

# Q2 2019 Earnings Call

## Company Participants

- P. Elango, Managing Director
- Ramasamy Jeevanandam, Director and Chief Financial Officer

## Other Participants

- Dhruv Bhatt, Analyst
- Vaibhav Badjatya, Analyst
- Shekhar Singh, Analyst
- Unidentified Participant
- Ritesh Gandhi, Analyst
- Sadanand Shetty, Analyst
- Kushal Rughani, Analyst
- Deepak Agrawal, Analyst
- Sushil Agarwal, Analyst
- Tejas Shah, Analyst
- Samir Patel, Analyst

## Presentation

### Operator

Ladies and gentlemen, good day and welcome to the Hindustan Oil Exploration Company Limited Q2 FY '19 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes (Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Mr. P. Elango Managing Director, Hindustan Oil Exploration Company Limited. Thank you, and over to you, sir.

### P. Elango, Managing Director

Thank you. Good evening everyone and a warm welcome to our call on Q2 earnings FY '19. I have with me our CFO and whole-time Director, Mr. Jeevanandam and Stellar IR Advisors, our Investor Relations Advisor. I hope you all have received the updated investor presentation. We have also uploaded that on our website for your reference.

Q2 FY '19 has been a period of phenomenal growth in our production volumes, it's growing contribution from both onshore Dirok and offshore PY-1 field. During the quarter, our gross operated production increased to 9,050 barrels of oil equivalent per day from 5,672 barrels of oil equivalent per day during previous quarter. This success on track to target the 15,000 barrels of oil equivalent production per day of gross operated productions by Q1 of FY '21, that we have guided earlier.

To achieve that, we have turned our focus on fast track development of B-80 oil field. During Q2, in Dirok, through a combination of focus on operational efficiency and proactive partner and market engagement, we have managed to keep both the uptime, as well as offtake close to the full Phase 1 capacity. This has enabled us to deliver an average production of about 32 million standard cubic feet per day for the quarter, touching 35 million standard cubic feet per

day during September.

In PY-1, after successful completion of the two well side track offshore drilling campaign, we have stabilized the production to achieve over 10 million standard cubic per day, that is being delivered to GAIL. Achieving full ramp up and stabilization of production from our two key assets has provided us with a stable platform to focus on the development project afforded by our unique portfolio of discovered resources. On this trend 2 [ph], we have made considerable progress in Q2 and I would like to highlight the following. Firstly, in B-80 block, offshore Mumbai, that is one under Discovered Small Field Bid Round, we first secured the approval of field development plan. We have now completed a study with ONGC, establishing the feasibility of using ONGC's pipeline facilities for evacuating both oil and gas to be produced. We are currently in discussion with shortlisted vendors to finalize and secure key aspects of the project, including mobile offshore process unit, during tangibles and subsea long lead items.

In parallel, we are evaluating cost effective options and timing for our committed two well drilling program under phase I, we have received encouraging signals from the market to custom build options for MOPU, that will limit our development capital exposure and will enable us to deliver the project by the target date of Q1 FY '21 for First oil. Secondly, in Dirok, we have submitted the revised plan of development to DGH after due review and recommendation by the operating committee of the joint venture, consisting of Oil India and IOC.

The plan envisages drilling of four new development wells and to explore a new prospect in the North of Dirok field within the existing area. Overall, the RPoD target to increase the gas production to evolve 55 million standard cubic feet per day from the current level of 35 million standard cubic feet per day. Schedule and cost of the development plan implementation will be from that post independent review by DGH and on securing the approval of the management committee.

Thirdly, in our PY-1 Cauvery offshore field held solely by HOEC, we have submitted application for PSC extension for 10 years, including the revised field development plan as required under the PSC extension policy. We are confident of securing the extension, as we need all the qualifying criteria. This will enable us to execute our follow-on drilling camping to exploit the identified additional potential and to increase the production further.

Fourthly, in onshore Kherem block where our JV partners are Oil India and Prize Petroleum, we have made good progress in this quarter by working with the Arunachal Pradesh Government to secure the petroleum mining lease by end of this year, under the revenue sharing contract, effective date for the contract is date of securing PML and we are confident to execute the committed work program to commence production well ahead of the three year window from the effective date. And finally in Kharsang block, where we have 30% interest both directly and indirectly, we have worked closely with the operator Geoenpro in which we hold a 50% stake to resolve long outstanding regulatory issues and are evaluating a program for well stimulation to increase production from existing wells. The operator has also submitted the application for PSC extension including the revised field development plan to drill additional well to enhance the production.

With all the five firm development opportunities that involve drilling additional onshore and offshore development wells, we have strengthened our geotechnical and drilling organization. We have evolved innovative contracting models that prudently allocates our development CapEx and leverages the surplus capacity that is still available in international oil field services sector. We will maintain our focus on continuously improving the certainty to deliver our premier development project's pipeline to maintain our growth trajectory.

At the corporate level, our business strategy of leveraging the rapidly opening Indian upstream space to opportunistically grow our portfolios is also paying off. In Q2, we have signed the revenue sharing contract with Government of India for a block that is adjacent to Dirok NPMAT [ph] is in favor of, to reconsider our resolution plan under the corporate insolvency resolution process of JEKPL with participating interest of 25% in Kharsang block among others. The matter is before the Supreme Court for final order.

In CB-OS/1 operated by ONGC, where we held non-operating interest, the government has terminated the PSC and we have requested the government to review their decision to enable us to assume operatorship. In PY-3 operated by HAZID, where the field has remained shutted since July 2011, we have revived our request for an opportunity to bring

the field back on production. Both CB-OS/1 and PY-3 carries no value in our books of account.

Government has launched the next round of Discovered Small Field with bid closing date in December and we are evaluating the data and intend to participate. Overall, leveraging our early (inaudible) advantage, we will continue to expand our footprint in the Northeast to enable us to operate at scale in one of most prospective basin in the country. In this context, the formation of the JV companies by five public sector unit for establishing a gas pipeline grid in the Northeast will be a key enabler in connecting our producing assets to the growing market for gas.

I would now pass onto to Jeeva to update you on financial performance and plan.

## **Ramasamy Jeevanandam, Director and Chief Financial Officer**

Thanks, Elango. We are pleased to report that the total revenue has crossed 100 crores after a gap of five years. Revenue from operations has increased to 99.44 crores for the six month period ending 30th September 2018, comparing 12.12 crores in September 2017. This quarter revenue from operations has increased from INR35 crores to INR64.37 crores. Dirok field in Assam posed a revenue of 36.54 crores in this quarter comparing 24.33 crores in the previous quarter. Likewise PY-1 has posted a revenue of 26.45 crores against 9.22 crores in the previous quarter.

Revenue from Cambay assets are about 1.5 crores and continue to be at the same level. The two wells reentered in PY-1 field is hooked up for production in this quarter and the production from that will commence from 11th, July 2018, all the Dirok wells are performing as expected. Other income has increased mainly due to the investment in liquid funds and the exit from the long-term funds. This being the revenue, let me go through the cost. Operating cost increased from prior quarters, increased from 6.78 crores to 9.17 crores, which is mainly due to increase in royalty payments for the increased productions of PY-1 field.

The employee cost remains the same, other expenses has increased from 1.58 crores to 2.06 crores, due to arbitration cost PY-3, which will come to an end by this quarter. The finance cost as stated in the income statement is unwinding of discount on site restoration costs as per Ind-AS and has no cash outflow. Depreciation, depletion and amortization has increased from 3.91 crores to 10.3 crores, due to increase in production without any change in the unit rate.

Overall, profit after tax has increased to 66 crores from the period ending on 30th, September that is six months period, comparing 8.5 crores in September, 2017. As we carry substantial deferred tax credit and with MAT entitlement there would be no tax liability in the current financial year. Operating cash flow has increased to 80 crores for this half year comparing 8.7 crores in September 2017. Operating cash flow of previous quarter was 28 crores and the current quarter is over 62 crores and the strength is expected to continue in the forthcoming quarters. Revenue from Kharsang is not consolidated with this results, which is about 14 crores after the profit oil to the government and the operating cost is about 6.7 crores. It is released with an operating cash flow of about 7.3 crores for a six month period.

The company has a gross working capital of about 130 crores with cash and cash equivalent of about 46 crores as on September 2018. With the existing working capital and the expected revenue from Assam and PY-1, we are ready to execute the B-80 development without any borrowing. Company is debt free and endeavor to be debt free for all organic growth, but we're believer to a minimum extent with an appropriate inorganic opportunity as and when arises. Thanks, Elango.

## **P. Elango, Managind Director**

Thank you, Jeeva, and this is all from our side. We will now open the floor for questions.

## **Questions And Answers**

### **Operator**

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instruction) We have the first question from the line of Dhruv Bhatt from NVS brokerage. Please go ahead.

### **Dhruv Bhatt, Analyst**

Thanks. Sir, congratulations for great set of numbers. Sir, I wanted to know that these numbers that you see for this Q4, FY '19, can we expect this to be a new trend for the company, if the quarter are in -- till the end of the year?

### **P. Elango, Managind Director**

So we expect the same trend because (technical difficulty) revenue from PY (technical difficulty) Assam. So with this, if there is any increase in the cash -- the price of the gas, then there would be a slight increase, but the trend would get maintained for the next two quarters.

### **Dhruv Bhatt, Analyst**

Okay, sir. Thank you so much. And sir, one more question, that -- to ask is. So, as we can see now, Q2 FY '19, there is no tax provision that we've made. So is that the company is enjoying any tax benefits or we have some accumulated losses, as we do not even provide for any math liability?

### **P. Elango, Managind Director**

These are the math credits, as we are not bringing into the books of accounts, we will use it whenever it comes on to us. And similarly, we have a deferred tax credit to the extent of 400 crores, which will be used, whenever we use it, we will account that.

### **Dhruv Bhatt, Analyst**

Okay. So -- sir, can I -- I mean, can this be expected to continue till the end of the year or can we expect some 25% tax rate or tax liability for the times ahead?

### **P. Elango, Managind Director**

There would not be any math liability for this year certainly and may not be for the next year also, that's with the current trend, unless we get into some inorganic opportunities and increase the revenue into multiple folds.

### **Dhruv Bhatt, Analyst**

Okay. Thank you so much, sir. Thank you for the opportunity.

### **Operator**

Thank you. Our next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

### **Vaibhav Badjatya, Analyst**

Hi, sir, congratulations for set of numbers. I just wanted a clarity on the PSC extension for the PY-1. So great, if you can help me understanding the three criterias of extension. And any -- and based on your knowledge, any historical precedence such extensions have not been granted to any other players?

## **P. Elango, Managind Director**

The government has come out with a clear extension policy about a year back, mainly targeting all the production sharing contract that are to expire over the next few years as such. So the policy really requires all the contractor to apply for extension two years in advance and then there is sort of set a criteria, which essentially we must have reserves left in the field to economically produce during the extended period and you must submit your field development plan as well as commercially, 10% additional profit petroleum share would be -- will have to be agreed -- brought under the extension.

It was a standard policy under which the applications have been formally received by DGH from various operator and we will have to go through the operating committee then management committee. So, the indications are those contractors who meet the allocation criteria will get an extension on those terms that are specified. So we do not see any problem in regarding extension of the field that we are operating, where we are meeting all the criteria.

## **Vaibhav Badjatya, Analyst**

Okay, sir. Thanks a lot. That's it from me, sir. Thank you.

## **P. Elango, Managind Director**

Thank you.

## **Operator**

Thank you. We will take our next question from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

## **Shekhar Singh, Analyst**

You know, I just wanted to know like in the annual report, there is a mention of fund raise plan, what was that, sir?

## **P. Elango, Managind Director**

We have not -- in the annual report, we have not mentioned anything about the fund raising.

## **Shekhar Singh, Analyst**

Okay. And, sorry --

## **P. Elango, Managind Director**

In the AGM notice and the resolutions, there is no plan for raising any equity, we have got -- we have sort the shareholders' approval.

## **Shekhar Singh, Analyst**

Okay. And sir, in terms of like for FY '19 as a whole, what is the target for the oil production by the -- on a run rate basis by Q4 end?

## **P. Elango, Managind Director**

Yeah, I think, as we said, the current quarter rate is what we expect to maintain during the remaining two quarters, both in terms of volume, as well as the value is based on what will be the pricing of oil, but broadly we expect the run rate to be similar to the current quarter, or slightly better.

## **Shekhar Singh, Analyst**

Okay. And in terms of deployment of cash because the cash generation will suddenly increase. What is the plan for the deployment of cash?

## **P. Elango, Managind Director**

So I have -- I think in my speech script I've kind of mentioned the list of development projects, the (inaudible) that we have kind of identified, it should be executed over a period of time. And -- so there is enough development opportunities for us to deploy the cash.

## **Shekhar Singh, Analyst**

Okay. Great, sir. Thanks a lot.

## **P. Elango, Managind Director**

Thank you.

## **Operator**

Thank you. Our next question is from the line of Jatin (inaudible) from Alpha Capital. Please go ahead.

## **Unidentified Participant**

Hello sir, first of all I would like to congratulate you for the great execution that we have been showing over the last two three years.

## **P. Elango, Managind Director**

Thank you.

## **Unidentified Participant**

Sir, I was reading an interview from you, which said that you're expecting this production volume to grow to 25,000 boepd in next five years. So would that be based on this current -- our production Dirok, PY-1 and addition of B-80 or do we need something more to achieve those kind of five year targets?

### **P. Elango, Managind Director**

There was more of a visionary targets and statement. And what -- I think if we -- in the current portfolio that we hold, if we have got everything going, which includes PY-3, and if we get back CB-OS/1, if we take all the couple of new blocks that we have acquired, we're pretty close to that kind of a number. But the most interesting thing is, as we even lose any block, the opportunity is now -- same blocks are back to recycles under the open acreage licensing policy, therefore, it becomes very easy for anyone to cover the area of choice [ph] and bid on the term that suits you to secure the block again. So building that portfolio of resources both under the discovered small field rounds, as well as under the OALP round, has become much more easier now. Therefore, I remain confident to keep the target apart with -- over the five year period.

### **Unidentified Participant**

Okay, sir. And sir, in terms of this B -- once this B-80 receives the peak production level, do you expect it to reach similar EBITDA margins, and if current oil price stays that is?

### **P. Elango, Managind Director**

Yeah, I think it's actually a low cost development we are proposing on it, and the margin should be better than this, what we are getting for the gas. Oil margins are better than the gas margins. So obviously B-80 should do good.

### **Unidentified Participant**

Okay, sir. And one question in terms of strategy planning. Do we look at as -- in terms of risk, do we look at how much maximum do you want to invest in a block? How much target IRR do your plan while investing and all?

### **P. Elango, Managind Director**

Our present strategy is very -- if you really look at we are very unique, that the -- our entire portfolio of block consistent on primarily discovered resources. So we have a very minimum exposure to the downside acceleration risk, while the options are always open for any upside acceleration reward. So fundamentally, we have kind of de-risk the company and its portfolio by choosing discovered resources portfolio.

The second is, we also de-risk by focusing and controlling our cost in a manner that irrespective of where the oil prices move or the gas prices move you remain protecting your margin and share in the market as such. And at this stage, if you see -- if you follow our trend, we're also building a geographical focus, focusing on Northeast, focusing on offshore, where we are already present, as well as in Cambay, where we have a presence. So the other way to not really fell yourself in, but stay very focused. So I think a very focused approach would de-risk lot of things.

### **Unidentified Participant**

Okay, sir. And any minimum threshold IRR do we target or nothing like that?

## **P. Elango, Managind Director**

I think we do a target of IRR, because which would be equivalent to -- we wanted to maintain that CAGR to the company as a whole and minimum, we will be looking for risk, after risking we should get a post tax IRR of 20%.

## **Unidentified Participant**

Okay, sir. And sir, my last question would be any plans of dividend now since we are generating enough cash now?

## **P. Elango, Managind Director**

I think the question on dividend is better left to the wisdom of the broad, as well as the shareholders, as a management, we kind of lining up the opportunity set and as we-- as Jeeva said, we will focus on achieving those CAGR numbers.

## **Unidentified Participant**

Okay. So all the best, sir. Thank you.

## **P. Elango, Managind Director**

Thank you.

## **Operator**

Thank you. Our next question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

## **Ritesh Gandhi, Analyst**

Hi, Mr. Elango and congratulations on a great set of numbers as always. Just a couple of quick questions. So (inaudible) effectively, can you share some highlights on how the profitability was for the kind of Jubilant acquisition, which we've done, which is definitely is, you know, like, not going to capture right now in the standalone numbers? What our share of that profitability would be for the quarter?

## **Ramasamy Jeevanandam, Director and Chief Financial Officer**

Standalone numbers doesn't have the Geopetrol acquisitions. And Geopetrol we had a revenue of about 14 crores, and that's about [ph] 6.7 crores, the operating cash is about 7.3 crores for the six months. So the expected profitability would be in the order of 15 crores per annum -- 15 crore cash per annum. And this is on the as-is-where-is basis and this block has certain potentials which we have to work through to get the maximum value out of it.

## **Ritesh Gandhi, Analyst**

Got it. And how high do you think this could actually kind of go to, if we -- I mean do you have any estimates and the plan that we're looking to do with Geopetrol?

## **P. Elango, Managind Director**

No, the Geopetrol assets, we have about 25 plus 5%, 30% and we are pushing the other 70% partners to go ahead and do an aggressive development. We're not the operator in the block, we have only 50% operatorship in the operating

company.

**Ritesh Gandhi, Analyst**

Got it. But effectively, we feel that there is adequate -- actually [ph] reserve there which we can exploit and sort of grow and expand it?

**P. Elango, Managind Director**

Yeah, that we will tell you once we do the -- when we do some appraisal or some drilling up the well below 3,000 meters.

**Ritesh Gandhi, Analyst**

Got it. And the extra [ph] 15 crore annualized number is our share of --

**Ramasamy Jeevanandam, Director and Chief Financial Officer**

That's right. That totals to 25% [ph].

**Ritesh Gandhi, Analyst**

Okay, got it. Perfect. The other question sir was, has there been any price increase for the next six months announced for natural gas. So is that applicable to our existing blocks now, so for the next (inaudible) six months we would have any increase in prices for gas?

**P. Elango, Managind Director**

The prices have been increased and applicable to our block effective 1st October. The price has been increased from previous 3.06 per mmbtu to 3.36 per mmbtu, which is about 10% increase that is for the Dirok. In PY-1 we have a fixed gas price regime, where our prices are about \$3.65 per mmbtu. So there will be increase in Dirok, but not in PY-1.

**Ritesh Gandhi, Analyst**

Got it. So in Assam, we'll have the increase in the price which is --

**P. Elango, Managind Director**

Correct.

## **Ritesh Gandhi, Analyst**

Got it. And effectively we don't hedge our exchange rate, right? So all of the good benefits to effectively speaking the exchange rate advantage also accrues to us?

## **P. Elango, Managind Director**

Yes, we don't hedge.

## **Ritesh Gandhi, Analyst**

Understood. Sir and just last question is that, if you could also outline with regards to your expansion plans on Assam and the time lines for that?

## **P. Elango, Managind Director**

Yeah. In Assam we have submitted the revised field development plan. And this is being drilling out four new development well, as well as, explorer new prospect in North of Dirok. That the plan been reviewed by the JV party and approved -- recommended at the operating committee level, it is just being submitted to the DGH for their technical review. And then, it would go to the Management Committee for final approval. Once that is approved, we'll be able to kind of sellout the timeline for execution. But we've already began some preparatory actions such as we've already applied for the environmental clearance, we are looking at the land acquisition, what are the areas that would be required. So planning work is kind of happening. I think by next quarter, we should be able to give a correct status on the revised FDP and the deadline.

## **Ritesh Gandhi, Analyst**

All right. Okay, sir. Thank you so much and congratulations again, a great set of numbers.

## **Operator**

Thank you. Our next question is from the line of Sadanand Shetty from True Equity Advisors. Please go ahead.

## **Sadanand Shetty, Analyst**

Yeah. Hi Mr. Elango. Am I audible?

## **P. Elango, Managind Director**

Yes, please.

## **Sadanand Shetty, Analyst**

Yeah. What has helped you to ramp up your gas from 32 to (inaudible) in September versus your earlier guidance of 32?

## **P. Elango, Managind Director**

Our gas in Dirok is reaching now considerable [ph] petrochemical component and is sought after by the BCPL petrochemical complex which requires rich gas to improve their own productivity and profitability. The earlier -- the issue was we have -- there is some limitation in the pipeline capacity which connects from Kusijan to Duliajan, which -- from there BCPL picks up the gases actually. So that gas was -- that pipeline was flowing both gas from Dirok, as well as gas from other fields of Oil India. So Oil Indian has done some debottlenecking of that pipeline capacity, as well as, we had series of meetings at the senior level in Delhi, to -- which would ensure that rich gas gets the priority, which is going to get the -- going to benefit BCPL.

So, since then we are seeing the debottlenecking is done by -- Oil India has really helped us and improved offtake by BCPL, which puts a priority on Dirok gas, it helps us to achieve a better uptick.

## **Sadanand Shetty, Analyst**

Is it sustainable with the support or they just (inaudible).

## **P. Elango, Managind Director**

Yeah, it is sustainable. But i would still kind of maintain some earlier I have said 80% of the capacity, i would say more comfortable with 80% to 90% offtake because there could be unplanned event, which typically happens in gas consumption. At the end of the day, unlike oil, the consumer has to continuously draw the gas for us to produce. The good thing is, both our well have demonstrated its capacity to produce, as well as our processing plant has demonstrated their capacity to continuously deliver this useful capacity.

So -- in fact, it is good optimism, which made the joint venture to agree on our further drilling program, which would increase the production from 35 million to 55 million cubic feet post the approval of the development plan and drilling of those wells. So overall, when I look at the demand in gas market in Assam, it is suddenly growing and that gives us the confidence and comfort.

## **Sadanand Shetty, Analyst**

Okay. Your quarterly revenue for Dirok is 35.46 crores, which reflects ramp up of your 35 mmscf from September. So I think, basically speaking, which quarterly the average from Dirok should further move up, as you reflect the full quarter going forward?

## **P. Elango, Managind Director**

As I said, I don't want to really jump the value in terms of how the next six months offtake, but our -- the trend indicates the positive trend, but I would stick to the -- our earlier guidance of similar quarter expectation.

## **Sadanand Shetty, Analyst**

Okay. Coming to PY-1, you have a quarterly revenue of 12.6 versus 9.22, is it sustainable and is there a scope to increase further here.

## **P. Elango, Managind Director**

This is certainly sustainable. But once again in PY-1, we are producing to the well deliverable capacity, there are no offtake issues in Cauvery. We are connected by the GAIL pipeline and the offtake has been consistent. So we kind of expect it to continue at these levels.

**Sadanand Shetty, Analyst**

Okay. And PY-1 pricing is fixed you said right?

**P. Elango, Managind Director**

Yeah. Fixed under the gas sales contract that we have with GAIL at \$3.65 per mmbtu. For these existing discovery, if we buy new gas, that will be on a -- negotiated on market basis.

**Sadanand Shetty, Analyst**

Okay. Thank you. I'll join the queue and come again.

**P. Elango, Managind Director**

Thank you for that.

**Operator**

Thank you. Our next question is from the line of (inaudible) from Systematix Shares. Please go ahead.

**Unidentified Participant**

Hello, sir. Hello, can you hear me, sir?

**P. Elango, Managind Director**

Yes. Thank you.

**Unidentified Participant**

PY-1, when do you expect the decisions? And in the 10% that already has given thing which you have to assume?

**P. Elango, Managind Director**

In PY-1, I'll ask Jeeva to further explain it. But in PY-1, there is no profit petroleum share because we have got a substantial basket of cost to recover from. Therefore, irrespective of the change in the number, there'll be no impact.

**Unidentified Participant**

And secondly, on the revenue sharing thing, you had a slide there on the LLR, HRP levels. Can you just expand to improve my understanding on that? What is the levels and how the cost will be recovered or no recovery there, but whatever else is to be disclosed?

### **P. Elango, Managind Director**

For the earlier part, there is a revenue sharing model driven by the Government of India where we have to disclose it. It takes -- what is if we are only \$10,000 a day is revenue, what would be the amount you'd like to share with the Government, which in certain case of practice 12%. And if it is about \$1 million per day, what is the amount you can share is 55%. Suppose you are falling in between actually, you have to look at the progressive formula by dividing it, for about 990,000 versus that would be your denominator, your numerator would be the actual space. So suppose you produce 5,000 barrel of oil, you will be in the range of sharing with the government about 22% to 25%.

### **Unidentified Participant**

Fair enough. Also like -- in this other rules definitely applies it, in terms of taking approvals for production plan and investment plan, that is still there or that particles are removed?

### **P. Elango, Managind Director**

That's a simpler format and process, we've already got the skill development plan approved in B-80, in case of B-80. And then, we would -- there is no requirement for tendering, because it's -- there is no cost that is involved. And there is no tax as well, the companies are exempted from paying tax. Overall the process is much simpler process, but there is a -- certainly there is an operating committee, and there is a management committee to oversee these -- the development.

### **Unidentified Participant**

And finally, any more information which you can share about PY-3 status, sir?

### **P. Elango, Managind Director**

PY-3, I think we all know that we made a -- couple of years back, we made an attempt to extend an alternate skill development plan, which we talk much more cost effective, but some of that did not go through. Post the success of PY-1 drilling campaign, we're once again revived that request, where we believe that we would be able to bring in some innovation using the existing infrastructure to revive the production, that we have made -- once again made a request to government as well as to the partner. And parallelly, the field development plan has also been submitted by the operator along with extension required.

So at this stage, i would only say, in both CB-OS-1 and PY-3, we have made the request, we'll keep you updated if any positive development happens, but at this stage it's only one more push that we are trying to do.

### **Unidentified Participant**

Sure. Just one other thing, your partners are all on-board in terms of presenting the plan.

### **P. Elango, Managind Director**

We are not the operator in the block, therefore, we are only a non-operator in the block. In meeting the -- we have met the partners as well. So it's still work in progress, I won't be able to say anything more on that.

### **Unidentified Participant**

Fair enough, sir. Thanks a lot.

### **P. Elango, Managind Director**

Thank you.

### **Operator**

Thank you. Our next question is from the line of the Kushal Rughani from HDFC Securities. Please go ahead.

### **Kushal Rughani, Analyst**

Hello, sir. Earlier you had guided around 140 crore to 170 crore revenues for FY '19. Would you like to revise it upwards, given that we already done around 99 crore for the H1?

### **P. Elango, Managind Director**

Yeah, certainly we have to take it back -- take it to 200 plus crores.

### **Kushal Rughani, Analyst**

For the current year?

### **P. Elango, Managind Director**

Yeah. On a standalone basis, that Kharsang we should be able to cross?

### **Kushal Rughani, Analyst**

For the current year or for FY '20?

### **P. Elango, Managind Director**

'18 and '19, half yearly revenue of 100 crores that there would not be any reduction in the revenue acceptable. So we should be --

### **Kushal Rughani, Analyst**

For the current quarter run rate would be maintained?

### **P. Elango, Managind Director**

Current total year and current half year.

**Kushal Rughani, Analyst**

Current half year run rate would be maintained. And any ballpark numbers for FY '20, would you like to view?

**P. Elango, Managind Director**

So, we have given half yearly number, then you can project. What is the --

**Kushal Rughani, Analyst**

No, sir. I am asking about FY '20 sir?

**P. Elango, Managind Director**

'20 actually right? '20, see what is happening is we are -- and '19 and '20 is an year, where we'll be executing certain development projects. These projects will come back to the revenue stream on first quarter of 2020. So it will fall on to the next financial year and in between whatever the progress we made on our existing well and bit of workover on Kharsang and other things may add some revenue. But we cannot have a massive jump on the revenue from the '19 and '20.

**Kushal Rughani, Analyst**

Okay. Understood. Okay, thank you, sir.

**Operator**

Thank you. Our next question is from the line of Deepak Agrawal from Impetus Advisors. Please go ahead.

**Deepak Agrawal, Analyst**

Yeah. Sir, can you give me the revenue breakup, how much is from gas and how much from oil and condensate of this quarter?

**P. Elango, Managind Director**

So this quarter actually there is -- gas is about 24 crore in Assam and 12 crore in condensate, and PY-1 is about -- see condensate is about 15 crores and the balance comes from the gas.

**Deepak Agrawal, Analyst**

Sorry, how much is the oil?

**P. Elango, Managind Director**

Oil is the condensate, because we don't produce -- oil is a very small quantity as --

**Deepak Agrawal, Analyst**

Okay. Yeah, so condensate, how much is that?

**P. Elango, Managind Director**

Condensate is about 15 crores.

**Deepak Agrawal, Analyst**

And the rest is gas?

**P. Elango, Managind Director**

Yes.

**Deepak Agrawal, Analyst**

Okay. And you mentioned that you have -- the models are exact, your profit margin will be protected irrespective of the prices. How exact, I mean the gas prices go down? How will your margin be protected?

**P. Elango, Managind Director**

So that is our operating (inaudible) lower. We are on a contribution on the -- any gas price even below 2 for bringing a cash contribution on that, that's why we are well protected under that regime.

**Deepak Agrawal, Analyst**

And sorry, I missed that. What is that?

**P. Elango, Managind Director**

It's too low. So even any gas price which on the \$2 also, we will be able to survive without any difficulty. It will be a cash contribution to the bottom line at the end of the day.

**Deepak Agrawal, Analyst**

Okay. And any rough idea or how is the time line for reaching 55 MMSCFD for Dirok?

**P. Elango, Managind Director**

We will give you some indication after the review is completed by the management committee.

**Deepak Agrawal, Analyst**

Okay. Thanks, that's it. Thanks.

**P. Elango, Managing Director**

Thank you.

**Operator**

Thank you. Our next question is from the line of Sushil Agarwal, an individual investor. Please go ahead.

**Sushil Agarwal, Analyst**

Actually I have two questions. One question I have related to B-80. In the development plan, is there any well to be drilled? Wells will be installed or only subsea wells will be used?

**P. Elango, Managing Director**

We are planning to drill two wells and we are evaluating whether to go through the subsea or through the extension of that extra spec [ph] and drill some -- two deviated well, this is under examination, we will decide by end of this year.

**Sushil Agarwal, Analyst**

Okay, sir. Other thing, this PY-3 now the oil price is very good and the production -- with this 3,000 barrel production, it will generate a very good revenue. So why there is a hitch with the other investors -- other partners to start the production again?

**P. Elango, Managing Director**

Unfortunately, we're not the operator.

**Sushil Agarwal, Analyst**

Yeah, I know. No, no, mean other operator, I means, for Hardy it means, why there is enchantment [ph] because now definitely the revenue wise profitability is quite high.

**P. Elango, Managing Director**

That's our endeavor also that we are trying to reach out everyone including the Government of India because they will get a profit oil substantially out of it. And if we make some progress that would be good for everyone and all those stakeholders are in the same page. But we cannot push it beyond a point, we are trying our best.

**Sushil Agarwal, Analyst**

Okay. My last question, this actually -- this Cambay fields, the South field was very good, but unfortunately government now terminated it. Even for the North field, there are delays. Can we expedite that because Cambay South also there was a production like 7,000 barrels. So -- and government had cancelled this. So can there be -- for the North field can there be some accelerating?

## **P. Elango, Managind Director**

You are talking about CB-OS-1.

## **Sushil Agarwal, Analyst**

Yeah.

## **P. Elango, Managind Director**

CB-OS-1 you are aware, it is actually a transition zone. And transition zone drilling is a challenge. And it has to be very cost effective and we should be medicate the risk to their fullest extent to develop it. So you put the viable at a higher oil price, certainly we agree to it. But ONGC being an operator, that are proposed by them was not economical to us, and for that matter for ONGC itself. Now we are willing to take over the ONGC interest also, that's what we have written to the government, we will be able to execute the project that -- which will be benefit to all the stakeholders. So please transfer the operatorship as well as surrendered interest in our favor, and we will be able to execute the project, that was under consideration by the Government of India. And if that turns out to be in our favor, we will certainly develop CB-OS-1 at the right oil price.

## **Sushil Agarwal, Analyst**

Yeah. But you are telling that development cost will be slightly higher in this field, right?

## **P. Elango, Managind Director**

You see because it is a transition zone, we have to look an innovative technology to drill those well, because there are number of which available for shallow water drilling is very, very limited, probably one or two in the world. So that is where we have to be careful on doing that.

## **Sushil Agarwal, Analyst**

Similar thing for the -- this another one CB-ON-7.

## **P. Elango, Managind Director**

CB-ON-7, we have a drilling program which we'll be targeting after the R-2 area PSC is signed, which is expected to get signed at least in the next quarter. Then we will be no timing, that drilling [ph] drilling of CB-ON-7.

## **Sushil Agarwal, Analyst**

But this means we have been extending year-by-year, I mean it was Q4 2016, '17, then first quarter 2018, right?

**P. Elango, Managind Director**

Because this has to be signed by the Government of India know.

**Sushil Agarwal, Analyst**

Okay. Thank you.

**Operator**

Well, okay. Okay, thank you. Thank you. We will take our next question from the line of Rahul Jain from Credentials [ph]. Please go ahead.

**Unidentified Participant**

Sir, you mentioned about revenues for FY '20 being somewhere not much ahead of FY '19, because FY '20, you will be having more development plan and basically if I am right in 2021, as per your talks about B-80, production starting in somewhere around quarter one.

**P. Elango, Managind Director**

Correct.

**Unidentified Participant**

And sir, what -- how much time it will take to ramp up B-80, where you have mentioned in your PPT again, the production to be expected is 5,000 bopd. And (inaudible) of gas. So in year one and year two that it 2021 and '21, '22, how do you look at B-80?

**P. Elango, Managind Director**

So in each year?

**Unidentified Participant**

Revenues and profitability.

**P. Elango, Managind Director**

B-80 development, we have started now, this is a project which takes about drilling of the two wells, minimum of 18 months. So that's where we target at the production on the first quarter of 2020, '21. You know that two well production will determine how much would be the further increase in production is possible by drilling couple of wells more. So we will be able to guide you on that -- the profitability and every factor on that after executing the project, that will be around the first quarter of 2020 and '21.

**Unidentified Participant**

So what could be the potential revenues from B-80.

## **P. Elango, Managind Director**

That's where the expected 5,000 barrel of oil and gas, in that we have got 50% and we have to have a share with the government of India, then it depends on the oil price at that point in time.

## **Unidentified Participant**

Sure. And I had read somewhere in one of the interviews which you had spoken, when your DGH approval had come in. That B-80 potential profits can be in the nature of around 100 crores, is that true?

## **P. Elango, Managind Director**

As the -- we -- as mentioned about brand new three projects, a couple of years back I talked about, three key projects for the company, Dirok development and PY-1 driver and B-80. Each roughly contributing about 100 crore. So overall I was kind of saying three projects to do about 300 crore revenue as such. So we do as you've said, we have -- we are going to -- we are going with a base development approach for B-80, where they are currently focused on how to optimize the development cost, which is an offshore field, it's out there in Mumbai high. We have no direct infrastructure there. We are optimizing how we can optimize the development cost and initially drill the two wells and then allow them to produce, what's the production history before we reinvest in further drilling up wells as such.

So overall, because the way to look at B-80 is, this will be the first field which will give HOEC a direct exposure to 2,000 barrel -- 2,500 barrels of oil. So all our portfolio is primarily gas with a little bit of condensate. But this is first time we'll be getting exposed to a bit oil and you know oil economic really works on, what is the price of oil going to be. And today, it's very difficult to predict where the oil side would be because in the first quarter of 2021. So -- see on the economics that holds debt, but all we can assure is we will make it a very profitable development by focusing on controlling the cost both in development stage as well as at the operating stage.

## **Unidentified Participant**

Sure. Sir this 5,000 tons bopd production of oil will be the total potential of B-80, is that correct or it will be for two wells?

## **P. Elango, Managind Director**

That is from the two wells, actually the -- see unless these are the discovered resources, right. So we have an estimate both the field on production for six months, then we will have an understanding of the field. Then we can decide how much is the upside potential, which we can build on. But right now, projecting something may not be correct.

## **Unidentified Participant**

Sure. Last question, what is the total development cost for B-80?

## **P. Elango, Managind Director**

That -- there is a field development plan. Say that, the development cost is about 40 million and our share would be around 155 crores, which will be spending over a period and started now itself and that will go next year and up to the 31st March of 2020. So three years, we will be spending this money.

## **Unidentified Participant**

And it will be completely from internal accruals as mentioned earlier.

## **P. Elango, Managind Director**

Absolutely, it will be from internal accruals, no borrowing we planned.

## **Unidentified Participant**

Thank you so much.

## **Operator**

Thank you. Our next question is from the line of Tejas Shah, an individual investor. Please go ahead.

## **Tejas Shah, Analyst**

Yeah. As you said, your revenues from oil condensate is 15 crores and the balance is from gas, in which I think PY-1 is 26.5 crores and the balance is from Dirok, am I right on this?

## **P. Elango, Managind Director**

Correct.

## **Tejas Shah, Analyst**

Okay. So basically what we'll get is on our 24 crores, you will get additional 10% revenue because of the increase in the gas price.

## **P. Elango, Managind Director**

That's true.

## **Tejas Shah, Analyst**

Okay, fine. So by default this coming quarter -- the current quarter, which would be running, then we will have a revenue of more than 65 crores, correct?

## **P. Elango, Managind Director**

Yeah. And if you ask me that production continue and there is no issue on offtake and everything goes as smooth, we should be doing better than this quarter, certainly.

## **Tejas Shah, Analyst**

Okay. Another question is on upper Dirok. Now, when we were allotted, how much time will this take to come up on stream?

## **P. Elango, Managind Director**

We -- as we said, we are now focused on the next phase of Dirok development for which the revised field development plan has been submitted. And when that get approved we would undertake the drilling campaign of those four wells in the Dirok. So for which, when we mobilize all the rate and the associated resources, we would look for the opportunity to drill the well in that extended area as well because we have already have the 3D data for that area. So it is about just drilling an exploration well in the block to confirm the potential, which we will look for the opportunity, to do that along with the Dirok next phase campaign.

## **Tejas Shah, Analyst**

That is how much the time frame, six months, one year.

## **P. Elango, Managind Director**

There is -- once the management committee approves, we would ready on the time frame, as I said in the beginning.

## **Tejas Shah, Analyst**

I know, I know, agreed. But what happens is see, all your teams what you're saying is the management committee has to approve and the other committee has to approve and the other company has to but is there a timeline like normally average is six months, three months, 12 months work.

## **P. Elango, Managind Director**

Typically, the team development plan gets approved between three to six months time frame. That's the normal process, so we have just submitted, so definitely by the time next quarter, we should be able to give an update on that and along with that time line, depending on what process has been made beyond that.

## **Tejas Shah, Analyst**

Okay. Another thing is just one question (inaudible) 14 crores, if I'm not wrong for the first quarter, sorry, six months.

## **P. Elango, Managind Director**

That's right. Correct.

**Tejas Shah, Analyst**

And profitability from that is what, around 6.5 crores or what?

**P. Elango, Managind Director**

6.5 crore is the cash profit, excluding the depletion.

**Tejas Shah, Analyst**

Okay. But that we are not showing into our results, correct?

**P. Elango, Managind Director**

It's not in the standalone balance sheet, it will be coming into the consolidation at the year end.

**Tejas Shah, Analyst**

Correct. But at least can you give it in the footnotes, because what happens is let's say if I look at the result, what I look at is only the standalone number. I'm not able to derive the value and the share of the price in what the Kharsang profits are there, which company that you are in.

**P. Elango, Managind Director**

Normally what happen, standalone, it gets audited and others are not getting audited on the year -- on the quarterly results. And the limited review report is given only for the standalone, which we are supposed to send it to the stock exchange, right? We cannot add some footnote on subsidiary income and revenue thereon, which will become mandatory in the next financial year which we'll do it.

**Tejas Shah, Analyst**

Okay. But at least what I can request is, is whenever your interviews are happening, at least, if you can throw some light on that, so that the market participants are aware on the same.

**P. Elango, Managind Director**

Okay. Noted. Thank you, we noted down. We'll do it.

**Tejas Shah, Analyst**

Okay. Thank you.

**Operator**

Mr. Shah. Thank you. (Operator Instructions) We'll take the next question from the line of Ravi Nanda [ph], an Individual Investor. Please go ahead.

## **Unidentified Participant**

Sir, what is the free cash flow that actually was significant in the past six months.

## **P. Elango, Managind Director**

Free cash flow for six months.

## **Ramasamy Jeevanandam, Director and Chief Financial Officer**

Free cash for us is about 46 crore, we have it at the moment.

## **Unidentified Participant**

Okay, sir. Thank you, sir.

## **Operator**

Thank you. Our next question is from the line of Samir Patel from Savvy Capital. Please go ahead.

## **Samir Patel, Analyst**

Yeah. Hi, sir. I have two questions. First one is regarding PY-1, what is it that gives us confidence or what is that we have done differently than not previous times when the exploration was going off?

## **P. Elango, Managind Director**

This time out of the two wells that were drilled, one was -- I mean both the wells were done through, what we call in our industry as a re-entry and sidetrack, it simply means you get back into an existing wells and cut it to a new target. So in the two wells, one of them we targeted the earlier what's called the basement reservoir, and then in the other well, we've actually targeted and drilled in a shallower prospect, which is above the basement level, which is not huge in size, but less risky, that's what we are also observing.

Our plan is also to continue to watch the production history before we embark on the next drilling campaign. So what is done differently this time is out of the two wells, one is targeted at different prospects, which is shallower and more conventional.

## **Samir Patel, Analyst**

Okay. So that's giving us the confidence to maintain this run rate of cash.

## **P. Elango, Managind Director**

Correct.

## **Samir Patel, Analyst**

Okay. So my next question is regarding some news in the media that there is an exchange which is planned for local gas discovery, I mean, can you throw some light on that?

## **P. Elango, Managind Director**

I didn't get your question, can you repeat, please?

## **Samir Patel, Analyst**

So there is a report today in the newspapers that the government is looking at some exchange for local gas guys discovery and they are going to done away with this six monthly change of gas pricing and it will all be through the exchange, and I mean --

## **P. Elango, Managind Director**

Okay. What -- I think one of the demand from the industry has been is to free the gas marketing and gas pricing. And for us in Northeast, the government has already taken their decision, for any new gas that is produced in Northeast, will have a complete marketing and pricing freedom and would not -- need not be governed under the fixed monthly pricing regime. So that's already -- government has already announced for Northeast. I think what you are talking about is government is trying to set up gas trade exchange similar to the power trade exchange is some initial discussions are kind of going on at the government level. For us, we -- in Northeast, we -- under the current production sharing counter also, we have the marketing and pricing freedom in Northeast.

## **Samir Patel, Analyst**

In Dirok also.

## **P. Elango, Managind Director**

In Dirok also, correct.

## **Samir Patel, Analyst**

So then, we should be able to get much higher pricing, right? I mean --

## **P. Elango, Managind Director**

So what we have done is, in the -- we see in the market, the current market when we brought in Dirok industry, our strategy was to ensure you are able to clear the volumes first. And you need to contract with the customer who ensures payment -- security of payment as such. Therefore, we tied up the contract with Oil India, as our partner as well as buyer. And, since Oil India sells the gas under the current and holds the key infrastructure, as well as the current -- the six monthly pricing regime, so we tied back in that regime, that doesn't stop us in future to look at more market demand determine price as we build our own infrastructure for that.

The key place in Assam is Duliajan, which is the current marketing hub, almost like a handy [ph] hub of Assam is a place called Duliajan, that major customers are connected. As part of the revised field development plan, the JV itself is planning to lay one more line to connect that. And recently we have also gone and published an expression of interest in the newspapers, seeking additional demands from creditworthy customers, where we can explore the opportunity for increased gas prices for the future production.

### **Samir Patel, Analyst**

Okay. So I mean, right now there must be some market, and there must be some player which must be going on, any idea on what the rate is currently in that market?

### **Operator**

Participants, it looks like the lines of the management has dropped. Please remain connected, while we join them back. Thank you. (technical difficulty) Ladies and gentlemen, thank you for your patience. We have the management line now connected. Mr. Patel, you may continue.

### **Samir Patel, Analyst**

Sure. So sir, my follow-up there was that the market in Northeast right now must be trading gas outside of this formula. Any idea on what that rate is?

### **P. Elango, Managind Director**

Most of the -- there are only two types of prices which is, most of them under this formula, the other one is some of the old customers like CSA [ph] where both Oil India and ONGC continues to give the earlier APM price, all I can confirm is nobody is selling at a price higher than what we are selling now in the Assam market. And we have begun our exercise to explore for a premium price, as far the additional volume. So --

### **Samir Patel, Analyst**

Right. But there is a possibility, right, to look at much higher pricing, because if you look at import prices they are much, much higher than what is being given to local production.

### **P. Elango, Managind Director**

There is a possibility, but what is required is the -- required infrastructure, which is what we've highlighted in our presentation defined also, about (inaudible) coming up. So when I look at from a medium-term and long-term perspective, I really see Assam evolving over a period of time towards the Gujarat type of market, over a period of time.

Now, we will give -- continue to explore, as i said, we've already out in the newspaper, we are constantly engaging with the key customers to look at additional -- our endeavor must be to sell the additional gas at a premium.

### **Samir Patel, Analyst**

Okay, sir. Thanks a lot.

**P. Elango, Managind Director**

Thank you.

**Operator**

Thank you. We'll take our next question from the line of Vaibhav Badjatya from HNI investments. Please go ahead.

**Vaibhav Badjatya, Analyst**

Hi, thanks for proving the follow-up opportunity. So wanted to understand one thing, from 2016 onwards -- hello?

**P. Elango, Managind Director**

Yes, please.

**Vaibhav Badjatya, Analyst**

Yeah. From 2016 onwards from the time when the management change has happened, there has been substantial improvement in the overall prospects of the company. And I just wanted to understand that the earlier promoter where ENI [ph] Holding exited the company, what risk that they were seeing, that they exited the company which we were able to manage very, very efficiently, which has resulted this value creation which they have completely missed?

**P. Elango, Managind Director**

I would be second guessing, if I answer the question. I would still answer this one thing that a company of ENI size takes a call about being in a country or exiting country, it's not really about of an ENI exited, oil prices declining, if they took a call to exit the country, not just the country [ph]. But thank you for everything else you said.

**Vaibhav Badjatya, Analyst**

Okay. I think that's a dramatic thing.

**P. Elango, Managind Director**

Thank you so much.

**Operator**

Thank you. Our next question is from the line of Sadanand Shetty from True Equity Advisors. Please go ahead.

**Sadanand Shetty, Analyst**

In one of your slide you have mentioned your production target as 10,000 boepd for FY '20, from the current level of 9,050.

**P. Elango, Managind Director**

From the current level of (inaudible) first half of this year, we have done an aggregate gross production of 7,361 for the first six months.

**Sadanand Shetty, Analyst**

No, your presentation slide initially says your boepd currently is 9,050, is that correct?

**P. Elango, Managind Director**

Correct, correct. This quarter is correct.

**Sadanand Shetty, Analyst**

Okay, it's a per day, right, quantified.

**P. Elango, Managind Director**

Yeah. (multiple speaker), correct.

**Sadanand Shetty, Analyst**

Yeah. In a similar quantification FY '20 is 10,000 boepd.

**P. Elango, Managind Director**

Correct.

**Sadanand Shetty, Analyst**

So, where is that incremental production is coming from?

**P. Elango, Managind Director**

So, what -- as you've seen in first quarter we were about 5,600 barrels of average daily production, in second quarter it is about 9,000. In the next two quarters what we are guiding is it will be around the same number of value. But when we enter the next financial year, we would have a full four quarters of 9,000 plus production rate and considering some of the small additional volumes that are in -- it can be et cetera, et cetera. We're comfortable that we would be able to achieve a target of 10,000 barrels of gross production during the FY '19, '20. As you said, (inaudible) will come only after the B-80 comes on stream.

**Sadanand Shetty, Analyst**

But there is a significant 10% jump in volumes from the current levels. So is that, that can be -- which will add further, because currently optimized at 9,050 level.

**P. Elango, Managind Director**

What you need to see is, if you take the current quarter number of 9,000 odd numbers.

**Sadanand Shetty, Analyst**

Yes.

**P. Elango, Managind Director**

And the -- we do that on a continued basis of four quarter, increasing further production from the (inaudible) we should be able to get back.

**Sadanand Shetty, Analyst**

Okay. You're confident to achieve that kind of estimates? Now, this (inaudible) roughly 15 crores (inaudible) per annum what is the running assumption there on INR basis?

**P. Elango, Managind Director**

About 800 barrels is there out that our share is about 200 barrels. So that's where the -- per day you can convert into (inaudible) revenue.

**Sadanand Shetty, Analyst**

So, what has been the average realization for your condensate in 1Q as well as 2Q?

**P. Elango, Managind Director**

The expected is about 14 crores.

**Sadanand Shetty, Analyst**

No, average realization US dollar.

**P. Elango, Managind Director**

So the average realization comes around to \$75 to \$78.

**Sadanand Shetty, Analyst**

That is for second quarter. Is that for second quarter?

## **P. Elango, Managind Director**

Yeah, it's for the second quarter, it is about 71.41 against \$69 of the previous quarter.

## **Sadanand Shetty, Analyst**

71.41, Okay. And crude remaining at this level, you expect this number to remain at same level or most likely go down?

## **P. Elango, Managind Director**

Not go down, but it was basically -- got maintained at the same level.

## **Sadanand Shetty, Analyst**

Right. You mentioned that once you set up your Duliajan, you might get a premium pricing, but why do you come on premium pricing along rest of the market with administrative price, which is cheaper than --

## **P. Elango, Managind Director**

It is the demand -- we are seeing the demand growing in the Assam market. So if the -- we can assure the supply, the customers who will be wanted to go for expansion are looking at. I think, let me probably just say, the Dirok development in Assam has blocked in 15% additional gas into the gas market, today we control -- our market shares is 15% of the total Assam gas market. So there is a perception about from a total shortage to that availability perception has come, so some of them are looking at -- some of the customers are looking at expansion there we are also able to -- we would be able to commit on a sustainable basis for a while because the (inaudible) situation in gas market development, when the customers feel that there is a reliable customer coming up, the producer coming up, they will also look at expansion, and we know there are couple of customers I cannot name them now, who are looking at expansion capacity.

## **Sadanand Shetty, Analyst**

Sure, fair enough, sir. Sir, CB-OS-1, what level of oil price, it becomes viable to develop?

## **P. Elango, Managind Director**

CB-OS-1, it depends on the concepts which, we are working on it and the day we will be able to contain our CapEx and the operating expenses, we are expecting any oil price above \$65 to \$70 that would make economical to all the parties.

## **Sadanand Shetty, Analyst**

Okay, great. Thank you very much.

## **Operator**

Thank you. Ladies and gentlemen, that was the last question. I hand the floor back to Mr. Elango for closing comments. Over to you, sir.

## **P. Elango, Managing Director**

Thank you. I would like to conclude by pointing out that in the rapidly opening E&P sector in India. Petrol isn't uniquely positioned with a quality portfolio of discovered resources under strong operating organization that experience in both onshore and offshore. We are already a major producer of natural gas in Assam and are well set to further add to this by expanding our footprint in the prolific Northeast region. We are operating the only producing field Offshore Cauvery Basin and are on track to deliver significant production from Mumbai Offshore block B-80, that will increase our exposure to oil substantially and will take us to the next level of growth.

We remained focused on leveraging our deep experience and technical capability to profitably grow our business and add value to all stakeholders. I apologize for the -- of the disruption in our audio in between. And thank you, everyone for your participation in our earnings call. In case of further queries, you may please contact and get in touch with the Stellar Investor Relations, our Investor Relation Advisor, or feel free to get in touch with us. Thank you.

## **Operator**

Thank you, members of the management. Ladies and gentlemen, on behalf of Hindustan Oil Exploration Company Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.