already made | – | – |
| Interest accrued and remaining unpaid to suppliers as at year end | – | – |

All payments due to Micro, small & medium enterprises have been made within the prescribed time limits and / or date agreed upon under the contract.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

### 24. Other current liabilities

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Statutory dues payable | 99.25 | 62.22 |
| Provision for gratuity | 14.10 | – |
| Compensated absences | 17.13 | 8.12 |
| Director's Commission | 18.00 | – |
| | **148.48** | **70.34** |

### 25. Revenue from operations

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Sale of crude oil / Condensate | 1,603.68 | 1,007.32 |
| Sale of Natural gas | 3,419.82 | 1,631.11 |
| Less: Profit petroleum to Government of India | (152.25) | (136.14) |
| **Net sales** | **4,871.25** | **2,502.29** |

### 25.1 Details of sales revenue

| Product | UOM | For the year ended March 31, 2018 | | For the year ended March 31, 2017 | |
|---|---|---|---|---|---|
| | | Quantity | Value | Quantity | Value |
| Crude oil / Condensate | bbl | 41,934 | 1468.92 | 32,449 | 879.61 |
| Natural gas | mmscf | 1,533 | 3,402.33 | 648 | 1,622.68 |
| | | | **4,871.25** | | **2,502.29** |

### 26. Other income

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Interest income on bank deposits | 141.42 | 68.07 |
| Interest on Site restoration deposits with banks | 369.61 | 340.12 |
| Dividend income | 0.07 | - |
| Profit on disposal of property, plant and equipment | - | 1.74 |
| Net income from financial instruments at fair value | 621.79 | 1,289.98 |
| Net gain on foreign exchange | 0.58 | 7.23 |
| Write back of excess provision no longer required | 1.26 | 1.14 |
| Miscellaneous Income | 8.99 | 0.41 |
| | **1,143.72** | **1,708.69** |

### 27. Share of expenses from producing oil and gas blocks

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Manpower costs | 448.68 | 420.84 |
| Repairs and maintenance | 419.97 | 314.75 |
| Royalty, cess & other duties | 287.49 | 238.50 |
| Insurance | 45.31 | 56.99 |
| Other production expenses | 66.82 | 94.44 |
| Consumables | 3.53 | 6.46 |
| Transportation and logistics | 32.68 | 1.04 |
| | **1,304.48** | **1,133.02** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**28. (Increase)/decrease in stock of crude oil and condensate**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Inventories at the end of the year | (551.49) | (88.15) |
| Less: Inventories at the beginning of the year | 88.15 | 48.98 |
| | **(463.34)** | **(39.17)** |
| Less: Profit petroleum to Government of India | 8.62 | 8.39 |
| **Net (Increase)/decrease in inventories** | **(454.72)** | **(30.78)** |

**29. Employee benefits expense**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Salaries, wages and bonus | 98.54 | 112.80 |
| Contribution to provident fund and other funds | 7.12 | 6.77 |
| Staff welfare expenses | 2.07 | 2.72 |
| Share-based payments | 450.21 | – |
| | **557.94** | **122.29** |

**29.1 Share-Based Payments**

The Company has share option scheme under the Associate Stock Option Plan -2015 approved by the shareholders in the annual general meeting held on 25 September 2015. As approved by the shareholders, Associate Stock Option Plan (ASOP) scheme is being administered by the Nomination and Remuneration committee of the Board of Directors. The share option converts into one equity share of the Company on exercise. No upfront payment shall be payable at the time of grant of the option. All associates who have been allotted shares by virtue of exercise of options issued under scheme will be entitled to receive all regular benefits as shareholders of the company like dividends, bonus shares, etc, if any, announced by the company from the date of allotment of shares. Options may be exercised at any time from the date of vesting to the date of their expiry.

**29.2 Fair value of share options granted in a year**

The weighted average fair value of the share options granted and vested during the financial year ₹ 25.73 per share. Options were priced using Black Scholes model of option pricing. Expected volatility is based on the historical share price volatility. Inputs into the model are as follows:

| Description | For the year ended 31 March 2018 |
|---|---|
| Number of instruments | 1,750,000 |
| Exercise Price | ₹ 10 |
| Share price grant date | ₹ 32.85 |
| Expected life | 4 years |
| Expected volatility | 49.76% |
| Risk free interest rate | 7.5% p.a |

**29.3 Movements in share options during the year**

| Particulars | Options (Numbers) | Weighted average exercise price per option (₹) |
|---|---|---|
| Options granted during the year | 1,750,000 | ₹ 10 |
| Options vested during the year | 1,750,000 | ₹ 10 |
| Options outstanding at the end of the year | 1,750,000 | ₹ 10 |

An amount of ₹ 450.21 lacs was considered and accounted as Share Based Payment during the year.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

### 30. Finance cost

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Unwinding of discount on Decommissioning liability | 99.98 | – |
| | **99.98** | **–** |

### 31. Other expenses

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Office and guest house rent | 18.96 | 20.34 |
| Power | 3.51 | 4.15 |
| Rates and taxes | 9.98 | 8.96 |
| Repairs and maintenance - others | 8.90 | 22.50 |
| General office expenses | 5.63 | 6.37 |
| Travelling and conveyance | 44.85 | 50.51 |
| Communication expenses | 8.68 | 13.57 |
| Membership and subscription | 26.02 | 22.29 |
| Legal and professional fees | 97.61 | 514.09 |
| Insurance | 1.01 | 1.50 |
| Directors' sitting fees | 11.99 | 12.87 |
| Directors' commission | 18.00 | – |
| Printing and stationary | 17.25 | 20.07 |
| Miscellaneous expenses (including DSF data package) | 39.76 | 77.76 |
| | **312.15** | **774.98** |
| **Payment to Auditor:** | | |
| Audit fee | 24.19 | 24.72 |
| Tax audit fee | 1.21 | 2.30 |
| Reimbursements | 0.12 | 0.50 |
| | **25.52** | **27.52** |
| **Total other expenses** | **337.67** | **802.50** |

### 34. Exceptional items

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Write back of provision for doubtful debts * | 448.67 | – |
| Liquidated damages - RJ-2 ( **) | – | (798.91) |
| Interest on income tax refund | – | 3,693.55 |
| **Income (net)** | **448.67** | **2,894.64** |

* The liquidity damages were paid under protest for the block CY-OSN-97/1 in the earlier years, which was accounted as advances and provision was also made for the same amount as doubtful claim. This dispute was referred to arbitration and the arbitration tribunal has passed the award in favour of the company. Further, this award was contested by the Government of India in the high court of Delhi. The hon'ble high court has upheld the arbitration award and therefore the provision made for doubtful claim is reversed in the current year.

** During the previous year for the block RJ-ONN-2005/2, operated by the Oil India Limited was surrendered. The Company has made a provision for the estimated liability of ₹ 798.91 lacs towards liquated damages payable to the Government of India.

# NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**33. Earnings per share (EPS)**

The following reflects the profit and share data used in the basic and diluted EPS computations:

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Profit for the year as per statement of profit & loss | ₹ 3,783.61 lacs | ₹ 3,638.35 lacs |
| | No. | No. |
| Weighted average number of equity shares used in calculating basic EPS | 130,493,289 | 130,493,289 |
| Par value per share | ₹ 10 | ₹ 10 |
| **Earnings per equity share in ₹ computed on the basis of profit for the year-Basic** | **2.90** | **2.78** |
| Weighted average number of equity shares used in calculating diluted EPS | 131,563,149 | 130,493,289 |
| **Earnings per equity share in ₹ computed on the basis of profit for the year-Diluted** | **2.88** | **2.78** |

**34. Significant Accounting Estimates, Assumptions and Judgements**

**(a) Site Restoration Costs**

The company estimates and provides for abandoning of wells, decommissioning of facilities and restoration of sites expected to be incurred at a future date. The same is capitalized as part of producing property in accordance with Ind AS 16. The estimation of liability is as per the industry practice and adjusted for inflation. The estimated cost is discounted to the reporting date by an appropriate discount factor. Accordingly, the difference in cost and depletion is adjusted.

**(b) Employee Benefit Estimates**

**i. Defined contribution plan**

The company makes provident fund contribution under defined contribution plan for qualifying employees. Under the scheme, the company is required to contribute a specified percentage of the payroll cost to fund the benefits. The company recognized ₹ 50.73 lacs (PY: ₹ 33.26 lacs) for provident fund contribution in the statement of profit and loss. The contributions payable to this plan by the company at rates specified in the rules of the scheme.

**ii. Defined benefit plan**

**a) Gratuity**

The following table sets out funded status of the gratuity and the amount recognized in the financial statements.

**Profit and loss account for current period**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Service cost: | | |
| Current service cost | 5.81 | 5.58 |
| Past Service cost and loss/(gain) on curtailments and settlement | 13.05 | – |
| Net interest cost | (0.73) | (1.19) |
| **Total included in 'Employee Benefits Expense'** | **18.13** | **4.39** |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**Other Comprehensive Income for the current period**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Components of actuarial gain/losses on obligations: | | |
| Due to Change in financial assumptions | (1.49) | 1.95 |
| Due to experience adjustments | 15.88 | (2.26) |
| Return on plan assets excluding amounts included in interest income | 1.19 | 1.01 |
| **Amounts recognized in Other Comprehensive Income** | **15.58** | **0.70** |

**Changes in the present value of the defined benefit obligation**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening Defined Benefit Obligation | 49.84 | 43.94 |
| Current service cost | 5.81 | 5.58 |
| Past Service cost | 13.04 | - |
| Interest cost | 3.16 | 3.14 |
| Actuarial loss / (gain) due to change in financial assumptions | (1.49) | 1.95 |
| Actuarial loss / (gain) due to experience | 15.89 | (2.26) |
| Benefits paid | (6.34) | (2.51) |
| **Closing defined benefit obligation** | **79.91** | **49.84** |

**Changes in fair value of plan assets defined benefit obligation**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening value of plan assets | 57.65 | 56.45 |
| Interest Income | 3.89 | 4.32 |
| Return on plan assets excluding amounts included in interest income | (1.19) | (1.01) |
| Contributions by employer | 8.86 | 0.40 |
| Benefits paid | (6.34) | (2.51) |
| **Closing value of plan assets** | **62.87** | **57.65** |

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Present value of the defined benefit obligation | (79.91) | (49.84) |
| Fair value of plan assets | 62.87 | 57.65 |
| **Plan asset / (liability)** | **(17.04)** | **7.81** |

The principal assumptions used in determining gratuity and for the Company's plans are shown below:

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Discount rate | 7.30% | 6.80% |
| Future salary increase | 5.00% | 5.00% |
| Withdrawal rates | 15% at younger ages reducing to 10% at older ages | 15% at younger ages reducing to 10% at older ages |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

Amounts for the current and previous four periods are as follows:

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|---|---|---|---|---|---|
| Defined benefit Obligations | (79.91) | (49.84) | (43.94) | (53.71) | (83.75) |
| Plan Assets | 62.87 | 57.65 | 56.45 | 63.35 | 85.47 |
| **Surplus / (Deficit)** | **(17.04)** | **7.81** | **12.51** | **9.64** | **1.72** |

**Sensitivity to Key assumptions**

| Particulars | March 31, 2018 (2017-2018) DBO | March 31, 2017 (2016-2017) DBO |
|---|---|---|
| Discount rate varied by 0.5% | | |
| + 0.5% | 33.40 | 48.79 |
| - 0.5% | 34.46 | 50.93 |
| Salary growth rate varied by 0.5% | | |
| + 0.5% | 34.47 | 50.84 |
| - 0.5% | 33.99 | 49.09 |
| Withdrawal rate (W.R.) varied by 10% | | |
| W.R. x 110% | 34.08 | – |
| W.R. x 90% | 33.73 | – |

**b) Compensated absences**

The key assumptions used in computation of provision for long term compensated absences are as given below:

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Discount rate | 7.30% | 6.80% |
| Future salary increase | 5.00% | 5.00% |
| Withdrawal rates | 15% at younger ages reducing to 11% at older ages | 15% at younger ages reducing to 11% at older ages |

**35. Oil and Gas Reserves**

As at March 31, 2018, the internal estimates of the Management of Proved & Probable Reserves for the working interest as per the development plan approved by the Directorate General of Hydrocarbons is as follows:

**Developed and Undeveloped:**

| | Unit of Measurement | As at April 1, 2017 | Addition | Production | As at March 31, 2018 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.37 | 2.86 | 0.02 | 3.21 |
| - Gas | BCF | 15.64 | 69.96 | 1.38 | 84.22 |
| Proved + Probable (2P) | | | | | |
| - Oil | MMBBL | 0.66 | 3.58 | 0.02 | 4.22 |
| - Gas | BCF | 64.99 | 65.38 | 1.38 | 128.99 |

**Developed:**

| | Unit of Measurement | As at April 1, 2017 | Addition | Production | As at March 31, 2018 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.37 | 0.36 | 0.02 | 0.71 |
| - Gas | BCF | 7.34 | 56.61 | 1.38 | 62.57 |

Note 1: The above reserve estimates excludes the reserves of PY-3 and CB-OS-1 as it is not commercial at the current prices.

Note 2: Unit of measurement is considered in barrels for oil and cubic feet for gas.

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**Developed and Undeveloped:**

| | Unit of Measurement | As at April 1, 2016 | Addition | Production | As at March 31, 2017 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.38 | 0.01 | 0.02 | 0.37 |
| - Gas | BCF | 16.29 | 0.01 | 0.66 | 15.64 |
| Proved + Probable (2P) | | | | | |
| - Oil | MMBBL | 0.44 | 0.24 | 0.02 | 0.66 |
| - Gas | BCF | 62.77 | 2.88 | 0.66 | 64.99 |

**Developed:**

| | Unit of Measurement | As at April 1, 2016 | Addition | Production | As at March 31, 2017 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.38 | 0.01 | 0.02 | 0.37 |
| - Gas | BCF | 7.99 | 0.01 | 0.66 | 7.34 |

Note 1: The above reserve estimates excludes the reserves of PY-3 and CB-OS-1 as there is no firm development program is in place.

Note 2: Unit of measurement is considered in barrels for oil and cubic feet for gas.

### 36. Segmental reporting

The Company is primarily engaged in a single business segment of "Oil and Gas" in one geographic segment in India. Therefore, there are no separate reportable segments for Segmental Reporting.

### 37. Related Party Disclosures

a) Related Parties as of March 31, 2018:

I. Wholly owned subsidiary company, Hindage Oilfield Services Ltd.,

II. Key management personnel:

Whole-time directors

- Mr. P.Elango -Managing Director
- Mr. R.Jeevanandam-Director & CFO

Non-Executive independent Directors

- Mr. Sunil Behari Mathur-Chairman
- Ms. Sharmila H. Amin
- Mr. P.K.Borthakur (Appointed effective June 15, 2016)

Non-Executive, Non-Independent Directors

- Mr. Ashok Kumar Goel (Appointed effective March 01, 2018)
- Mr. Rohit Rajgopal Dhoot (Appointed effective March 10, 2018)

Company Secretary

- Mr. K.Premnatha (Resigned effective October 27, 2016)
- Ms. G.Josephin Daisy (Appointed effective October 27, 2016)

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

b) Nature and volume of transactions during the year and outstanding balances as at the balance sheet date with the above parties:

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Expenditure** | | |
| Subsidiary-Reimbursement of expenses | 5.11 | 50.27 |
| Key managerial personnel remuneration- | | |
| 1. Mr. P.Elango - Managing Director | 103.16 | 103.16 |
| 2. Mr. R.Jeevanandam - Director & CFO | 97.99 | 97.99 |
| 3. Mr. K.Premnatha - Company Secretary | – | 4.97 |
| 4. Ms. G.Josephin Daisy - Company Secretary | 7.35 | 2.14 |
| Share based payment recognised - Managing Director and Director & CFO | 450.21 | – |
| Sitting fee - Independent Directors | 10.20 | 11.20 |
| Commission - Independent Directors* | 18.00 | – |
| Advances - Wholly owned subsidiary company ** | | |
| Advance paid | 950.00 | – |
| Advance recovered | 950.00 | – |

* which is within 1% of the net profit of the company for the year ended 31 March 2018 subject to the approval of the shareholders.

** Represents advance made for business purposes, which has been repaid during the year.

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Balance outstanding** | | |
| Wholly owned subsidiary company - Security deposit | 85.00 | 85.00 |

**38. Commitments and Contingencies**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **(i) Contingent Liabilities** | | |
| (a) Claims not acknowledged as debts CY-OS-90/1 (Note 1) | 3,112.00 | 2,771.70 |
| (b) Royalty demand (Note 2) | 1,065.00 | 1,027.77 |
| (c) Bank guarantees | 1,530.98 | 10.72 |
| (d) Service tax liability (Note 5) | 168.92 | 168.92 |
| **(ii) Commitments** | | |
| Estimated value of contracts remaining to be executed on capital account and not provided for | 4,570.07 | 1,824.39 |

1. Hardy Exploration & Production (India) Inc., CY-OS-90/1 (PY-3) operator has issued an arbitration notice to all non-operators, ONGC Ltd, Tata Petrodyne Ltd and the company for a total claim of ₹ 6049 lacs (US$ 9.32 million) without interest.Therefore, the claim against the company for its participating interest is ₹ 1624 lacs (US$ 2.05 million). The non-operating parties have not accepted the claim and the company made a counter claim of ₹ 20,168 lacs (US $ 31.08 million). The dispute is being adjudicated by the arbitration tribunal. The claim not acknowledged as debt by the company includes ₹ 1488 lacs for the participating interest of the company relating to the dispute between Aban Offshore Limited and the Operator "Hardy".

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

2. In block PY 1, The Ministry of Petroleum & Natural Gas (MOP&NG) has computed the royalty based on the price realized instead of well head value and made a demand of ₹ 1065 lacs (US$ 1,641,713) for the period from 2009-10 to 2015-16. The company has re-computed the royalty based on wellhead value in terms of the production sharing contract which results in an excess payment of ₹ 1200 lacs (US$ 1,850,022) for the above period and made a request for refund.
3. In the block RJ-ONN-2005/1, there was a delay of more than two years in granting the clearances by the Government of India. In terms of the policy, issued by the Government of India in November 2014, that if there is any delay due to statutory clearances beyond 2 years, the contractor is permitted to exit from the contract without any payment towards the cost of unfinished work program. Accordingly, the company had exercised this option and exited this block on July 9, 2015. Hence, there is no liability or claim exists.
4. With respect to block CB-OS/1 operated by Oil & Natural Gas Corporation Limited (ONGC), there was no operations during the year. Therefore, no expenditure is accounted in the financial statements.
5. During the previous year, there was a demand for service tax for ₹ 77.09 lacs with an equivalent amount of penalty due to disallowance of Cenvat credit for the period from October 2007 to March 2011. An appeal has been filed after paying an amount of ₹ 5.78 lacs to the tax authorities. This dispute is before the Cestat for adjudication and no provision is made in the financial statements. The above amount also includes a demand of ₹ 14.75 pertaining to one of the unincorporated joint ventures.

**39. Consumption of Stores and Spares**

| Particulars | 2017-2018 | | 2016-2017 | |
|---|---|---|---|---|
| | ₹ in lacs | % | ₹ in lacs | % |
| Imported | 6.42 | 22% | 6.72 | 26% |
| Indigenous | 22.45 | 78% | 19.32 | 74% |

**40. Lease obligation**

The company has entered into a lease agreement pertaining to one of the unincorporated joint ventures for the lease of land to install wireless communication towerfor a period of 20 years till 2028. The obligations under the above lease are as follows:

| Particulars | 2017-2018 | 2016-2017 |
|---|---|---|
| Not later than 1 year | 0.50 | 0.49 |
| Later than 1 year and not later than 5 years | 2.73 | 2.65 |
| Later than 5 years | 2.77 | 3.84 |

**41. a) Effects of Changes in Foreign Exchange Rates**

The details of the adjustment pursuant to the above are as under:

| Particulars | 2017-2018 | 2016-2017 |
|---|---|---|
| Exchange differences capitalized to fixed assets (including work in progress) during the year | – | 0.03 |
| Amount of Net amortization of Foreign Currency Monetary Item Translation Difference Account charged to the Statement of Profit and Loss for the year | – | – |

**b) Expenditure in foreign currency (on accrual basis)**

| Particulars | 2017-2018 | 2016-2017 |
|---|---|---|
| Operating expenditure | 9.30 | 6.72 |

**c) Value of Imports calculated on CIF basis (on accrual basis)**

The details of the adjustment pursuant to the above are as under:

| Particulars | 2017-2018 | 2016-2017 |
|---|---|---|
| Components and spare parts | – | 6.72 |
| Capital goods | 315.73 | 987.70 |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**42. Corporate Social Responsibility**

The provisions of Companies Act 2013 relating to corporate social responsibility is applicable for the Company. However, the Company is not required to spend toward CSR activities in the absence of profits calculated as per Section 198 of the Companies Act 2013.

**43. Fair Value Measurements of financial assets**

The following table gives information about how the fair value of these financial assets are determined.

| As at March 31, 2018 | Fair Value Measurements using | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Assets measured at Fair Value** | | | | |
| - Quoted equity instruments | 11.56 | 11.56 | – | – |
| - Mutual Fund investments | 4,171.94 | 4,171.94 | – | – |

| As at March 31, 2017 | Fair Value Measurements using | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Assets measured at Fair Value** | | | | |
| - Quoted equity instruments | 4.58 | 4.58 | – | – |
| - Mutual Fund investments | 15,099.26 | 15,099.26 | – | – |

* Note: Level 1: Quoted market prices in active markets, where available.
Level 2: Valuation techniques where fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques where fair value measurement is unobservable.

**44. Financial instrument disclosure**

**a. Capital Management**

The Company manages its capital to ensure that it will be able to continue as a going concern by optimizing the shareholder's value with the right balance of debt and equity. The Company maintains the debt free status as on date and would raise capital as required by maintaining an appropriate gearing. The Risk Management committee of the company periodically reviews the capital to ensure the capital adequacy. Currently, the capital structure of the Company consists of total equity and the company has no borrowings.

**b. Financial Risk Management Objectives**

The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured, managed and mitigated in accordance with the Company's policies.

**(i) Market risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The primary commodity price risks that the company is exposed to include oil and natural gas prices that could adversely affect the value of the company's financial assets, liabilities or expected future cash flow. Market risk comprises the risk of interest rate, currency risk and the other commodity price.

- **Interest rate risk**

  This risk causes the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not availed borrowings, hence is not exposed to interest rate risk.

- **Foreign currency risk**

  Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and operational contracts with the rates payable in foreign currencies. The Company manages its foreign currency risk by having natural hedge as the revenue on sale of oil and gas is determined and paid in equivalent US dollars.

**Details of Unhedged Foreign Currency Exposure**

The details of unhedged Foreign Currency Exposure of the Company, are as under:

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| Trade payables | – | – | $197,000 | ₹ 127.75 lacs |
| Trade receivables | $140,474 | ₹ 90.25 lacs | $113,690 | ₹ 74.05 lacs |

## NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

- **Commodity price risk**

  The Company is exposed to volatility in the oil and gas prices since the Company does not undertake any oil price hedge. The impact of a falling oil price is however partly mitigated via the production sharing formula in the PSCs, whereby the share of gross production to the company increases in a falling oil price environment and the recovery of costs. Gas prices are fixed for certain duration and the same are based on policy guidelines issued by the Government.

**(ii) Credit risk**

Credit risk is the risk that counterparty for sale of its products will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Company is not exposed to credit risk as its sale of oil and gas is to Government Nominees.

**(iii) Liquidity risk**

A formal budgeting and forecasting process is in place and cash forecasts identifying liquidity requirements of the Company are reviewed regularly by the Audit Committee and Board. Financing plans are approved based on end utilization of proceeds and cost of capital.

**45. Events after the reporting period**

The Company has entered into a Share Purchase Agreement with Geofinance Petroleum SA for the acquisition of the entire share capital of Geopetrol International Inc.("GPII"), a company registered and existing under the Laws of Panama. GPII registered as a foreign company in India and operates through a project office in India. GPII has entered into various production sharing contracts with Government of India including a producing oil field Kharsang in Arunachal Pradesh with 25% participating interest. Other parties to the Kharsang field are Oil India Limited ("OIL") with 40%, Geoenpro Private Limited with 10%, and JEKPL private ltd with 25%, a company under the Indian Bankruptcy Code applied for a resolution plan. In addition, GPII holds 50% share capital of Geoenpro Private Limited through Geopetrol Marutius limited. The transaction has been completed on 9 April 2018 by transferring the entire shares of GPII in the name of the Company and consequently, GPII has become the wholly owned subsidiary of the Company.

**46. Approval of financial statements**

The financial statements were approved for issue by the board of directors on May 12, 2018.

**47. Previous Year Figures**

Previous year's figures have been regrouped and reclassified wherever necessary to confirm to the current year's presentation.

**For and on behalf of the Board of Directors**

| | | | | | |
|---|---|---|---|---|---|
| | **S.B.Mathur**<br>Chairman | **Sharmila Amin**<br>Director | **P.K.Borthakur**<br>Director | **Ashok Kumar Goel**<br>Director | **Rohit Rajgopal Dhoot**<br>Director |
| Place : Chennai<br>Date : May 12, 2018 | **P.Elango**<br>Managing Director | **R.Jeevanandam**<br>Director & CFO | **Josephin Daisy**<br>Company Secretary | | |

# INDEPENDENT AUDITOR'S REPORT

**To the Members of**
**Hindustan Oil Exploration Company Limited**

**Report on the Consolidated Ind AS Financial Statements**

We have audited the accompanying consolidated Ind AS financial statements of **HINDUSTAN OIL EXPLORATION COMPANY LIMITED** (hereinafter referred to as "the Parent") and its subsidiary (the Parent and its subsidiary together referred to as "the Group"), comprising the Consolidated Balance Sheet as at 31st March, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements"), which includes six Unincorporated joint ventures accounted on proportionate basis.

**Management's Responsibility for the Consolidated Ind AS Financial Statements**

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its Associates and Joint ventures in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Parent, as aforesaid.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters, which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraphs (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of the other auditors on separate financial statements of the unincorporated joint ventures referred to in the sub-paragraph (a) of the Other Matters paragraph below, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2018, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

**Other Matters**

(a) We did not audit the financial statements of six unincorporated joint Ventures included in the standalone financial statements of the companies included in the Group whose financial statements reflect total assets of ₹ 3,959.71 Lakhs as at 31$^{st}$ March, 2018 and total revenues of ₹ 8.73 Lakhs for the year ended on that date, as considered in the respective standalone financial statements of the companies included in the Group. The financial statements unincorporated joint ventures have been audited by the other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these unincorporated joint ventures, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid unincorporated joint ventures is based solely on the report of such other auditors.

(b) We have placed reliance on technical/commercial evaluation by the management in respect of categorisation of wells as exploratory, development, producing and dry wells, allocation of costs incurred on them, proved developed hydrocarbon reserves and depletion thereof on Oil and Gas assets, impairment and liability for site restoration costs.

Our opinion on the consolidated Ind AS financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

**Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements and the other financial information of unincorporated joint ventures, referred in the Other Matters paragraph above we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.

(e) On the basis of the written representations received from the directors of the Parent as on 31$^{st}$ March, 2018 taken on record by the Board of Directors of the Parent and the reports of the statutory auditors of its subsidiary company, none of the directors of the Group companies is disqualified as on 31$^{st}$ March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls; refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Parents/Subsidiary Company's internal financial controls over financial reporting.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Parent and its subsidiary company.

For **Deloitte Haskins & Sells LLP**
**Chartered Accountants**
(Firm's Registration No.117366W/W-100018)

**Bhavani Balasubramanian**
Partner
Membership No. 22156

Place: Chennai
Date: May 12, 2018

## ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph f under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of **Hindustan Oil Exploration Company Limited** (hereinafter referred to as Parent) and its subsidiary company which is a company incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Parent and its subsidiary company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent and its subsidiary company, which is a company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent and its subsidiary company, which are companies incorporated in India.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors, the Parent and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells LLP**
**Chartered Accountants**
(Firm's Registration No.117366W/W-100018)

**Bhavani Balasubramanian**
Partner
Membership No. 22156

Place : Chennai
Date : May 12, 2018

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

| Particulars | Notes | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **1 Non-current assets** | | | |
| Property, plant & equipment | 4 | | |
| a) Oil and gas assets | 4(a) | 26,293.63 | 22,198.42 |
| b) Others | 4(b) | 699.15 | 698.04 |
| Capital work-in-progress | 5 | 562.45 | 612.66 |
| Investment property | 6 | 83.13 | 87.33 |
| Intangible assets | 7 | 982.75 | 198.50 |
| Financial assets | | | |
| Deposit under site restoration fund | 8(a) | 5,513.30 | 5,143.70 |
| Other bank balances | 8(b) | 5.20 | - |
| Other financial assets | 8(c) | 39.71 | 3.53 |
| Income tax assets (Net) | 9 | 10.96 | 10.96 |
| Deferred tax assets (Net) | 10 | – | – |
| **Total non-current assets** | | **34,190.28** | **28,953.14** |
| **2 Current assets** | | | |
| Inventories | 11 | 2,827.47 | 2,469.69 |
| Financial assets | | | |
| Investments | 12 | 5,064.65 | 16,021.29 |
| Trade receivables | 13 | 1,648.57 | 515.57 |
| Cash and cash equivalents | 14 | 8,430.81 | 2,849.95 |
| Other bank balances | 15 | 732.97 | 586.69 |
| Other financial assets | 16 | 652.83 | 84.63 |
| Income tax assets (Net) | 17 | 834.28 | 927.69 |
| Other current assets | 18 | 78.62 | 66.99 |
| **Total current assets** | | **20,270.20** | **23,522.50** |
| **TOTAL ASSETS** | | **54,460.48** | **52,475.64** |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 19 | 13,050.93 | 13,050.93 |
| Other equity | 20 | 25,269.81 | 21,083.59 |
| **Total equity** | | **38,320.74** | **34,134.52** |
| **Liabilities** | | | |
| **1 Non-current liabilities** | | | |
| Financial liabilities | | | |
| Trade payables | 21 | 2,211.07 | 2,211.07 |
| Long term borrowings | 22 | 24.86 | – |
| Provision for decommissioning | 23 | 9,662.67 | 9,365.00 |
| Other non-current liabilities | 24 | 19.72 | 19.84 |
| **Total non-current liabilities** | | **11,918.32** | **11,595.91** |
| **2 Current liabilities** | | | |
| Financial liabilities | | | |
| Trade payables | 25(a) | 1,806.86 | 1,822.05 |
| Other financial liabilities | 25(b) | 2,259.04 | 4,852.34 |
| Other current liabilities | 26 | 155.52 | 70.82 |
| **Total current liabilities** | | **4,221.42** | **6,745.21** |
| **Total liabilities** | | **16,139.74** | **18,341.12** |
| **TOTAL EQUITY & LIABILITIES** | | **54,460.48** | **52,475.64** |

The accompanying notes forming part of the consolidated financial statements

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**Bhavani Balasubramanian**
Partner

**For and on behalf of the Board of Directors**

**S.B.Mathur** Chairman
**Sharmila Amin** Director
**P.K.Borthakur** Director
**Ashok Kumar Goel** Director
**Rohit Rajgopal Dhoot** Director

Place : Chennai
Date : May 12, 2018

**P.Elango** Managing Director
**R.Jeevanandam** Director & CFO
**Josephin Daisy** Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

| Particulars | Notes | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from operations | 27 | 4,871.25 | 2,556.66 |
| Other income | 28 | 1,183.72 | 1,932.86 |
| **Total income** | | **6,054.97** | **4,489.52** |
| **EXPENSES** | | | |
| Share of expenses from producing oil and gas blocks | 29 | 1,304.48 | 1,133.02 |
| Excise duty | | – | 7.46 |
| Repacking costs | 30 | – | 2.68 |
| Decrease / (Increase) in inventories of traded goods | 31 | – | 28.52 |
| (Increase) / decrease in stock of crude oil and condensate | 32 | (454.72) | (30.78) |
| Employee benefits expense | 33 | 557.94 | 142.83 |
| Depreciation, depletion and amortization | 4,6,7 | 846.87 | 960.34 |
| Finance costs | | | |
| - Unwinding of discount on decommissioning liability | 34 | 99.98 | – |
| - others | 35 | 2.50 | – |
| Other expenses | 36 | 394.49 | 901.48 |
| Write off of obsolete inventories | | – | 237.22 |
| **Total expenses** | | **2,751.54** | **3,382.77** |
| **Profit before exceptional items and tax** | | **3,303.43** | **1,106.75** |
| Exceptional items | 37 | 448.67 | 2,894.64 |
| **Profit before tax** | | **3,752.10** | **4,001.39** |
| (1) Current tax | | – | – |
| (2) Adjustment of tax relating to earlier periods | | – | 381.51 |
| (3) Deferred tax | | – | 13.40 |
| Total tax expense | | **–** | **394.91** |
| **Profit for the year** | | **3,752.10** | **3,606.48** |
| **Other comprehensive income** | | | |
| Other comprehensive income not to be reclassified to profit or loss: | | | |
| - Re-measurement (losses) on defined benefit plans | | (16.09) | (4.23) |
| - Income tax effect on re-measurement | | – | – |
| | | **(16.09)** | **(4.23)** |
| **Total comprehensive income for the year** | | **3,736.01** | **3,602.25** |
| Earnings per equity share of ₹ 10 attributable to equity holders. | 38 | | |
| Basic | | 2.88 | 2.76 |
| Diluted | | 2.85 | 2.76 |

The accompanying notes forming part of the consolidated financial statements

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**Bhavani Balasubramanian**
Partner

Place : Chennai
Date : May 12, 2018

**For and on behalf of the Board of Directors**

**S.B.Mathur** Chairman | **Sharmila Amin** Director | **P.K.Borthakur** Director | **Ashok Kumar Goel** Director | **Rohit Rajgopal Dhoot** Director

**P.Elango** Managing Director | **R.Jeevanandam** Director & CFO | **Josephin Daisy** Company Secretary

# CONSOLIDATED STATEMENT OF CHANGES OF EQUITY FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**a) Equity Share Capital**

| Particulars | Amount |
|---|---|
| Balance as at March 31, 2017 | 13,050.93 |
| Balance as at March 31, 2018 | 13,050.93 |

**b) Other Equity**

| Particulars | Reserves and surplus | | | | | Total |
|---|---|---|---|---|---|---|
| | Security premium | Capital reserve | General reserve | Associate stock option plan reserve | Retained earnings | |
| **Balance as at April 1, 2016** | **78,415.21** | **96,084.50** | **38.00** | **–** | **(157,056.37)** | **17,481.34** |
| Profit for the year | – | – | – | – | 3,606.48 | 3,606.48 |
| Other comprehensive income | – | – | – | – | (4.23) | (4.23) |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **3,602.25** | **3,602.25** |
| **Balance as at March 31, 2017** | **78,415.21** | **96,084.50** | **38.00** | **–** | **(153,454.12)** | **21,083.59** |
| Profit for the year | – | – | – | – | 3,752.10 | 3,752.10 |
| Other comprehensive income | – | – | – | – | (16.09) | (16.09) |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **3,736.01** | **3,736.01** |
| Recognised share-based payments | – | – | – | 450.21 | – | 450.21 |
| **Balance as at March 31, 2018** | **78,415.21** | **96,084.50** | **38.00** | **450.21** | **(149,718.11)** | **25,269.81** |

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**Bhavani Balasubramanian**
Partner

Place : Chennai
Date : May 12, 2018

**For and on behalf of the Board of Directors**

**S.B.Mathur**
Chairman

**Sharmila Amin**
Director

**P.K.Borthakur**
Director

**Ashok Kumar Goel**
Director

**Rohit Rajgopal Dhoot**
Director

**P.Elango**
Managing Director

**R.Jeevanandam**
Director & CFO

**Josephin Daisy**
Company Secretary

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit before tax** | **3,752.10** | **4,001.39** |
| Adjustments for: | | |
| Depletion, depreciation and amortisation | 846.87 | 960.34 |
| Share-based payments charge | 450.21 | – |
| Unwinding of discount on Decommissioning liability | 99.98 | – |
| Provision for compensated absences | 9.01 | 4.99 |
| Write off of Obsolete Inventories | – | 237.22 |
| Provision for doubtful trade and other receivables | – | (6.92) |
| Provision for doubtful advances | 13.70 | – |
| Provision for Creditors | – | (80.21) |
| Excess liabilities / provisions written back | (1.26) | (1.14) |
| Profit on disposal of property, plant and equipment | – | (1.74) |
| Finance income | (511.03) | (408.19) |
| Net income from financial instruments at fair value | (660.72) | (1,372.48) |
| Dividend income | (0.07) | – |
| **Operating profit before working capital changes** | **3,998.79** | **3,333.26** |
| **Working capital adjustments for:** | | |
| Trade receivables | (1,132.99) | (106.06) |
| Inventories | (357.79) | (272.70) |
| Loans and advances and other current assets | (999.31) | (191.14) |
| Trade payables and other liabilities | (2,318.82) | (196.19) |
| **Cash generated from operations** | **(810.12)** | **2,567.17** |
| Direct taxes refunds (net of payments) | 93.41 | 7,258.79 |
| **Net cash flows from operating activities** | **(716.71)** | **9,825.96** |
| **Cash flow from Investing activities** | | |
| Purchase of property, plant and equipment | (4,858.32) | (4,674.37) |
| Proceeds from sale of property, plant and equipment | – | 1.74 |
| Exploration cost | (814.72) | – |
| Purchase of software | – | (267.11) |
| Profit on sale of financial assets | 660.72 | 1,372.48 |
| Interest received | 511.03 | 408.19 |
| Bank deposit - Lien for bank guarantees | (1,526.50) | – |
| Dividend income | 0.07 | – |
| **Net cash flows used in investing activities** | **(6,027.72)** | **(3,159.07)** |
| **Net increase in cash and cash equivalents** | **(6,744.43)** | **6,666.89** |
| **Cash and cash equivalents at the beginning of the year** | **19,451.57** | **12,784.68** |
| **Cash and cash equivalents at the end of the year** | **12,707.14** | **19,451.57** |
| **Components of cash and cash equivalents** | | |
| Balances with banks | | |
| - In deposit accounts | 720.98 | 763.33 |
| - In current accounts | 6,921.51 | 2,666.95 |
| Current Investments | 5,064.65 | 16,021.29 |
| **Total cash and cash equivalents** | **12,707.14** | **19,451.57** |

The accompanying notes forming part of the consolidated financial statements

In terms of our report attached
**For Deloitte Haskins & Sells LLP**
**Chartered Accountants**

**For and on behalf of the Board of Directors**

**S.B.Mathur**
Chairman

**Sharmila Amin**
Director

**P.K.Borthakur**
Director

**Ashok Kumar Goel**
Director

**Rohit Rajgopal Dhoot**
Director

**Bhavani Balasubramanian**
Partner

**P.Elango**
Managing Director

**R.Jeevanandam**
Director & CFO

**Josephin Daisy**
Company Secretary

Place : Chennai
Date : May 12, 2018

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**1. Corporate Information**

Hindustan Oil Exploration Company Limited ('the Company' or "HOEC") was incorporated in India on September 22, 1983 under the provisions of the Companies Act, 1956. The Company's shares are listed on the National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE'). HOEC is engaged in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore.

The Company is a participant in various oil and gas blocks / fields which are in the nature of joint operation through Production Sharing Contracts ('PSC') entered by the Company with Government of India along with other entities. The details of Company's participating interests and of the other entities are as follows:

| Sl. No. | Unincorporated Joint Ventures | Participants | Share (%) | |
|---|---|---|---|---|
| | | | As at March 31, 2018 | As at March 31, 2017 |
| 1 | PY-1 | Hindustan Oil Exploration Company Limited (O) | 100 | 100 |
| 2 | CY-OS-90/1 (PY-3) | Hardy Exploration & Production (India) Inc. (O) | 18 | 18 |
| | | Oil and Natural Gas Corporation Limited | 40 | 40 |
| | | Hindustan Oil Exploration Company Limited | 21 | 21 |
| | | Tata Petrodyne Limited | 21 | 21 |
| 3 | Asjol | Hindustan Oil Exploration Company Limited (O) | 50 | 50 |
| | | Gujarat State Petroleum Corporation Limited | 50 | 50 |
| 4 | North Balol | Hindustan Oil Exploration Company Limited (O) | 25 | 25 |
| | | Gujarat State Petroleum Corporation Limited | 45 | 45 |
| | | Gujarat Natural Resources Limited (GNRL) | 30 | 30 |
| 5 | CB-ON/7 (Palej) | Hindustan Oil Exploration Company Limited (O) | 35 | 35 |
| | | Gujarat State Petroleum Corporation Limited | 35 | 35 |
| | | Oil and Natural Gas Corporation Limited | 30 | 30 |
| 6 | CB-OS/1 | Oil and Natural Gas Corporation Limited (O) | 55.26 | 55.26 |
| | | Hindustan Oil Exploration Company Limited | 38.07 | 38.07 |
| | | Tata Petrodyne Limited | 6.67 | 6.67 |
| 7 | AAP-ON-94/1 (Assam) | Hindustan Oil Exploration Company Limited (O) | 26.882 | 26.882 |
| | | Indian Oil Corporation Limited | 29.032 | 29.032 |
| | | Oil India Limited | 44.086 | 44.086 |
| 8 | MB/OSDSF/ B80/2016 | Hindustan Oil Exploration Company Limited (O) | 50 | 50 |
| | | Adhboot Estates Private Limited | 50 | 50 |
| 9 | AA/ONDSF/ KHEREM/2016 | Hindustan Oil Exploration Company Limited (O) | 40 | 40 |
| | | Oil India Limited | 40 | 40 |
| | | Prize Petroleum Company Limited | 20 | 20 |

*(O) Operator*

The Company has one wholly owned subsidiary, Hindage Oilfield Services Limitedas at the year end.

Hindage Oilfield Services Limited (formerly, HOEC Bardahl India Limited), (HOSL) was incorporated on November 24, 1988 in the state of Gujarat. HOSL was engaged in the business of marketing "Bardahl" brand of auto additives through a distributor agreement with Bardahl Manufacturing Corporation ("BMC"), USA. The agreement entered into with BMC was valid up to 29 February 2016was due for extension. However, the BMC terminated the agreement with HOSL and entered in to an agreement with one of the distributors of HOSL- LV Rustore Applications Pvt Ltd ("LVR").In order to protect the interest of HOSL an arbitration initiated against LVR.A Sole Arbitrator has been appointed to adjudicate the dispute.

Consequent to this, there is a change in the nature of business to include oil field services and HOSL is in the process of identifying suitable business opportunities.

The Company, along with HOSL, shall hereinafter, be collectively referred to as 'the Group'.

**2. Significant Accounting Policies**

**i) Statement of Compliance and Basis of Preparation**

The consolidated financial statements of the Company and its subsidiary (together the Group) have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015. These consolidated financial statements for the year ended March 31, 2018 has prepared in accordance with Ind AS.

For all periods up to and including the year ended March 31, 2018, the Company had prepared its consolidated financial statements under historical cost convention on accrual basis in accordance with the generally accepted accounting principles and the accounting standards notified under section 133 of the Companies Act 2013.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

The Consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

As the operating cycle cannot be identified in normal course due to the special nature of industry, the same has been assumed to have duration of 12 months. Accordingly, all assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Ind AS-1 'Presentation of Financial Statements' and Schedule III to the Companies Act, 2013.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The Company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement which are described as follows:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability.

(c) Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants.

The consolidated financial statements are presented in Indian Rupees, unless otherwise stated.

**ii) Basis of consolidation**

(a) The consolidated financial statements incorporate the financial statement of the Company and its Subsidiary.

(b) All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated in full on consolidation.

(c) The Consolidated financial statements have been prepared using uniform accounting policies, except as stated otherwise, for similar transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.

**iii) Interest in joint operations**

A joint operation is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Company has entered into Unincorporated Joint Ventures (UJVs) with other oil and gas companies and executed Production Sharing Contracts ("PSC") and Revenue Sharing Contracts ("RSC") with the Government of India. These UJVs are in the form of Joint arrangements wherein the participating entity's assets and liabilities are proportionate to its participating interest.

The UJVs entered into by the company are joint operations wherein the liabilities are several, not joint, and not joint and several and therefore do not come under the category of Joint Venture as defined under the Ind AS. In accounting for these joint operations, the company recognizes its assets and liabilities in proportion to its participating interest in the respective UJV. Likewise, revenue and expenses from the UJV are recognized for its participating interest only. The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in the UJVs in accordance with the Ind AS.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises assets, liabilities, revenues and expenses relating to its interest in the UJVs in accordance with the Ind AS.

The consolidated financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Unincorporated Joint Ventures ("UJV") which are accounted, based on the available information in the audited financial statements of UJV on line by line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various PSCs and RSCs. The financial statements of the UJVs are prepared by the respective Operators in accordance with the requirements prescribed by the respective PSCs. Hence, in respect of these UJV's, certain disclosures required under the relevant accounting standards have been made in the financial statements.

**iv) Foreign exchange transactions**

The functional currency of the Company is Indian Rupees which represents the currency of the primary economic environment in which it operates.

In preparing the financial statements of each individual group company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using mean exchange rate prevailing on the last day of the reporting period.

Exchange differences on monetary items are recognized in the Statement of Profit and Loss in the period in which they arise.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**v) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable at the transacted price.

(i) Revenue from the sale of crude oil, condensate and natural gas, net of value added tax and profit petroleum to the Government of India, is recognized on transfer of custody to customers, and the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

(ii) Income from service if any is recognized on accrual basis on its completion and is net of taxes.

(iii) Interest income is recognized on the basis of time, by reference to the principal outstanding and at effective interest rate applicable on initial recognition.

(iv) Dividend Income from investments is recognized when the right to receive has been established.

(v) Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

(vi) Sales of Oil Additives/Lubricants/Car Care Products are recognised on shipment or dispatch to customers. Such sales are stated exclusive of Value Added Tax, Central Sales Tax and are net of Sales return and Trade Discount. Excise duty deducted from gross turnover (gross) is the amount that is included in the amount of gross turnover and not the entire amount of liability that arose during the previous year.

**vi) Taxes**

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

The tax rates and tax laws used to compute are the laws that are enacted or substantively enacted as on the reporting date. The management evaluates makes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Current income taxes**

The current income tax expense includes income taxes payable by the Company. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intends to settle the asset and liability on a net basis.

**Deferred income taxes**

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount. It is recognized only to the extent it is probable that the taxable profit will be available against which the deductible temporary differences and the carry forward losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

The group recognises interest levied and penalties related to income tax assessments in income tax expenses.

**vii) Property,plant and equipment (other than Oil and gas assets)**

Land and buildings held for use in the production and supply of goods or services, or for administrative purposes are stated in the balance sheet at cost less accumulated depreciation and the accumulated impairment losses. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less depreciation.

Historical cost comprises the purchase price and any attributable cost of bringing the asset for its intended use. It includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs for acquisition of fixed assets are capitalized till such assets are ready to be put to use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Improvements to Leasehold premises are amortized over the remaining primary lease period.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**(i) Useful lives used for depreciation (other than Oil and gas assets):**

The Group follows the useful lives set out under Schedule II of the Companies Act 2013 for the purpose of determining the useful lives of respective blocks of property plant and equipment. The following are the useful lives followed:

- Plant & machinery : 15 years
- Building : 60 years
- Office Equipment : 05 years
- Electrical Fittings : 10 years
- Computer : 03 years
- Furniture and Fixtures : 10 years
- Vehicles : 08 years

**(ii) De-recognition of assets**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continuous use of the asset. Any gain or loss arising from such disposal, retirement or de-recognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds and the carrying amount of the item. Such gain or loss is recognized in the statement of profit and loss.

In case of de-recognition of a revalued asset, the corresponding portion of the revaluation surplus as is attributable to that asset is transferred to retained earnings on such de-recognition. Such transfers to retained earnings are made through Other Comprehensive Income and not routed through profit or loss.

**viii) Oil and gas assets**

Oil and gas assets are stated at historical cost less accumulated depletion and impairment. These are accounted in respect of an area / field having proved oil and gas reserves, when the wells in the area / field is ready to commence commercial production.

The Company generally follows the "Successful Efforts Method" of accounting for oil and gas assets as set out by the Guidance Note issued by the ICAI on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on acquisition of license interest is initially capitalized on license by license basis as Intangible Assets. Costs are not depleted within exploratory and development work in progress until the exploration phase is completed or commercial oil and gas reserves are discovered.

(a) Cost of surveys and studies relating to exploration activities are expensed as and when incurred.

(b) Cost of exploratory/appraisal well(s) are expensed when it is not successful and the cost of successful well(s) are retained as exploration expenditure till it is transferred to Producing property on commercial production as tangible assets.

(c) Cost of temporary occupation of land and cost of successful exploratory, appraisal and development wells are considered as development expenditure. These expenses are capitalized as Producing Property on commercial production.

**Depletion to oil and gas assets**

Depletion is charged on a unit of production method based on proved reserves for acquisition costs and proved and developed reserves for capitalized costs consisting of successful exploratory and development wells, processing facilities, assets for distribution, estimated site restoration costs and all other related costs. These assets are depleted within each cost center. Reserves for these purposes are considered on working interest basis which are assessed annually. Impact of changes to reserves if any are accounted prospectively.

**ix) Site restoration**

Provision for decommissioning costs are recognized as and when the Company has a legal or constructive obligation to plug and abandon a well, dismantle and remove Plant and Equipment to restore the site on which it is located. The estimated liability towards the costs relating to dismantling, abandoning and restoring well sites and allied facilities are recognized in respective assets when the well is completed, and the Plant and Equipment are installed.

The amount recognized is the present value of the estimated future expenditure determined using existing technology at current prices and escalated using appropriate inflation rate till the expected date of decommissioning and discounted up to the reporting date using the appropriate risk-free interest rate.

The corresponding amount is also capitalized to the cost of the producing property and is depleted on unit of production method. Any change in the estimated liability is dealt with prospectively and is also adjusted to the carrying value of the producing property.

Any change in the present value of the estimated decommissioning expenditure other than the periodic unwinding of discount is adjusted to the decommissioning provision and the carrying value of the asset. In case reversal of provision exceeds the carrying amount of the related asset, the excess amount is recognized in the Statement of Profit and Loss. The unwinding of discount on provision is charged in the Statement of Profit and Loss as finance cost.

Provision for decommissioning cost in respect of assets under Joint Operations is considered as per the participating interest of the Company in the block/field.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**x) Intangible assets**

Intangible assets with a finite useful life acquired separately are measured on initial recognition, at costs. Intangible assets are carried at cost less accumulated amortization and impairment losses if any.

The Company amortizes intangible assets with a finite useful life using the straight-line method. The useful life considered for computer software is 6 years.

**xi) Impairment**

The carrying values of assets / cash generating units are assessed for impairment at the end of every reporting period. If the carrying amount of an asset exceeds the estimated recoverable amount, an impairment is recognized as expense in the statement of profit and loss. The recoverable amount is the greater of the net selling price and value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on an appropriate discount factor.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset is increased to its recoverable amount. However, such reversal shall not exceed the carrying amount had there been no impairment loss.

**xii) Inventories**

The accounting treatment in respect of recognition and measurement of inventory is as follows:

(i) Closing stock of crude oil and condensate in saleable condition is valued at the estimated net realizable value in the ordinary course of business.

(ii) Stores, spares, capital stock and drilling tangibles are valued at cost on first in first out basis or estimated net realizable value, whichever is lower.

(iii) Inventory of Oil additives/Lubricants/Car Care Products are valued at lower of Cost or Net Realisable Value. Cost is ascertained on a specific identification basis. Inventories include Packed, Unpacked stock and Packing Materials. Cost of Unpacked material includes cost of materials (net of Cenvat / VAT), Custom duty, Insurance, Freight, Clearing Charges. Cost of Packed Materials includes materials and repacking cost. Excise duty liability is included in the valuation of closing inventory of Packed Materials. Obsolescence of inventory is determined on the material consumption pattern / specific review and is accordingly provided for.

Inventories are periodically assessed for restatement at lower of cost or net realizable value. On restatement, any write-down of inventory to net realizable value is recognized as an expense in the period the write-down or loss occurs. In case of increase in the net realizable value, the increase is recognized and reversed to the extent of write-down.

**xiii) Employee benefits**

Employee benefits include salaries, wages, provident fund, gratuity, leave encashment towards un-availed leave, compensated absences and other terminal benefits.

All short-term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

**a) Defined contribution plan**

The Company's contribution to provident fund is considered as defined contribution plan and are recognized as and when the employees have rendered services entitling them to contributions.

**b) Defined benefit plan**

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date using the Projected Unit Credit method.

Re-measurement comprising actuarial gains and losses are reflected immediately in the balance sheet with a charge or credit recognized in the Other Comprehensive Income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is recognized the Statement of Profit and Lossexcept those included in cost of assets as permitted.

Defined benefit costs are categorized as Service cost, Net interest expense and re-measurement cost.

**c) Long term employee benefit**

The liability for long term compensated absences which are not expected to occur within 12 months after the end of the period in which the employee rendered related service are recognized as liability based on actuarial valuation as at the balance sheet date.

**d)** Other Employee Benefits including allowances, incentives etc. are recognized based on the terms of the employment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**xiv) Employee share based payment**

Equity settled share-based payments to employees are measured at fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity settled share-based payment is expensed on straight line basis over the vesting period based on the Company's estimate of the equity instrument that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that cumulative expense reflects the revised estimate, with corresponding adjustment to the equity-settled employee benefits reserve.

**xv) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All finance assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or disposal are added to or deducted from the fair value of the financial assets or financial liabilities.

**Financial assets**

All regular purchases or sales of financial assets are recognized and derecognized on the trade date. Recognized financial assets are subsequently measured in their entirety at the fair value. In case of investments in wholly owned subsidiary, the investments are considered at cost subject to impairment if any.

A financial asset is de-recognized only when the Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

**Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition.

**Financial liabilities**

All financial liabilities are recognized initially at fair value. In the case of loans, borrowings and payables, recognition is net of directly attributable transaction and other costs. The Company's financial liabilities may include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments. The measurement of financial liabilities is at fair value and adjustment thereon is routed through profit or loss.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

**xvi) Provisions, Contingent liabilities and Contingent assets**

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which the reliable estimate can be made.

Provisions (excluding retirement benefits and compensated absences) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date adjusted to reflect the current best estimates.

In case of contingent liabilities, where there is no certainty of outflow or the amount of obligation cannot be measured reliably, disclosure is made in the notes forming part of the financial statements. Contingent assets are not recognized in the financial statements. However, where the realization of income is reasonably certain, a disclosure of the fact is provided.

**xvii) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset to the Company. All other leases are classified as operating leases. Operating lease payments for land are recognized as prepayments and amortized on a straight-line basis over the term of the lease. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

**xviii) Earnings per share**

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

**xix) Cash flow statement**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows are segregated into operating, investing and financing activities.

**xx) Cash and cash equivalents**

Cash comprises for the purposes of cash flow statement comprise cash on hand and demand deposits with banks. Cash equivalents are short-term balances with a maturity of not exceeding three months, highly liquid investments that are readily convertible in to known amount of cash which are subject to insignificant risk of change in value.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

## 3. Critical accounting judgments, assumptions and key sources of estimation uncertainty

Inherent in the application of many of the accounting policies used in preparing the Financial Statements is the need for Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual outcomes could differ from the estimates and assumptions used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

Key source of judgments, assumptions and estimation uncertainty in the preparation of the Financial Statements which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of Oil and Gas reserves, impairment, useful lives of Property, Plant and Equipment, depletion of oil and gas assets, decommissioning provision, employee benefit obligations, provisions, provision for income tax, measurement of deferred tax assets and contingent assets & liabilities.

### 3.1 Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (Refer note 4(b)), that the Management have made in the process of applying the Group's accounting policies and that have the significant effect on the amounts recognized in the Financial Statements.

**(a) Determination of functional currency**

Currency of the primary economic environment in which the Group operates ("the functional currency") is Indian Rupee (₹) in which the Group primarily generates and expends cash. Accordingly, the Management has assessed its functional currency to be Indian Rupee (₹).

**b) Evaluation of indicators for impairment of oil and gas assets**

The evaluation of applicability of indicators of impairment of assets requires assessment of external factors such as significant decline in asset's value, significant changes in the technological, market, economic or legal environment, market interest rates etc. and internal factors such as obsolescence or physical damage of an asset, poor economic performance of the asset etc. which could result in significant change in recoverable amount of the oil and gas assets.

### 3.2 Assumptions and key sources of estimation uncertainty

**a) Estimation of provision for decommissioning**

The Company estimates provision for decommissioning for the future decommissioning of oil & gas assets at the end of their economic lives. Most of these decommissioning activities would be in the future, the exact requirements that may have to be met when the occurrence of removal events are uncertain. Technologies and costs for decommissioning are varying constantly. The timing and amounts of future cash flows are subject to significant uncertainty.

The timing and the future expenditures are reviewed at the end of each reporting period, together with rate of inflation for current cost estimates and the interest rate used in discounting the cash flows. The economic life of the oil & gas assets is estimated based on the economic production profile of the relevant oil & gas asset.

**b) Estimation of reserves**

Management estimates production profile (proved and developed reserves) in relation to all the oil and gas assets determined as per the industry practice. The estimates so determined are used for the computation of depletion and loss of impairment if any.

The year-end reserves of the Company have been estimated by the G&G team which follows the guidelines for application of the petroleum resource management system consistently. The Company has adopted the reserves estimation by following the guidelines of Society of Petroleum Engineers (SPE) which defines "Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on development project(s) applied". Volumetric estimation is made which uses reservoir rock and fluid properties to calculate hydrocarbons in-place and then estimate the recoverable reserves from it. As the field gets matured with production history the material balance, simulation, decline curve analysis are applied to get more accurate assessments of reserves.

The annual revision of estimates is based on the yearly exploratory and development activities and results thereof. In addition, new in- place volume and ultimate recoverable reserves are estimated for any new discoveries or new pool of discoveries in the existing fields and the appraisal activities may lead to revision in estimates due to new sub-surface data. Similarly, reinterpretation is also carried out based on the production data by updating the static and dynamic models leading to change in reserves. New interventional technology, change in classifications and contractual provisions may also necessitate revision in the estimation of reserves.

**c) Defined Benefit Obligation (DBO)**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

## 4. Property, plant & equipment

**Summary**

| Carrying amount of: | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **a) Oil and gas assets** | **26,293.63** | **22,198.42** |
| **b) Others** | | |
| - Freehold land | 239.28 | 239.28 |
| - Buildings | 414.40 | 435.48 |
| - Furniture & fixtures | 1.32 | 2.24 |
| - Vehicles | 28.15 | 1.48 |
| - Office equipment | 4.55 | 3.83 |
| - Computers | 11.45 | 15.73 |
| | **699.15** | **698.04** |

| Carrying amount of: | Oil and gas assets | Others | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Freehold land | Buildings | Plant & machinery | Furnitures & fixures | Vehicles* | Office equipment | Computers | Lease hold improvements | |
| **Cost or deemed cost** | | | | | | | | | | |
| **Balance as at April 1, 2016** | **227,503.10** | **239.28** | **760.93** | **20.07** | **64.82** | **26.43** | **102.84** | **96.48** | **22.32** | **228,836.27** |
| Additions | 1.88 | – | – | – | 0.79 | – | 2.72 | 22.25 | – | 27.64 |
| Disposals/adjustments | (663.46) | – | – | – | – | (13.57) | (1.16) | (8.83) | – | (687.02) |
| Transfer from Capital Work-in-progress | 17,708.98 | – | – | – | – | – | – | – | – | 17,708.98 |
| **Balance as at March 31, 2017** | **244,550.50** | **239.28** | **760.93** | **20.07** | **65.61** | **12.86** | **104.40** | **109.90** | **22.32** | **245,885.87** |
| Additions / (Deletions) * | 200.62 | – | – | – | 0.32 | 35.99 | 4.31 | 3.39 | – | 244.63 |
| Transfer from Capital Work-in-progress | 4,663.89 | – | – | – | – | – | – | – | – | 4,663.89 |
| **Balance as at March 31, 2018** | **249,415.01** | **239.28** | **760.93** | **20.07** | **65.93** | **48.85** | **108.71** | **113.29** | **22.32** | **250,794.39** |
| **Accumulated depreciation and impairment** | | | | | | | | | | |
| **Balance as at April 1, 2016** | **221,515.79** | **-** | **303.30** | **13.44** | **62.61** | **24.17** | **98.84** | **90.82** | **20.34** | **222,129.31** |
| Depreciation for the year | 836.29 | – | 22.15 | 6.63 | 0.76 | 0.78 | 2.89 | 12.19 | 1.98 | 883.67 |
| Deletions | – | – | – | – | – | (13.57) | (1.16) | (8.84) | – | (23.57) |
| **Balance as at March 31, 2017** | **222,352.08** | **-** | **325.45** | **20.07** | **63.37** | **11.38** | **100.57** | **94.17** | **22.32** | **222,989.41** |
| Depreciation for the year | 769.30 | – | 21.08 | – | 1.24 | 9.32 | 3.59 | 7.67 | – | 812.20 |
| Deletions | – | – | – | – | – | – | – | – | – | – |
| **Balance as at March 31, 2018** | **223,121.38** | **-** | **346.53** | **20.07** | **64.61** | **20.70** | **104.16** | **101.84** | **22.32** | **223,801.61** |
| **Net book value** | | | | | | | | | | |
| **Balance as at March 31, 2017** | **22,198.42** | **239.28** | **435.48** | **-** | **2.24** | **1.48** | **3.83** | **15.73** | **-** | **22,896.46** |
| **Balance as at March 31, 2018** | **26,293.63** | **239.28** | **414.40** | **-** | **1.32** | **28.15** | **4.55** | **11.45** | **-** | **26,992.78** |

* Acquired under finance lease.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**5. Capital work-in-progress**

| Particulars | Development Expenditure | Exploration Expenditure | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance as at April 1, 2016** | **2,533.33** | **13,972.79** | **16,506.12** |
| Additions | 5,310.18 | – | 5,310.18 |
| Transfer to oil and gas assets | (6,122.13) | (11,586.85) | (17,708.98) |
| **Balance as at March 31, 2017** | **1,721.38** | **2,385.94** | **4,107.32** |
| Additions | 4,613.68 | – | 4,613.68 |
| Transfer to oil and gas assets | (4,663.89) | – | (4,663.89) |
| **Balance as at March 31, 2018** | **1,671.17** | **2,385.94** | **4,057.11** |
| **Accumulated impairment** | | | |
| **Balance as at April 1, 2016** | **1,108.72** | **2,385.94** | **3,494.66** |
| Additions | – | – | – |
| **Balance as at March 31, 2017** | **1,108.72** | **2,385.94** | **3,494.66** |
| Additions | – | | |
| **Balance as at March 31, 2018** | **1,108.72** | **2,385.94** | **3,494.66** |
| **Net book value** | | | |
| **Balance as at March 31, 2017** | **612.66** | **–** | **612.66** |
| **Balance as at March 31, 2018** | **562.45** | **–** | **562.45** |

**6. Investment property**

| Particulars | Building |
|---|---|
| **Cost** | |
| **Balance as at April 1, 2016** | **282.39** |
| Additions | - |
| **Balance as at March 31, 2017** | **282.39** |
| Additions | - |
| **Balance as at March 31, 2018** | **282.39** |
| **Accumulated amortization** | |
| **Balance as at April 1, 2016** | **190.65** |
| Amortization for the year | 4.41 |
| **Balance as at March 31, 2017** | **195.06** |
| Amortization for the year | 4.20 |
| **Balance as at March 31, 2018** | **199.26** |
| **Net book value** | |
| **Balance as at March 31, 2017** | **87.33** |
| **Balance as at March 31, 2018** | **83.13** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**6.1 Fair value of the Company's investment property**

The following table gives details of the fair value of the Company's investment property as at March 31,2018 and March 31, 2017.

| Particulars | Level 3 : March 31, 2018 | March 31, 2017 |
|---|---|---|
| Building | 1,290.00 | 1,290.00 |

The fair value of the Company's investment property have been arrived at on the basis of a valuation carried out by M/s Vitec Consultancy independent valuers not related to the Company. M/s Vitec Consultancy are registered with the authority which governs the valuers in India, and they have appropriate qualifications and relevant experience in the valuation of properties in the relevant locations. Fair value was derived using the market comparable approach based on the recent market / government prices without any significant adjustments being made to the market observable data.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

**7. Intangible assets - others**

| Particulars | Software | Exploration | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance as at April 1, 2016** | **263.00** | **–** | **263.00** |
| Additions | 267.11 | – | 267.11 |
| **Balance as at March 31, 2017** | **530.11** | **–** | **530.11** |
| Additions | – | 814.72 | 814.72 |
| **Balance as at March 31, 2018** | **530.11** | **814.72** | **1,344.83** |
| **Accumulated amortization and impairment** | | | |
| **Balance as at April 1, 2016** | **259.35** | **–** | **259.35** |
| Amortization for the year | 72.26 | – | 72.26 |
| **Balance as at March 31, 2017** | **331.61** | **–** | **331.61** |
| Amortization for the year | 30.47 | – | 30.47 |
| **Balance as at March 31, 2018** | **362.08** | **–** | **362.08** |
| **Net book value** | | | |
| **Balance as at March 31, 2017** | **198.50** | **–** | **198.50** |
| **Balance as at March 31, 2018** | **168.03** | **814.72** | **982.75** |

**8. Financial assets**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **(a) Deposit under site restoration fund scheme** | | |
| Site restoration deposit with bank with maturity period in excess of 12 months | 5,513.30 | 5,143.70 |
| **Total** | **5,513.30** | **5,143.70** |
| The above amount has been deposited with banks under section 33ABA of the Income Tax Act, 1961 and can be withdrawn only for the purposes of site restoration pursuant to an abandonment plan agreed with the Government of India. Therefore, this amount is considered as restricted cash and not considered as 'Cash and cash equivalents'. | | |
| **(b) Other bank balance** | | |
| Bank deposits-maturity > 12 months | 5.20 | – |
| **(c) Other financial assets - non current** | | |
| **(i) Unsecured and considered good** | | |
| Capital advances | 39.71 | 3.53 |
| **(ii) Unsecured and considered doubtful** | | |
| Capital Advances | 13.55 | 13.55 |
| Advances recoverable in cash or kind | – | 476.30 |
| **Less: Provision for doubtful advances** | **(13.55)** | **(489.85)** |
| **Total** | **39.71** | **3.53** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**9. Income tax assets (net)**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Advance income tax (net of provision) | 10.96 | 10.96 |
| **Total** | **10.96** | **10.96** |

**10. Deferred tax assets (net)**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Exploration expenses | 4,227.87 | 4,890.55 |
| Development expenses | 729.73 | 867.26 |
| Doubtful advances | – | 157.48 |
| Depreciation, depletion, amortization and impairment | 9,525.08 | 15,527.27 |
| Unabsorbed business losses and depreciation | 26,368.12 | 25,075.05 |
| Others | 1.61 | – |
| **Deferred tax asset** | **40,852.41** | **46,517.61** |
| Less: Amounts not recognised (Refer notes below) | (40,852.41) | (46,517.61) |
| **Deferred tax assets** | **–** | **–** |

Notes:

Deferred tax asset has not been recognized in the absence of virtual certainty and convincing evidence that sufficient future taxable income will be available to utilize these assets.

There is no provision for tax in view of the brought forward losses / unabsorbed depreciation relating to earlier years available for set off while computing income under the provisions of the Income Tax Act, 1961.

The Company is entitled for a Minimum Alternate Tax credit of ₹ 4,821.97 lacs as on 31 March, 2018.

**11. Inventories**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Finished goods | | |
| - Crude oil | 33.98 | 29.19 |
| - Condensate | 517.52 | 58.96 |
| Drilling and production stores, and spares* | 2,275.97 | 2,381.54 |
| | **2,827.47** | **2,469.69** |

* Net of write off current year nil (previous year ₹ 103.69 lacs)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

## 12. Investments - Current

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | Quantity | ₹ in lacs | Quantity | ₹ in lacs |
| **Financial assets carried at fair value through profit and loss.** | | | | |
| **A. Quoted equity instruments** | | | | |
| Reliance Industries Limited Equity Shares @ ₹ 10 each | 1272 | 11.23 | 318 | 4.20 |
| Reliance Communication Ventures Limited Equity Shares @ ₹ 10 each | 318 | 0.07 | 318 | 0.12 |
| Reliance Infrastructure Limited Equity Shares @ ₹ 10 each | 23 | 0.10 | 23 | 0.13 |
| Reliance Capital Limited Equity Shares @ ₹ 10 each | 30 | 0.13 | 15 | 0.09 |
| Reliance Power Limited Equity Shares @ ₹ 10 each | 79 | 0.03 | 79 | 0.04 |
| (A) | | **11.56** | | **4.58** |
| **B Mutual Funds** | | | | |
| Units of Liquid/Liquid plus/Short Term/Medium Term schemes | | | | |
| Birla Cash Plus Fund - Regular Plan - Growth @ ₹ 100 each | – | – | 16,934.00 | 44.11 |
| Birla Dynamic Bond Fund - Retail - Growth @ ₹ 10 each | 1,863,697.11 | 558.78 | 3,737,661.75 | 1,085.19 |
| Birla Floating Rate-Long term fund - Growth @ ₹ 10 each | – | – | 264,070.19 | 524.93 |
| Birla Savings Fund - Growth @ ₹ 100 each | – | – | 365,663.37 | 1,165.19 |
| HDFC Floating Rate Income Fund -Short Term- Growth @ ₹ 10 each | – | – | 5,314,420.17 | 1,502.38 |
| HDFC High Interest Fund -Dynamic Plan- Growth @ ₹ 10 each | 308,002.11 | 181.48 | 1,275,460.56 | 722.30 |
| HDFC High Interest Fund -Short Term Plan- Growth @ ₹ 10 each | 3,301,766.80 | 1,136.93 | 5,488,824.43 | 1,778.92 |
| ICICI Prudential Short Term Fund -Regular-Growth @ ₹ 10 each | 2,222,466.21 | 804.81 | 3,193,051.92 | 1,089.54 |
| IDFC SSIF - Medium Term Fund - Growth @ ₹ 10 each | 867,381.50 | 252.19 | 4,778,428.14 | 1,324.93 |
| IDFC SSIF - Investment plan -Growth @ ₹ 10 each | 627,355.72 | 258.87 | 627,355.72 | 253.69 |
| IDFC Ultra short term fund - Growth @ ₹ 10 each | – | – | 3,457,931.91 | 796.33 |
| Kotak Bond (Short Term) - Growth - (Reg. Plan) @ ₹ 1,000 each | – | – | 5,125,612.62 | 1,575.40 |
| Reliance Dynamic Bond Fund - Growth @ ₹ 10 each | 3,187,920.00 | 738.95 | 3,187,920.00 | 712.83 |
| Reliance Short Term Fund - Growth @ ₹ 10 each | 724,708.58 | 236.64 | 724,708.58 | 223.33 |
| SBI Short Term Debt Fund - Regular Plan - Growth @ ₹ 10 each | – | – | 5,714,742.89 | 1,080.14 |
| Tata Ultra short Fund Regular Plan - Growth @ ₹ 1,000 each | 2,391.63 | 62.99 | 22,084.72 | 544.42 |
| Tata Short Term Bond Fund Regular Plan- Growth @ ₹ 10 each | – | – | 726,754.75 | 222.16 |
| TATA Dynamic Bond Fund - Growth @ ₹ 10 each | 3,113,804.06 | 821.45 | 5,398,464.87 | 1,370.92 |
| (B) | | **5,053.09** | | **16,016.71** |
| **C Unquoted Equity Instruments** | | | | |
| Equity Shares of ₹ 10 each of Gujarat Securities Limited | 100,000 | 10.00 | 100,000 | 10.00 |
| Aggregate amount of impairment in value of investments | | (10.00) | | (10.00) |
| (C) | | **-** | | **-** |
| **Total (A) + (B) + (C)** | | **5,064.65** | | **16,021.29** |
| Aggregate amount (cost) of Quoted Investments | | 0.49 | | 0.49 |
| **Market Value of Quoted Investments** | | **11.56** | | **4.58** |
| Aggregate amount (cost) of mutual fund Investments | | 4,536.86 | | 14,946.08 |
| **Fair value of mutual fund Investments** | | **5,053.09** | | **16,016.71** |
| Aggregate Value of Unquoted equity instruments | | – | | – |
| **Total investments** | | **5,064.65** | | **16,021.29** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

## 13. Trade Receivables - current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Unsecured and considered good | 1,648.57 | 515.57 |
| Unsecured and considered doubtful | 2.86 | 2.86 |
| | **1,651.43** | **518.43** |
| Less: Provision for doubtful trade receivables | (2.86) | (2.86) |
| **Total** | **1,648.57** | **515.57** |

**13.1** Generally, the Company enters into long-term crude oil and gas sales arrangement with its customers and distributers of HOSL. The average credit period on sales of crude and gas is [7- 45 days] and for oil additives 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice.

Accordingly, the Company assesses impairment loss on dues from Oil Marketing Companies on facts and circumstances relevant to each transaction. Usually, Company collects all its receivables from Oil Marketing Companies within [30 days].

The Company has less credit risk due to the fact that the Company has significant receivables from customers which are reputed and creditworthy public-sector undertakings (PSUs).

**Age of receivables**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Within the credit period | 1,228.55 | 434.81 |
| 1-30 days past due | 286.42 | 38.97 |
| 31-90 days past due | 48.45 | – |
| More than 90 days past due | 88.01 | 41.79 |
| **Total** | **1,651.43** | **515.57** |

## 14. Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents include cash on hand and balance with banks. Cash & Cash equivalents and term deposits not exceeding 3 months at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet as follows;

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Balances with banks:** | | |
| Current accounts | 6,921.51 | 2,666.95 |
| Bank deposits-maturity < 3 months | 1,509.30 | 183.00 |
| | **8,430.81** | **2,849.95** |

## 15. Other bank balances

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Bank Deposits-maturity > 3 months; < 12 months | 732.97 | 580.33 |
| Unclaimed/unpaid dividend accounts | – | 6.36 |
| | **732.97** | **586.69** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

### 16. Other Financial assets

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Security deposits | 79.14 | 78.85 |
| Pre-deposit - Service tax | 5.78 | 5.78 |
| Advances recoverable in cash or kind | 448.67 | – |
| Interest accrued on deposits | 119.24 | – |
| | **652.83** | **84.63** |

### 17. Income tax assets (net)

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Advance income tax (net of provision-nil, previous year-nil) | 834.28 | 927.69 |
| | **834.28** | **927.69** |

### 18. Other current assets

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Unsecured and considered good** | | |
| Additional fund with LIC for gratuity | 8.95 | 16.76 |
| Advances recoverable in cash or kind | 8.47 | 1.42 |
| Cenvat & Service Tax Input Credit | - | 12.18 |
| Cenvat Credit Account | - | 1.50 |
| Prepaid expenses | 61.20 | 35.13 |
| | **78.62** | **66.99** |

### 19. Equity share capital

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Authorized** | | |
| 500,000,000 (PY: 500,000,000) equity shares of ₹ 10 each | 50,000.00 | 50,000.00 |
| **Issued** | | |
| 130,563,363 (PY: 130,563,363) equity shares of ₹ 10 each | 13,056.34 | 13,056.34 |
| **Subscribed and Fully Paid up** | | |
| 130,493,289 (PY: 130,493,289) equity shares of ₹ 10 each | 13,049.33 | 13,049.33 |
| Add: Amount Paid-up on Shares Forfeited (32,975 shares) | 1.60 | 1.60 |
| **Total issued, subscribed and fully paid-up share capital** | **13,050.93** | **13,050.93** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**(a) Reconciliation of equity shares and the amount outstanding at the beginning and at the end of the period:**

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | No. | Amount | No. | Amount |
| At the beginning of the year | 130,493,289 | 13,049.33 | 130,493,289 | 13,049.33 |
| Issued during the year | – | – | – | – |
| **Outstanding at the end of the year** | **130,493,289** | **13,049.33** | **130,493,289** | **13,049.33** |

**(b) Terms/rights attached to equity shares**

The Company has one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities.

**(c) Details of shareholders holding more than 5% of the aggregate shares in the Company**

| Name of shareholders | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | No. | % of holding | No. | % of holding |
| Ashok Kumar Goel | 18,465,078 | 14.15 | 18,465,078 | 14.15 |
| HDFC Limited | 14,086,303 | 10.79 | 14,826,303 | 11.36 |
| LCI Estates LLP | 8,100,000 | 6.21 | 8,100,000 | 6.21 |

**20. Other equity**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Capital Reserve | 96,084.50 | 96,084.50 |
| General Reserve | 38.00 | 38.00 |
| Securities premium account | 78,415.21 | 78,415.21 |
| ASOP Reserve (refer note 33) | 450.21 | – |
| **Retained earnings** | | |
| Opening balance | (153,454.12) | (157,056.37) |
| Profit for the Year | 3,736.01 | 3,602.25 |
| Net (Deficit) in the Statement of Profit and Loss | (149,718.11) | (153,454.12) |
| **Total Reserves and Surplus** | **25,269.81** | **21,083.59** |

**21. Financial liabilities - non-current**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Trade payables | 2,211.07 | 2,211.07 |
| | **2,211.07** | **2,211.07** |

**22. Long term borrowings**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Loan from Sundaram Finance Limited (Secured) | 24.86 | – |
| | **24.86** | **–** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**23. Provision for decommissioning**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Provision for decommissioning | 9,662.67 | 9,365.00 |
| | **9,662.67** | **9,365.00** |

**23.1 Movement of Provision for Others**

| Particulars | 2017-18 | 2016-17 |
|---|---|---|
| **Balance at beginning of the year** | **9,365.00** | **9,365.00** |
| Recognized during the year | 197.69 | - |
| Unwinding of discount | 99.98 | - |
| **Balance at end of the year** | **9,662.67** | **9,365.00** |

**23.2** The Company estimates provision for decommissioning as per the principles of Ind AS 37 'Provisions, Contingent Liabilities and Contingent Assets' for the future decommissioning of Oil & Gas assets at the end of their economic lives. Most of these decommissioning activities would be in the future for which the exact requirements that may have to be met when the removal events occur are uncertain. Technologies and costs for decommissioning are constantly changing. The timing and amounts of future cash flows are subject to significant uncertainty. The economic life of the Oil & Gas assets is estimated on the basis of long term production profile of the relevant oil & gas asset. The timing and amount of future expenditures are reviewed annually, together with rate of inflation for escalation of current cost estimates and the interest rate used in discounting the cash flows.

**23.3** Decommissioning liability for PY-1 field is reviewed as on 31 March 2018 by an independent engineering consultant and the estimated liability as on 31 March 2018 is ₹ 6025.17 lacs with adjustment towards inflation and discounting there on. Accordingly, the financial cost charged for the current year is ₹ 90.42 lacs.

**23.4** Decommissioning liability for Dirok field was estimated as on 31 March 2018 is ₹ 197.68 lacs after adjusting for inflation and discounting thereon.

**24. Other non-current liabilities**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Provision for compensated absences | 16.78 | 19.84 |
| Provision for gratuity | 2.94 | - |
| | **19.72** | **19.84** |

**25. Financial liabilities**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **a) Trade payables** | | |
| Micro, small & medium enterprises (note (i)) | – | 0.24 |
| Others | 1,806.86 | 1,821.81 |
| | **1,806.86** | **1,822.05** |
| **b) Other financial liabilities** | | |
| Unclaimed/unpaid dividend | - | 6.36 |
| Payable to employees | 12.23 | 12.23 |
| Payable to joint venture partners | 2,246.81 | 4,833.75 |
| | **2,259.04** | **4,852.34** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**(i) Details of dues to micro, small & medium enterprises**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Principal amount payable (but not due) to suppliers as at year end | – | 0.24 |
| Interest accrued and due to suppliers on the above amount as at year end | – | – |
| Payment made to suppliers (other than interest) beyond the appointed day, during the year | – | – |
| Interest paid to suppliers (other than Section 16) | – | – |
| Interest paid to suppliers (Section 16) | – | – |
| Interest due and payable to suppliers for payments already made | – | – |
| Interest accrued and remaining unpaid to suppliers as at year end | – | – |

All payments due to Micro, Small & Medium enterprises have been made within the prescribed time limits and / or date agreed upon under the contract.

**26. Other current liabilities**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Statutory dues payable | 99.70 | 62.70 |
| Provision for gratuity | 14.10 | – |
| Compensated absences | 17.13 | 8.12 |
| Current Maturities of Long Term Borrowings | 6.49 | – |
| Interest accrued | 0.10 | – |
| Director's commission | 18.00 | – |
| | **155.52** | **70.82** |

**27. Revenue from operations**

| Particulars | | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| Sale of Crude oil / Condensate | | 1,603.68 | 1,007.32 |
| Sale of Natural gas | | 3,419.82 | 1,631.11 |
| Less: Profit petroleum to Government of India | | (152.25) | (136.14) |
| | **(A)** | **4,871.25** | **2,502.29** |
| Sale of traded goods | | – | 54.34 |
| | **(B)** | **–** | **54.34** |
| Other operating revenue | **(C)** | – | 0.03 |
| | **Total (A+B+C)** | **4,871.25** | **2,556.66** |

**27.1 Details of sales revenue**

| Product | Unit of measurement | For the year ended March 31, 2018 | | For the year ended March 31, 2017 | |
|---|---|---|---|---|---|
| | | Quantity | Value | Quantity | Value |
| Crude oil / Condensate | bbl | 41,934 | 1468.92 | 32,449 | 879.61 |
| Natural gas | mmscf | 1,533 | 3,402.33 | 648 | 1,622.68 |
| | | | **4,871.25** | | **2,502.29** |

| Product | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Additives, Lubricants, Car care & Others | – | 54.34 |
| | **–** | **54.34** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**28. Other income**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Interest income on bank deposits | 141.42 | 68.07 |
| Interest on Site restoration deposits with banks | 369.61 | 340.12 |
| Other interest | - | 2.90 |
| Dividend income | 0.07 | - |
| Profit on disposal of Property, Plant & equipment | - | 1.74 |
| Net income from financial instruments at fair value | 660.72 | 1,372.48 |
| Provision for doubtful debts no longer required written back | - | 6.92 |
| Net Gain on foreign exchange | 0.58 | 7.23 |
| Write back of excess provision no longer required | 1.26 | 1.14 |
| Miscellaneous Income | 10.06 | 52.05 |
| Write back - sundry creditors | - | 80.21 |
| | **1,183.72** | **1,932.86** |

**29. Share of expenses from producing oil and gas blocks**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Manpower costs | 448.68 | 420.84 |
| Repairs and maintenance | 419.97 | 314.75 |
| Royalty, cess & other duties | 287.49 | 238.50 |
| Insurance | 45.31 | 56.99 |
| Other production expenses | 66.82 | 94.44 |
| Consumables | 3.53 | 6.46 |
| Transportation and logistics | 32.68 | 1.04 |
| | **1,304.48** | **1,133.02** |

**30. Repacking Cost**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Packing material consumed | – | 1.53 |
| Repacking cost | – | 1.15 |
| | **–** | **2.68** |

**31. Decrease / (Increase) in inventories of traded goods**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Inventories at the end of the year | – | (146.08) |
| Inventories at the beginning of the year | – | 174.60 |
| **Net (Increase) / decrease in inventories** | **–** | **28.52** |

**32 (Increase) / decrease in stock of crude oil and condensate**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Inventories at the end of the year | (551.49) | (88.15) |
| Less: Inventories at the beginning of the year | 88.15 | 48.98 |
| | **(463.34)** | **(39.17)** |
| Less: Profit petroleum to Government of India | 8.62 | 8.39 |
| **Net (Increase) / decrease in inventories** | **(454.72)** | **(30.78)** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

### 33. Employee benefits expense

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Salaries, wages and bonus | 98.54 | 131.70 |
| Contribution to provident fund and other funds | 7.12 | 7.83 |
| Staff welfare expenses | 2.07 | 3.30 |
| Share-based payments | 450.21 | – |
| | **557.94** | **142.83** |

#### 33.1 Share-Based Payments

The Company has share option scheme under the Associate Stock Option Plan -2015 approved by the shareholders in the annual general meeting held on 25 September 2015. As approved by the shareholders, Associate Stock Option Plan (ASOP) scheme is being administered by the Nomination and Remuneration committee of the Board of Directors. The share option converts into one equity share of the Company on exercise. No upfront payment shall be payable at the time of grant of the option. All associates who have been allotted shares by virtue of exercise of options issued under scheme will be entitled to receive all regular benefits as shareholders of the company like dividends, bonus shares, etc, if any, announced by the company from the date of allotment of shares. Options may be exercised at any time from the date of vesting to the date of their expiry.

#### 33.2 Fair value of share options granted in a year

The weighted average fair value of the share options granted and vested during the financial year ₹ 25.73 per share. Options were priced using Black Scholes model of option pricing. Expected volatility is based on the historical share price volatility. Inputs into the model are as follows:

| Description | For the year ended 31 March 2018 |
|---|---|
| Number of instruments | 1,750,000 |
| Exercise Price | ₹ 10 |
| Share price grant date | ₹ 32.85 |
| Expected life | 4 years |
| Expected volatility | 49.76% |
| Risk free interest rate | 7.5% p.a |

#### 33.3 Movements in share options during the year

| Particulars | Options (Numbers) | Weighted average exercise price per option (₹) |
|---|---|---|
| Options granted during the year | 1,750,000 | ₹ 10 |
| Options vested during the year | 1,750,000 | ₹ 10 |
| Options outstanding at the end of the year | 1,750,000 | ₹ 10 |

An amount of ₹ 450.21 lacs was considered and accounted as Share Based Payment during the year

### 34. Unwinding of discount on Decommissioning liability

| Product | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Unwinding of discount on Decommissioning liability | 99.98 | – |
| | **99.98** | **–** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**35. Finance cost**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Interest on borrowings | 2.25 | – |
| others | 0.25 | – |
| | **2.50** | **–** |

**36. Other expenses**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Rebates and discounts | – | 0.12 |
| Sales promotion | – | 0.43 |
| Field staff expenses | – | 3.56 |
| Office and guest house rent | 32.03 | 55.21 |
| Power | 3.51 | 7.09 |
| Rates and taxes | 9.98 | 8.96 |
| Repairs and maintenance - others | 11.43 | 22.60 |
| General office expenses | 5.63 | 6.37 |
| Travelling and conveyance | 47.38 | 53.11 |
| Communication expenses | 8.68 | 13.57 |
| Membership and subscription | 26.02 | 22.29 |
| Legal and professional fees | 112.26 | 551.11 |
| Insurance | 1.01 | 1.50 |
| Directors' sitting fees | 12.93 | 14.02 |
| Directors' commission | 18.00 | – |
| Printing and stationary | 17.25 | 20.07 |
| Provision for doubtful advances | 13.70 | – |
| Miscellaneous expenses | 43.16 | 86.78 |
| | **362.97** | **866.79** |
| **Payment to Auditor:** | | |
| Audit fee | 30.09 | 30.47 |
| Tax audit fee | 1.21 | 3.30 |
| Reimbursements | 0.22 | 0.92 |
| | **31.52** | **34.69** |
| **Total other expenses** | **394.49** | **901.48** |

**37. Exceptional items**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Write back of provision for liquidated damages * | 448.67 | – |
| Liquidated damages - RJ-2-LD( **) | – | (798.91) |
| Interest on income tax refund | – | 3,693.55 |
| **Income (net)** | **448.67** | **2,894.64** |

* The liquidity damages made under protest for the block CY-OSN-97/1 in the earlier years and was accounted as advances and provision was also made for the same amount. This dispute was referred to arbitration and the arbitration tribunal has passed the award in favour of the company. Further, this award was contested by the Government of India in the high court of Delhi. The hon'ble high court has upheld the arbitration award and therefore the provision made for doubtful claim is reversed in the current year.

** During the previous year for the block RJ-ONN-2005/2, operated by the Oil India Limited was surrendered.The Company has made a provision for the estimated liability of ₹ 798.91 lacs towards liquated damages payable to the Government of India.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**38. Earnings per share (EPS)**

The following reflects the profit and share data used in the basic and diluted EPS computations:

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Profit for the year as per statement of profit & loss | ₹ 3,752.10 lacs | ₹ 3,606.48 lacs |
| | No. | No. |
| Weighted average number of equity shares used in calculating basic EPS | 130,493,289 | 130,493,289 |
| Par value per share | ₹ 10 | ₹ 10 |
| **Earnings per equity share in ₹ computed on the basis of profit for the year-Basic** | **2.88** | **2.76** |
| Weighted average number of equity shares used in calculating diluted EPS | 131,563,149 | 130,493,289 |
| **Earnings per equity share in ₹ computed on the basis of profit for the year-Diluted** | **2.85** | **2.76** |

**39. Information relating to Hindage Oilfield Services Limited (100% subsidiary of Hindustan Oil Exploration Company Limited)**

a. Information required pursuant to General Circular No. 2 /2011 No: 5/12/2007-CL-III dated February 08, 2011 issued by Ministry of Corporate Affairs, is as below:

| Particulars | 2017-2018 | 2016-2017 |
|---|---|---|
| Capital | 50.00 | 50.00 |
| Reserves | 967.34 | 998.85 |
| Total Assets (excluding Investments) | 198.31 | 183.56 |
| Total Liabilities (excluding Capital and Reserve) | 62.13 | 52.16 |
| Investments (See Note below) | 881.15 | 917.45 |
| Turnover | – | 54.37 |
| (Loss) / Profit before tax | (31.51) | (24.54) |
| Tax expenses | – | 7.33 |
| (Loss) / Profit after tax | (31.51) | (31.87) |

**Note: Details of Investments of Hindage Oilfield Services Limited**

| Particulars | 2017-2018 | 2016-2017 |
|---|---|---|
| **Current Unquoted (Non-Trade)** | | |
| **Schemes of Mutual funds** | | |
| Birla Sun Life Cash Plus Fund - Regular Plan - Growth | – | 44.11 |
| Birla Sun Life Dynamic Bond - Growth | 151.97 | 147.17 |
| HDFC High Interest Fund Dynamic Plan - Growth | 181.48 | 174.42 |
| IDFC Super Saver Income fund - Medium term - Growth | 252.19 | 240.50 |
| TATA Floater Fund - Regular Plan - Growth | 62.99 | 87.42 |
| TATA Dynamic Bond - Regular Plan - Growth | 232.52 | 223.83 |
| **Total** | **881.15** | **917.45** |

b. Hindage Oilfield Services Limited,is the wholly owned subsidiary of the company. Consequent to the discontinuation of distribution of Bardahl Manufacturing Corp products effective February 29, 2016, the legal process has been initiated against LV Rustore Applications Pvt Ltd to protect the interest of the company. The company has appointed sole arbitrator to adjudicate the disputes. The company is in the process of entering into oil field services in the ensuing financial year.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**40. Significant Accounting Estimates, Assumptions and Judgements**

**(a) Site Restoration Costs**

The company estimates and provides for abandoning of wells, decommissioning of facilities and restoration of sites expected to be incurred at a future date. The same is capitalized as part of producing property in accordance with Ind AS 16. The estimation of liability is as per the industry practice and adjusted for inflation. The estimated cost is discounted to the reporting date by an appropriate discount factor. Accordingly, the difference in cost and depletion is adjusted.

**(b) Employee Benefit Estimates**

**i. Defined contribution plan**

The company makes provident fund contribution under defined contribution plan for qualifying employees. Under the scheme, the company is required to contribute a specified percentage of the payroll cost to fund the benefits. The company recognized ₹ 50.73 lacs (PY: ₹ 34.32 lacs) for provident fund contribution in the statement of profit and loss. The contributions payable to this plan by the company at rates specified in the rules of the scheme.

**ii. Defined benefit plan**

**a) Gratuity**

The following table sets out funded status of the gratuity and the amount recognized in the financial statements.

**Profit and loss account for current period**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Service cost: | | |
| Current service cost | 5.81 | 5.58 |
| Past Service cost and loss / (gain) on curtailments and settlement | 13.05 | – |
| Net interest cost | (0.73) | (1.19) |
| **Total included in 'Employee Benefits Expense'** | **18.13** | **4.39** |

**Other Comprehensive Income for the current period**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Components of actuarial gain / losses on obligations: | | |
| Due to Change in financial assumptions | (1.49) | 1.95 |
| Due to experience adjustments | 15.88 | (2.26) |
| Return on plan assets excluding amounts included in interest income | 1.19 | 1.01 |
| **Amounts recognized in Other Comprehensive Income** | **15.58** | **0.70** |

**Changes in the present value of the defined benefit obligation**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening Defined Benefit Obligation | 49.84 | 43.94 |
| Current service cost | 5.81 | 5.58 |
| Past Service cost | 13.04 | - |
| Interest cost | 3.16 | 3.14 |
| Actuarial loss / (gain) due to change in financial assumptions | (1.49) | 1.95 |
| Actuarial loss / (gain) due to experience | 15.89 | (2.26) |
| Benefits paid | (6.34) | (2.51) |
| **Closing defined benefit obligation** | **79.91** | **49.84** |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**Changes in fair value of plan assets defined benefit obligation**

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening value of plan assets | 57.65 | 56.45 |
| Interest Income | 3.89 | 4.32 |
| Return on plan assets excluding amounts included in interest income | (1.19) | (1.01) |
| Contributions by employer | 8.86 | 0.40 |
| Benefits paid | (6.34) | (2.51) |
| **Closing value of plan assets** | **62.87** | **57.65** |

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Present value of the defined benefit obligation | (79.91) | (49.84) |
| Fair value of plan assets | 62.87 | 57.65 |
| **Plan asset / (liability)** | **(17.04)** | **7.81** |

The principal assumptions used in determining gratuity and for the Company's plans are shown below:

| Particulars | 2017-18 | | 2016-17 | |
|---|---|---|---|---|
| | Company | Subsidiary | Company | Subsidiary |
| Discount rate | 7.30% | – | 6.80% | – |
| Future salary increase | 5.00% | – | 5.00% | – |
| Withdrawal rates | 15% at younger ages reducing to 10% at older ages | – | 15% at younger ages reducing to 10% at older ages | – |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four periods are as follows:

| Particulars | 2017-2018 | 2016-2017 | 2015-2016 | 2014-2015 | 2013-2014 |
|---|---|---|---|---|---|
| Defined benefit Obligations | (79.91) | (49.84) | (78.32) | (94.22) | (119.99) |
| Plan Assets | 62.87 | 57.65 | 88.97 | 101.84 | 123.22 |
| **Surplus / (Deficit)** | **(17.04)** | **7.81** | **10.65** | **7.62** | **3.23** |

**Sensitivity to Key assumptions**

| Particulars | March 31, 2018 (2017-2018) DBO | March 31, 2017 (2016-2017) DBO |
|---|---|---|
| Discount rate varied by 0.5% | | |
| + 0.5% | 33.40 | 48.79 |
| - 0.5% | 34.46 | 50.93 |
| Salary growth rate varied by 0.5% | | |
| + 0.5% | 34.47 | 50.84 |
| - 0.5% | 33.99 | 49.09 |
| Withdrawal rate (W.R.) varied by 10% | | |
| W.R. x 110% | 34.08 | – |
| W.R. x 90% | 33.73 | – |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**b) Compensated absences**

The key assumptions used in computation of provision for long term compensated absences are as given below:

| Particulars | 2017-18 | | 2016-17 | |
|---|---|---|---|---|
| | Company | Subsidiary | Company | Subsidiary |
| Discount rate | 7.30% | – | 6.80% | – |
| Future salary increase | 5.00% | – | 5.00% | – |
| Withdrawal rates | 15% at younger ages reducing to 11% at older ages | – | 15% at younger ages reducing to 11% at older ages | – |
| Attrition (% p.a.) | 7.30% | – | 1% to 5% | – |

**41. Oil and Gas Reserves**

As at March 31, 2018, the internal estimates of the Management of Proved & Probable Reserves for the working interest as per the development plan approved by the Directorate General of Hydrocarbons is as follows:

**Developed and Undeveloped:**

| | Unit of Measurement | As at April 1, 2017 | Addition | Production | As at March 31, 2018 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.37 | 2.86 | 0.02 | 3.21 |
| - Gas | BCF | 15.64 | 69.96 | 1.38 | 84.22 |
| Proved + Probable (2P) | | | | | |
| - Oil | MMBBL | 0.66 | 3.58 | 0.02 | 4.22 |
| - Gas | BCF | 64.99 | 65.38 | 1.38 | 128.99 |

**Developed:**

| | Unit of Measurement | As at April 1, 2017 | Addition | Production | As at March 31, 2018 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.37 | 0.36 | 0.02 | 0.71 |
| - Gas | BCF | 7.34 | 56.61 | 1.38 | 62.57 |

Note 1: The above reserve estimates excludes the reserves of PY-3 and CB-OS-1 as it is not commercial at the current prices.
Note 2: Unit of measurement is considered in barrels for oil and cubic feet for gas.

**Developed and Undeveloped:**

| | Unit of Measurement | As at April 1, 2016 | Addition | Production | As at March 31, 2017 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.38 | 0.01 | 0.02 | 0.37 |
| - Gas | BCF | 16.29 | 0.01 | 0.66 | 15.64 |
| Proved + Probable (2P) | | | | | |
| - Oil | MMBBL | 0.44 | 0.24 | 0.02 | 0.66 |
| - Gas | BCF | 62.77 | 2.88 | 0.66 | 64.99 |

**Developed:**

| | Unit of Measurement | As at April 1, 2016 | Addition | Production | As at March 31, 2017 |
|---|---|---|---|---|---|
| Proved Reserves (1P) | | | | | |
| - Oil | MMBBL | 0.38 | 0.01 | 0.02 | 0.37 |
| - Gas | BCF | 7.99 | 0.01 | 0.66 | 7.34 |

Note 1: The above reserve estimates excludes the reserves of PY-3 and CB-OS-1 as there is no firm development program is in place.
Note 2: Unit of measurement is considered in barrels for oil and cubic feet for gas.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**42. Segmental reporting**

Segment reporting is as under;

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **1 Segment revenue** | | |
| - Hydro carbon | 4,871.25 | 2,502.29 |
| - Oil additives | – | 54.37 |
| - Unallocated | 1,183.72 | 1,932.86 |
| **Gross sales income from operations** | **6,054.97** | **4,489.52** |
| **2 Segment results** | | |
| - Hydro carbon | 2,191.22 | (577.40) |
| - Oil additives | (71.51) | (248.69) |
| - Unallocated | 1,632.39 | 4,827.48 |
| **Total Profit before tax** | **3,752.10** | **4,001.39** |
| **3 Segment assets** | | |
| - Hydro carbon | 49,282.52 | 36,349.44 |
| - Oil additives | 113.31 | 98.55 |
| - Unallocated | 5,064.65 | 16,027.65 |
| **Total assets** | **54,460.48** | **52,475.64** |
| **4 Segment liabilities** | | |
| - Hydro carbon | (16,077.62) | (18,282.61) |
| - Oil additives | (62.12) | (52.15) |
| - Unallocated | – | (6.36) |
| **Total liabilities** | **(16,139.74)** | **(18,341.12)** |
| **5 Addition in tangible & intangible fixed assets** | | |
| - Hydro carbon | 5,637.05 | 5,604.94 |
| - Oil additives | 36.00 | – |
| **Total addition in tangible & intangible fixed assets** | **5673.05** | **5,604.94** |
| **6 Depreciation, amortisation and exploration expenses** | | |
| - Hydro carbon | 834.68 | 948.97 |
| - Oil additives | 12.19 | 11.37 |
| **Total Depreciation, amortisation and exploration Expenses** | **846.87** | **960.34** |
| **7 Non-cash expenses other than depreciation, amortisation and exploration expenses** | | |
| - Hydro carbon | 559.20 | 108.68 |
| - Oil additives | 13.70 | 133.53 |
| - Unallocated | – | – |
| **Non-cash expenses other than depreciation, amortisation and exploration expenses** | **572.90** | **242.21** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

## 43. Related Party Disclosures

a) Related Parties as of March 31, 2018:

Key management personnel:

Whole-time directors

- Mr. P.Elango - Managing Director
- Mr. R.Jeevanandam-Director & CFO
- Mr. Hashit Rawal - Director & COO (HOSL) (Resigned effective May 24, 2016)

Non-Executive independent Directors

- Mr. Sunil Behari Mathur-Chairman
- Ms. Sharmila H. Amin
- Mr. P.K.Borthakur (Appointed effective June 15, 2016)

Non-Executive, Non-Independent Directors

- Mr. Ashok Kumar Goel (Appointed effective March 1, 2018)
- Mr. Rohit Rajgopal Dhoot (Appointed effective March 10, 2018)

Company Secretary

- Mr. K.Premnatha (Resigned effective October 27, 2016)
- Ms. G.Josephin Daisy (Appointed effective October 27, 2016)

b) Nature and volume of transactions during the year and Outstanding balances as at the balance sheet date with the above parties:

| Particulars | | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **Expenditure** | | | |
| Key managerial personnel remuneration - | | | |
| 1. Mr. P. Elango | - Managing Director | 103.16 | 103.16 |
| 2. Mr. R. Jeevanandam | - Director & CFO | 97.99 | 97.99 |
| 3. Mr. HashitRawal | - Director & COO (Resigned w.e.f May 24, 2016) | – | 7.40 |
| 4. Mr. K.Premnatha | - Company Secretary | – | 4.97 |
| 5. Ms. G.Josephin Daisy | - Company Secretary | 7.35 | 2.14 |
| Share based payment recognised | - Managing Director and Director & CFO | 450.21 | – |
| Sitting fee | - Independent Directors | 10.20 | 11.20 |
| Commission | - Independent Directors* | 18.00 | – |

* which is within 1% of the net profit of the company for the year ended 31 March 2018 subject to the approval of the shareholders.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

### 44. Commitments and Contingencies

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **(i) Contingent Liabilities** | | |
| (a) Claims not acknowledged as debts CY-OS-90/1 (Note 1) | 3,112.00 | 2,771.70 |
| (b) Royalty demand (Note 2) | 1,065.00 | 1,027.77 |
| (c) Bank guarantees | 1,530.98 | 10.72 |
| (d) Service tax liability (Note 5) | 168.92 | 168.92 |
| (e) Income tax demands | – | 13.21 |
| (f) Central excise | 3.30 | 3.30 |
| **(ii) Commitments** | | |
| Estimated value of contracts remaining to be executed on capital account and not provided for | 4,570.07 | 1,824.39 |

1. Hardy Exploration & Production (India) Inc., CY-OS-90/1 (PY-3) operator has issued an arbitration notice to all non-operators, ONGC Ltd, Tata Petrodyne Ltd and the company for a total claim of ₹ 6049 lacs (US$ 9.32 million) without interest.Therefore, the claim against the company for its participating interest is ₹ 1624 lacs (US$ 2.05 million). The non-operating parties have not accepted the claim and the company made a counter claim of ₹ 20,168 lacs (US $ 31.08 million). The dispute is being adjudicated by the arbitration tribunal. The claim not acknowledged as debt by the company includes ₹ 1488 lacs for the participating interest of the company relating to the dispute between Aban Offshore Limited and the Operator "Hardy".
2. In block PY 1, The Ministry of Petroleum & Natural Gas (MOP&NG) has computed the royalty based on the price realized instead of well head value and made a demand of ₹ 1065 lacs (US$ 1,641,713) for the period from 2009-10 to 2015-16. The company has re-computed the royalty based on wellhead value in terms of the production sharing contract which results in an excess payment of ₹ 1200 lacs (US$ 1,850,022) for the above period and made a request for refund.
3. In the block RJ-ONN-2005/1, there was a delay of more than two years in granting the clearances by the Government of India. In terms of the policy, issued by the Government of India in November 2014, that if there is any delay due to statutory clearances beyond 2 years, the contractor is permitted to exit from the contract without any payment towards the cost of unfinished work program. Accordingly, the company had exercised this option and exited this block on July 9, 2015. Hence, there is no liability or claim exists.
4. With respect to block CB-OS/1 operated by Oil & Natural Gas Corporation Limited (ONGC), there was no operations during the year. Therefore, no expenditure is accounted in the financial statements.
5. During the previous year, there was a demand for service tax for ₹ 77.09 lacs with an equivalent amount of penalty due to disallowance of Cenvat credit for the period from October 2007 to March 2011. An appeal has been filed after paying an amount of ₹ 5.78 lacs to the tax authorities. This dispute is before the Cestat for adjudication and no provision is made in the financial statements. The above amount also includes a demand of ₹ 14.75 pertaining to one of the unincorporated joint ventures.

### 45. Lease obligation

The company has entered into a lease agreement pertaining to one of the unincorporated joint ventures for the lease of land to install wireless communication tower for a period of 20 years till 2028. The obligations under the above lease are as follows:

| Particulars | 2017-2018 | 2016-2017 |
|---|---|---|
| Not later than 1 year | 0.50 | 0.49 |
| Later than 1 year and not later than 5 years | 2.73 | 2.65 |
| Later than 5 years | 2.77 | 3.84 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

**46. Corporate Social Responsibility**

The provisions of Companies Act 2013 relating to corporate social responsibility is applicable for the Company. However, the Company is not required to spend toward CSR activities in the absence of profits calculated as per Section 198 of the Companies Act 2013.

**47. Fair Value Measurements of financial assets**

The following table gives information about how the fair value of these financial assets are determined.

| As at March 31, 2018 | Fair Value Measurements using | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Assets measured at Fair Value** | | | | |
| - Quoted equity instruments | 11.56 | 11.56 | – | – |
| - Mutual Fund investments | 5,053.09 | 5,053.09 | – | – |

| As at March 31, 2017 | Fair Value Measurements using | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Assets measured at Fair Value** | | | | |
| - Quoted equity instruments | 4.58 | 4.58 | – | – |
| - Mutual Fund investments | 16,016.71 | 16,016.71 | – | – |

* Note: Level 1: Quoted market prices in active markets, where available.
Level 2: Valuation techniques where fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques where fair value measurement is unobservable.

**48. Financial instrument disclosure**

**a. Capital Management**

The Company manages its capital to ensure that it will be able to continue as a going concern by optimizing the shareholder's value with the right balance of debt and equity. The Company maintains the debt free status as on date and would raise capital as required by maintaining an appropriate gearing. The Risk Management committee of the company periodically reviews the capital to ensure the capital adequacy. Currently, the capital structure of the Company consists of total equity and the company has no borrowings.

**b. Financial Risk Management Objectives**

The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured, managed and mitigated in accordance with the Company's policies.

**(i) Market risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The primary commodity price risks that the company is exposed to include oil and natural gas prices that could adversely affect the value of the company's financial assets, liabilities or expected future cash flow. Market risk comprises the risk of interest rate, currency risk and the other commodity price.

- **Interest rate risk**

  This risk causes the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not availed borrowings, hence is not exposed to interest rate risk.

- **Foreign currency risk**

  Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and operational contracts with the rates payable in foreign currencies. The Company manages its foreign currency risk by having natural hedge as the revenue on sale of oil and gas is determined and paid in equivalent US dollars.

**Details of Unhedged Foreign Currency Exposure**

The details of unhedged Foreign Currency Exposure of the Company, are as under:

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| Trade payables | – | – | $197,000 | ₹ 127.75 lacs |
| Trade receivables | $140,474 | ₹ 90.25 lacs | $113,690 | ₹ 74.05 lacs |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

*(All amounts are in Indian Rupees in lacs, unless otherwise stated)*

- **Commodity price risk**

  The Company is exposed to volatility in the oil and gas prices since the Company does not undertake any oil price hedge. The impact of a falling oil price is however partly mitigated via the production sharing formula in the PSCs, whereby the share of gross production to the company increases in a falling oil price environment and the recovery of costs. Gas prices are fixed for certain duration and the same are based on policy guidelines issued by the Government.

**(ii) Credit risk**

Credit risk is the risk that counterparty for sale of its products will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Company is not exposed to credit risk as its sale of oil and gas is to Government Nominees.

**(iii) Liquidity risk**

A formal budgeting and forecasting process is in place and cash forecasts identifying liquidity requirements of the Company are reviewed regularly by the Audit Committee and Board and financing plans are approved based on end utilization of proceeds and cost of capital.

**49. Events after the reporting period**

The Company has entered into a Share Purchase Agreement with Geofinance Petroleum SA for the acquisition of the entire share capital of Geopetrol International Inc.("GPII"), a company registered and existing under the Laws of Panama. GPII registered as a foreign company in India and operates through a project office in India. GPII has entered into various production sharing contracts with Government of India including a producing oil field Kharsang in Arunachal Pradesh with 25% participating interest. Other parties to the Kharsang field are Oil India Limited ("OIL") with 40%, Geoenpro Private Limited with 10%, and JEKPL private ltd with 25%, a company under the Indian Bankruptcy Code applied for a resolution plan. In addition, GPII holds 50% share capital of Geoenpro Private Limited through Geopetrol Marutius limited. The transaction has been completed on 9 April 2018 by transferring the entire shares of GPII in the name of the Company and consequently, GPII has become the wholly owned subsidiary of the Company.

**50. Approval of financial statements**

The financial statements were approved for issue by the board of directors on May 12, 2018.

**51. Previous Year Figures**

Previous year's figures have been regrouped and reclassified wherever necessary to confirm to the current year's presentation.

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**For and on behalf of the Board of Directors**

| | | | | | |
|---|---|---|---|---|---|
| | **S.B.Mathur**<br>Chairman | **Sharmila Amin**<br>Director | **P.K.Borthakur**<br>Director | **Ashok Kumar Goel**<br>Director | **Rohit Rajgopal Dhoot**<br>Director |
| Place : Chennai<br>Date : May 12, 2018 | **P.Elango**<br>Managing Director | **R.Jeevanandam**<br>Director & CFO | **Josephin Daisy**<br>Company Secretary | | |

# GLOSSARY

| | | |
|---|---|---|
| 3D Seismic | - | Three Dimensional Seismic |
| 2P/P+P Reserves | - | Proved and Probable Reserves |
| | | Proved Reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. If probabilistic methods are used, there should be at least 90% probability that the quantities actually recovered will equal or exceed the estimate. Developed Reserves are expected quantities to be recovered from existing wells and facilities. Undeveloped Reserves are quantities expected to be recovered through future investments. |
| | | Probable Reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equalor exceed the sum of estimated proven plus probable reserves. |
| ADR | - | American Depositor Receipts |
| AGM | - | Annual General Meeting |
| AIFDP | - | Alternate Integrated Field Development Plan |
| AS | - | Accounting Standard |
| ATRs | - | Action Taken Reports |
| bbl | - | barrel |
| bcf | - | billion cubic feet |
| BEE | - | Bureau of Energy Efficiency |
| boe | - | barrels of oil equivalent |
| bopd | - | barrels of oil per day |
| boepd | - | barrels of oil equivalent per day |
| BSE | - | Bombay Stock Exchange |
| CDSL | - | Central Depository Services (India) Limited |
| CEO | - | Chief Executive Officer |
| CFO | - | Chief Financial Officer |
| CFS | - | Consolidated Financial Statement |
| CIN | - | Corporate Identification Number |
| CNG | - | Compressed Natural Gas |
| COO | - | Chief Operating Officer |
| CS | - | Company Secretary |
| CSR | - | Corporate Social Responsibility |
| DP | - | Depository Participant |
| Development well | - | A well drilled within the proved area of anoil and / or natural gas reservoir to the depth of a stratigraphic horizon known to be productive. |
| DGH | - | Directorate General of Hydrocarbons |
| DIN | - | Director Identification Number |
| DSF | - | Discovered Small Fields |
| EFI | - | Eni Finance International |
| EPS | - | Earnings Per Share |
| ERP | - | Emergency Response Plan |
| ESOS | - | Employee Stock Option Scheme |
| Exploratory well | - | A well drilled to find oil and / or gas in anun proved area, to find a new reservoir in an existing field or to extend a known reservoir |
| E&P | - | Exploration and Production |
| FI | - | Financial Institutions |
| GDR | - | Global Depository Reciepts |
| G&G | - | Geological & Geophysical |
| GHG | - | Green House Gas |
| HAZID | - | Hazard Identification (Risk Analysis) |
| HAZOP | - | Hazard and Operability Analysis |
| HOEC | - | Hindustan Oil Exploration Company Limited |
| HSECSR | - | Health, Safety, Environment & Corporate Social Responsibility |
| IEPF | - | Investor Education and Protection Fund |
| IND AS | - | Indian Accounting Standards |
| JSA | - | Job Safety Awareness |
| JV | - | Joint Venture |
| KPI | - | Key Performance Indicator |
| LNG | - | Liquefied Natural gas |

| | | |
|---|---|---|
| LLP | - | Limited Liability Partnership |
| LPG | - | Liquified Petroleum Gas |
| LTI | - | Loss Time Incident |
| MC | - | Management Committee |
| MCA | - | Ministry of Corporate Affairs |
| M-GPP | - | Modular Gas Processing Plant |
| mmboe | - | million barrels of oil equivalent |
| mmbtu | - | million british thermal unit |
| mmscfd | - | million standard cubic feet per day |
| mmscm | - | million standard cubic meters |
| mmscmd | - | million standard cubic meters per day |
| mmbbl | - | million Barrels |
| mm | - | million |
| MoP&NG | - | Ministry of Petroleum & Natural Gas |
| MSMED | - | Micro Small & Medium Enterprises Development Act, 2006 |
| NBP | - | National Balancing Point |
| NCLT | - | National Company Law Tribunal |
| NELP | - | New Exploration Licensing Policy |
| NSE | - | National Stock Exchange |
| NSDL | - | National Securities Depository Limited |
| OGP | - | International Association of Oil & Gas Producers |
| ONGC | - | Oil & Natural Gas Corporation Limited |
| OPEC | | Organization of the Petroleum Exporting Countries |
| PI | - | Participating Interest |
| PoD | - | Plan of Development |
| PSC | - | Production Sharing Contract |
| Revenue | - | Sales + Increase / (Decrease) in stock of crude oil + Other Income |
| RD | - | Regional Director |
| ROU | - | Right of Use |
| RSC | - | Revenue Sharing Contract |
| scmd | - | standard cubic meters per day |
| scm | - | standard cubic meters |
| SEBI | - | Securities and Exchange Board of India |
| SEBI LODR | - | SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 |
| SEM | - | Successful Efforts Method |
| SIMOPs | - | Simultaneous Operations |
| USD/US$ | - | United States Dollar |
| UTV | - | Unit Trust of India |
| UJV | - | Unincorporated Joint Venture |
| Working interest basis | - | Field Production x Participating Interest |


Commissioning of HMGPP operations


Community Development near Dirok


Celebrating commencement of commercial production from Dirok


Share Holders at 33rd AGM

HINDUSTAN OIL EXPLORATION COMPANY LIMITED
www.hoec.com