

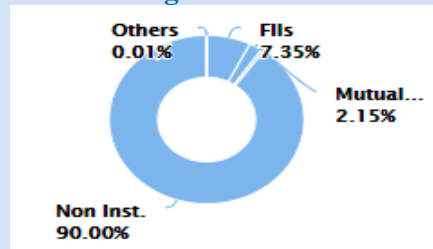
Company Details

CMP:	Rs.126
Face value:	Rs.10
Market cap:	Rs.1,648.13 Crs.
TTM EPS	Rs.9
52 week high:	Rs.164.80
52 week low:	Rs.102.60
BSE Code:	500186
Sector	Exploration & Production

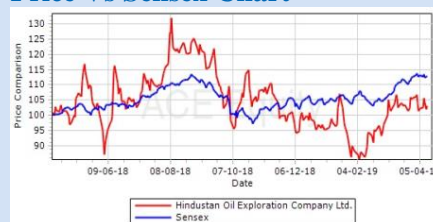
Consolidated 9M Financial Highlights (YoY)

Rs. in crores			
	9M FY19	9M FY18	% Var
Net Sales	165.48	25.48	549.5%
Total Expendit	43.87	3.97	1005.0%
PBDIT	121.60	21.51	465.3%
Op.Profit	128.01	30.57	318.7%
OPM (%)	77.4%	120.0%	-35.5%
PBT	101.93	21.39	376.5%
PAT	101.00	21.39	372.2%
EPS (Rs.)	7.74	1.64	372.2%
Equity	130.51	130.51	0.0%

Shareholding Pattern



Price Vs Sensex Chart



Research Analyst

Animesh Yadav

animesh.yadav@satco.co.in

Satco Capital Markets Ltd.

Board Line: +91 022 2645 6666 |

Ext: 288 | Fax: +91 022 2651 6783

Company Background

Hindustan Oil Exploration Company Ltd., is Gujarat based company engaged in Exploration and production of Oil and Gas. The company has at present (PI) participating interest in 9 oil/gas fields in India.

Financial Performance

The company has reported Net sales of Rs. 165.48 crore during 9M FY19 higher by 549.5% against Rs. 25.48 crore during 9M FY18. The **Net profit was at Rs.101 crore in 9M FY19 up by 372% against that of Rs.21.39 crores in 9M FY18. The EPS has improved from Rs. 1.64 in 9M FY18 to Rs. 7.74 in 9M FY19.**

Investment Rationale

- Development Projects: B-80 (50% PI):** The company is evaluating cost-effective drilling options and on track to deliver first oil by Q1 FY20-21. **Kherem (40% PI):** Drilled 3 wells with tested production of oil 402 bopd. With the forest clearance approved by State body and petroleum mining lease is expected to transfer by Q1 FY19-20. **Revive PY-3 with support of other JV partners and regulators (21% PI):** Integration of PY1 and PY3 facilities through a 6KM offshore pipeline is feasible and most cost-effective to revive production in PY-3. The PY-3 field was shut down on 31 July 2011, when it was producing 3000+ bopd without any sub-surface issue.
- Additional Potentials: Kharsang development (30% PI):** With average production till Q3 FY19 is 683 bopd, the company is focusing on optimizing in coordination with the operator and is optimistic on securing required forest clearance at the earliest. **Dirok Phase - II development (27% PI):** 4 development wells, laying 35km long pipeline up to Duliajan, production to increase from 35 MMSCFD to 55MMSCFD. Dirok field posted revenue of Rs.39.24 crores in Q3FY19, higher than Q2FY19 which was Rs. 36.54 crores. **PY-1(100% PI):** The gas price is sold under long term fixed price contract at 3.36/mmbtu. As well as the company is in process of developing additional potential. With 100% PI, enhancing the gas production in PY1 field will positively impact the net revenue from operations. PY-1 posted revenue of Rs. 25.56 crores in Q3FY19 against Rs. 26.35 crores in the previous quarter.
- Growing portfolio in Northeast assets enables the company to operate at scale in one of the most prolific and prospective petroleum regions in the country through integrated planning and development. The company remains focused on efficient development of the resources in these blocks.
- The management expects the revenue for FY19 to cross Rs. 200 crores and is virtually debt free, and generates healthy cash flows.
- FII and Mutual Funds hold 7.35% and 2.15% respectively, rest about 90% shares of the company are held in Public.

Concerns

Commodity price, Inflation and fluctuations in Foreign Exchange rates are the main concerns.

Valuation

The share of the Company is trading at **TTM P/E of 14x**. Keeping the balanced and diverse geographic footprints, presence in 4 out of 7 producing basins with 3 offshore and 7 onshore oil 7gas blocks in India, upside potential for exploration within the portfolio with infrastructure for rapid monetization, we expect the company to report an **EPS of about Rs. 11 for FY19 and with the PE of 15x** and accordingly, we estimate the price of the scrip to appreciate to about Rs. 165 (an appreciation of about 30%) over the next 6-12 months.

EXTENDED WINGS

DELHI | MUMBAI | AHMEDABAD | KOLKATA | INDORE | PATNA | BHILLAI | BHUBNESHWAR
NASHIK | NAGPUR | PUNE | WARANGAL | VISHAKHAPATNAM | RAJAMUNDHARY | KARIMNAGAR
HYDERABAD | VIJAYWADA | CHENNAI | BANGALORE | COCHIN | TRIVENDRUM

Corporate Office:

Satco Capital Markets Ltd., 402, Silver Pearl Building, Water Field Road, Bandra (w), Mumbai - 400 050
Tel.: +91-22-6170 6700, 2645 6666 | Mob : 98205 70103

Registered Office:

Satco Capital Markets Ltd., 17, Noble Chambers, Ground Floor, Janmabhoomi Marg, Fort, Mumbai - 400 001
Tel.: +91-22-6655 6721/15 / 6655 6777

Disclaimer:

This document is not for public distribution and is meant solely for the personal information of the authorized recipient. No part of the information must be altered, transmitted, copied, distributed or reproduced in any form to any other person. Persons into whose possession this document may come are required to observe these restrictions. This document is for general information purposes only and does not constitute an investment advice or an offer to sell or solicitation of an offer to buy / sell any security and is not intended for distribution in countries where distribution of such material is subject to any licensing, registration or other legal requirements. The information, opinion, views contained in this document is as per prevailing conditions and are of the date appearing on this material only and are subject to change. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Neither Satco Capital Market Ltd., its group companies, its directors, associates, employees nor any person connected with it accepts any liability or loss arising from the use of this document. The views and opinions expressed herein by the author in the document are his own and do not reflect the views of Satco Capital Market Ltd. or any of its associate or group companies. The information set out herein may be subject to updation, completion, revision, verification and amendment and such information may change materially. Past performance is no guarantee and does not indicate or guide to future performance. Nothing in this document is intended to constitute legal, tax or investment advice, or an opinion regarding the appropriateness of any investment, or a solicitation of any type. The contents in this document are intended for general information purposes only. This document or information mentioned therefore should not form the basis of and should not be relied upon in connection with making any investment. The investment may not be suited to all the categories of investors. The recipients should therefore obtain their own professional, legal, tax and financial advice and assessment of their risk profile and financial condition before considering any decision.

Satco Capital Market Ltd, its associate and group companies, its directors, associates, employees from time to time may have various interests/ positions in any of the securities of the Company (ies) mentioned therein or be engaged in any other transactions involving such securities or otherwise in other securities of the companies / organization mentioned in the document or may have other interest with respect to any recommendation and / related information and opinions. The company follows Employee Trading Policy which regulates the trading activities of the research analysts. The compensation of the research analysts is governed as per the Board approved "Research Analyst" Policy.

Satco Capital Market Ltd. is acting as a Research Analyst and is registered under SEBI (Research Analyst) Regulations, 2014. SEBI Registration No. INH000002343