

Retail Equity Research

Hindustan Oil Exploration Company Ltd

Finance

CMP Rs. ₹ 192
Rating: Overweight
NSE CODE: HINDOILEXP BSE CODE: 500186

HOEC delivered a strong Q3 performance, with revenue rising to ₹156 crores, a sharp increase from ₹100 crores in the previous quarter. This was driven by higher production from the Dirok field (17.64 mmscfd gas sales) and B-80 offshore block (88,073 barrels of oil). Operating profit surged 134% QoQ, reflecting cost efficiencies despite a decline in gas price realization to \$8.25 per mmbtu.

The company maintained a debt-free position, with term loan obligations at ₹91.25 crores. Future growth is underpinned by a ₹1,000 crore Capex plan over three years, with ₹300-350 crores allocated for FY 2025-26. Key catalysts include the North-Eastern Gas Grid's operationalization and expansion in the Kharsang and Cambay blocks.

Management remains optimistic, targeting ₹1,000 crores in revenue by FY 2025-26 with 50% EBITDA margins. However, demand constraints and regulatory delays pose risks, requiring close monitoring of execution timelines.

Company Data

Market Cap (cr)	Rs.	2,545.69
Enterprise Value (cr)	Rs.	2,454.77
Outstanding Shares (cr)		13.22
52 week high	Rs.	294.00
52 week low	Rs.	157.00
1m average volume (lacs)		9.09
Face value	Rs.	10.00

	FY22	FY23	FY24
Sales	155.73	557.82	749.13
Growth(%)	37%	258%	34%
EBITDA	55.39	309.05	360.38
EBITDA Margin(%)	35.6%	55.4%	48.1%
PAT	19.99	194.05	226.43
Growth(%)	-63%	871%	17%
EPS	1.5	14.7	17.1
P/E	145.4	8.2	10.4
P/B	3.9	1.7	2.0
EV/EBITDA	57.8	6.1	6.8
ROE(%)	3%	20.5%	19%
ROCE(%)	3%	17.9%	20.8%
ROIC(%)	3%	19.6%	19.0%
D/E	0.47	0.38	0.15

Operational & Production Updates: HOEC reported higher production, with Dirok gas sales at 17.64 mmscfd and B-80 offshore output at 88,073 barrels of oil and 0.6292 bcf of gas. Environmental clearances for North Balol and Asjol enable upcoming drilling, while Kharsang is set for a new development well by March 2025. The North-Eastern Gas Grid, expected by FY 2025-26, should ease demand constraints and boost production.

Financial Performance & Capex Plans: Consolidated turnover rose to ₹156 crores from ₹100 crores, with profit before tax at ₹52 crores. The company has zero net debt, with ₹91.25 crores in outstanding loans. HOEC plans ₹1,000 crores in Capex over three years, allocating ₹300-350 crores next year for production expansion and drilling.

Future Growth & Strategy: Targeting ₹1,000 crores in revenue and a 50% EBITDA margin by FY 2025-26, HOEC aims to boost production via new wells in Kharsang and B-80. The company is open to acquisitions and prioritizes efficiency, technology, and regulatory compliance to drive growth.

Key Highlights

Company Overview Hindustan Oil Exploration Company Limited (HOEC), incorporated in 1983, is India's first private exploration and production (E&P) company engaged in the exploration, development, and production of crude oil and natural gas. Its asset portfolio is geographically spread across Tamil Nadu, Maharashtra, Gujarat, Assam, and Arunachal Pradesh, covering both offshore and onshore operations.

Diversified Asset Portfolio HOEC has a strong India-focused asset portfolio with 10 oil and gas blocks containing discovered resources and 1 exploratory block. The company has a presence in 4 out of India's 7 producing basins, leveraging its expertise in offshore operations.

Key Asset Developments

PY-1 (100% stake): Located in the Cauvery Basin, PY-1 has a processing capacity of 55 mmscfd. GAIL is the sole buyer of the gas, and the contract extends till October 2030. Additional drilling locations have been identified, with the first well expected to be drilled in Q1 FY26.

Dirok (27% stake): A JV with Oil India Ltd and Indian Oil Corporation, contributing significantly to Assam's gas production. Production declined in FY24 due to demand constraints, but workover activities and pipeline expansion are in progress to enhance output.

Cambay (25% stake): Comprising Asjol, North Balol, and Palej fields, production is expected to increase to 300 BOEPD with new development wells and artificial lift installations in FY25.

B-80 Block (60% stake): A JV with Adbhoot Estates, its D1 and D2 wells commenced production in December 2022, with the first crude offtake completed in January 2024.

Kharsang (35% stake): Located in Arunachal Pradesh, the company has planned 9 wells for production expansion, with another 9 wells under evaluation.

Greater Dirok (100% stake): Seismic data reprocessing is completed, and drilling is set to commence post -RSC extension approval.

Block Umatara (10% stake): Awarded under the DSF Bid Round 2019, with the first well expected to be drilled in FY25.

Capital Expenditure & Growth Strategy

HOEC has planned a Rs. 1,000 Cr capex program over the next three years (FY25-FY27), allocating Rs. 300 Cr annually for development and exploration.

The company focuses on low-risk, discovered oil and gas resources to optimize exploration success and production efficiency.

It aims to strengthen its offshore operations and expand in North-East India, capitalizing on its established footprint in the region.

Future Outlook HOEC remains committed to increasing production efficiency, optimizing capital expenditure, and unlocking the potential of its existing assets. With a strategic focus on offshore operations and North-East expansion, the company is poised for sustainable growth in India's energy sector.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	179.08	289.61	136.15	94.81	146.52
Growth(%)	59%	62%	-53%	-30%	55%
Expenses	108.44	214.94	73.77	63.11	72.50
Operating Profit	70.64	74.67	62.38	31.70	74.02
Growth(%)	4%	6%	-16%	-49%	134%
Other Income	9.51	37.13	10.60	4.77	3.67
Depreciation	21.33	20.27	18.47	17.58	19.86
Interest	7.43	6.33	6.01	5.49	5.36
Profit before tax	51.39	85.20	48.50	13.40	52.47
Tax	4.82	14.59	6.59	2.59	9.15
Net profit	46.57	70.61	41.92	10.81	43.32
Growth(%)	7%	34%	-68%	-288%	75%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	202.05	113.86	155.73	557.82	749.13
Growth(%)	-24%	-44%	37%	258%	34%
Expenses	77.41	59.30	77.44	245.46	440.30
Operating Profit	124.64	54.56	78.29	312.36	308.83
Growth(%)	-34%	-56%	43%	299%	-1%
Other Income	48.49	26.85	-22.90	-3.31	51.55
Depreciation	29.39	23.37	26.21	73.70	80.02
Interest	6.44	6.22	9.49	38.06	32.07
Profit before tax	137.30	51.82	19.69	197.29	248.29
Tax	-0.26	-1.59	-0.31	3.24	21.86
Net profit	137.56	53.42	19.99	194.05	226.43
Growth(%)	-12%	-61%	-63%	871%	17%

Balance Sheet

(Rs Cr)

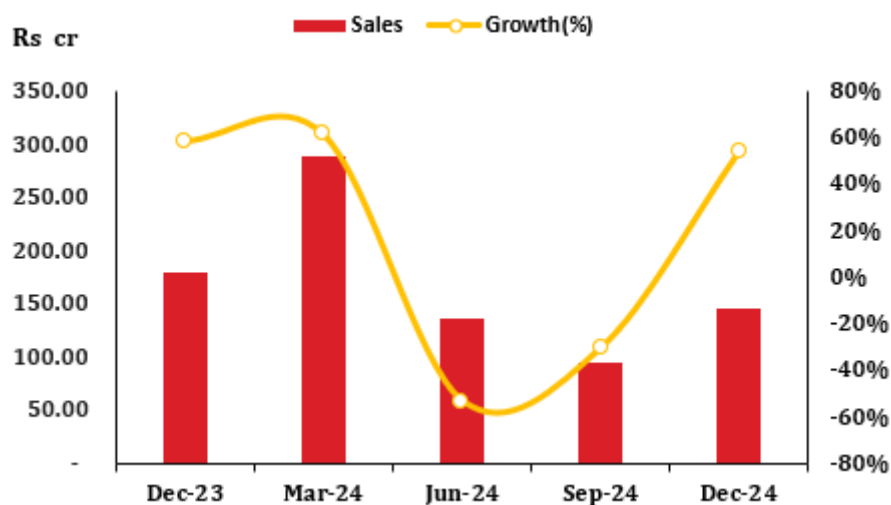
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	132.26	132.26	132.26	132.26	132.26
Reserves	547.45	600.91	620.86	814.94	1,042.16
Borrowings	44.86	253.69	357.34	364.20	174.08
Other Liabilities	311.27	198.29	416.78	538.89	602.95
Total	1,035.84	1,185.15	1,527.24	1,850.29	1,951.45
Net Block	357.31	335.40	510.46	1,246.44	1,246.62
Capital Work in Progress	327.37	534.59	782.01	31.54	38.12
Investments	118.22	64.65	18.72	133.20	0.42
Other Assets	232.94	250.51	216.05	439.11	666.29
Total	1,035.84	1,185.15	1,527.24	1,850.29	1,951.45

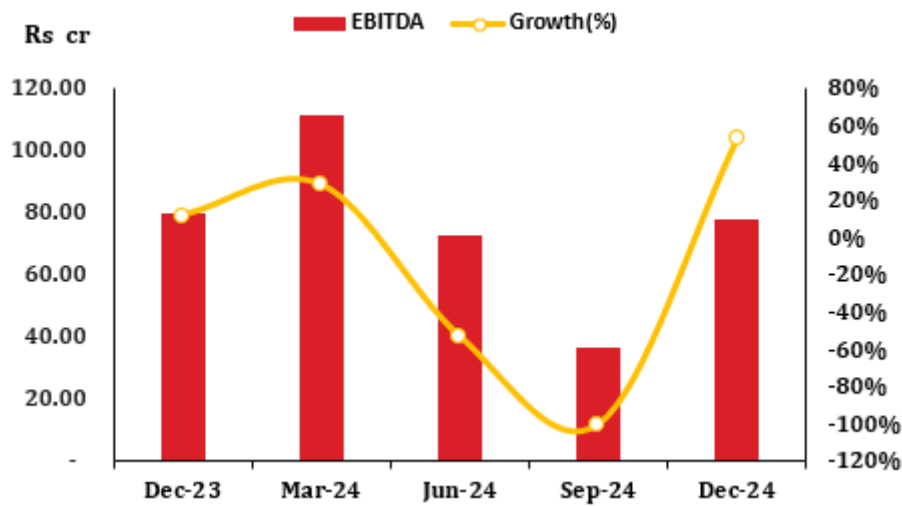
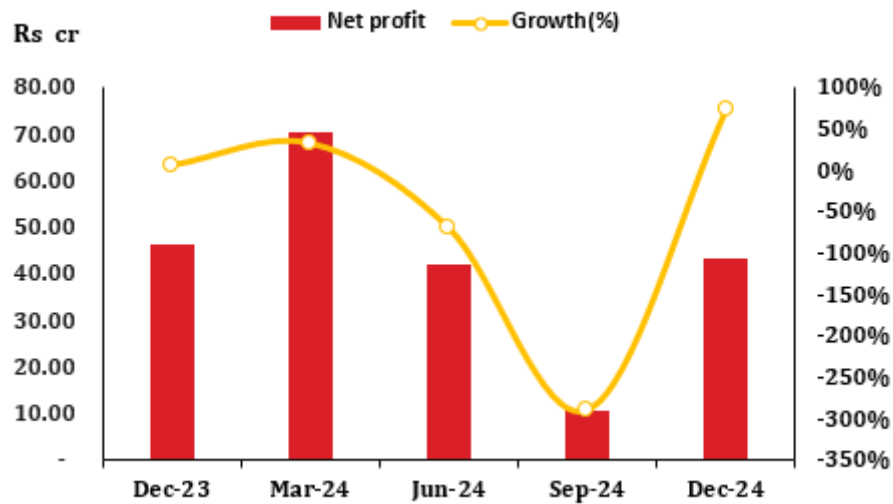
Cash Flow

(Rs Cr)

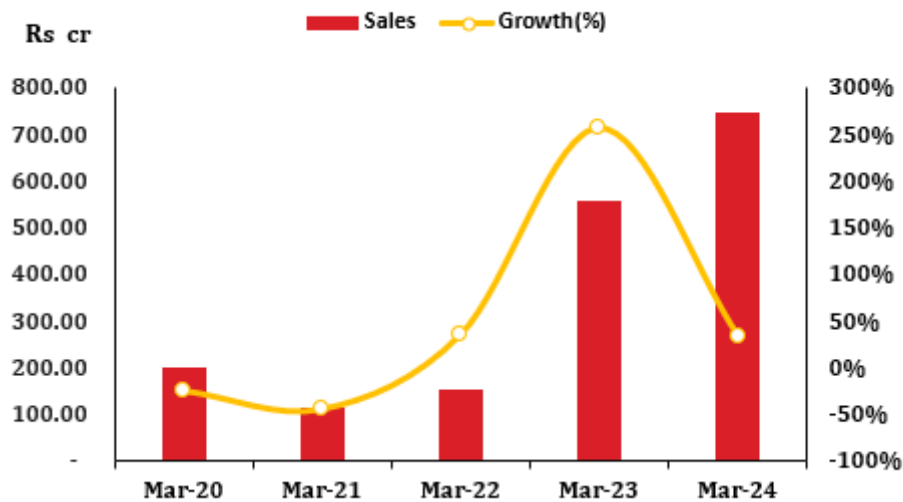
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	287.13	-76.61	110.98	219.34	122.67
Cash from Investing Activity	-297.16	-208.36	-280.24	-76.99	-39.2
Cash from Financing Activity	33.72	206.16	106.46	-27.23	-215.1
Net Cash Flow	23.69	-78.81	-62.8	115.12	-131.63

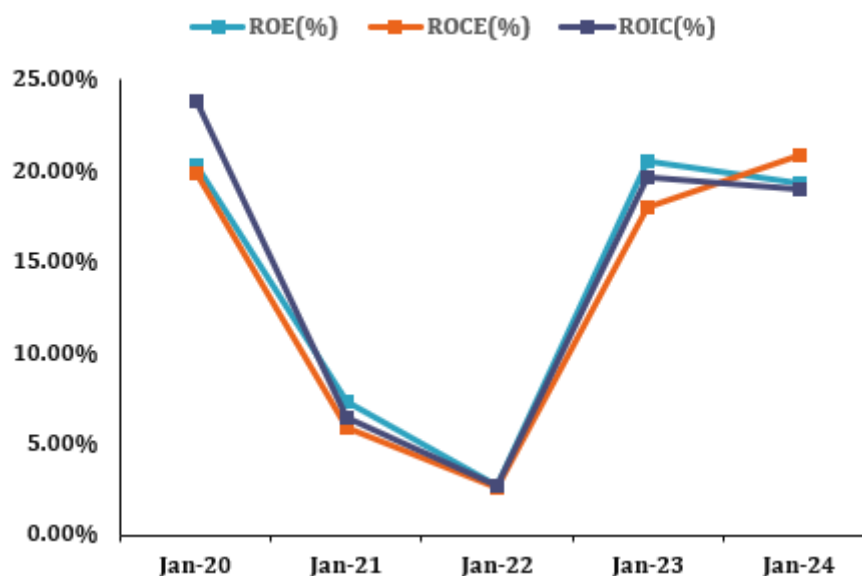
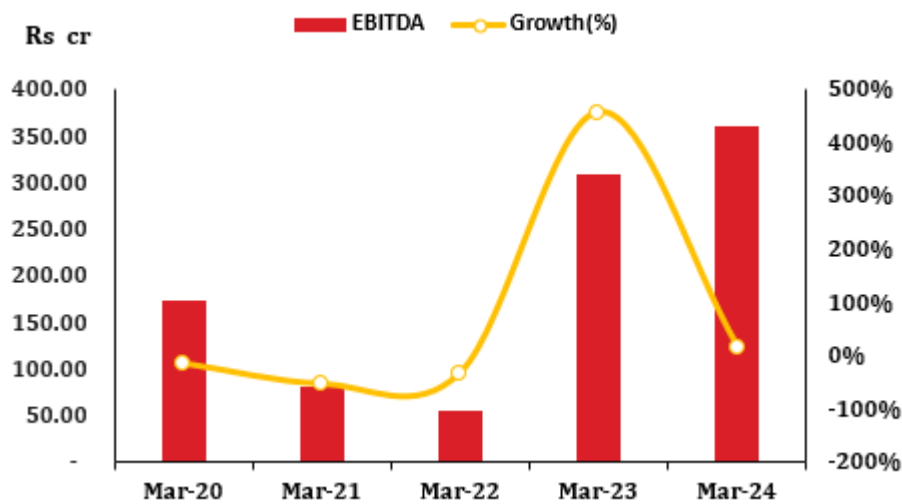
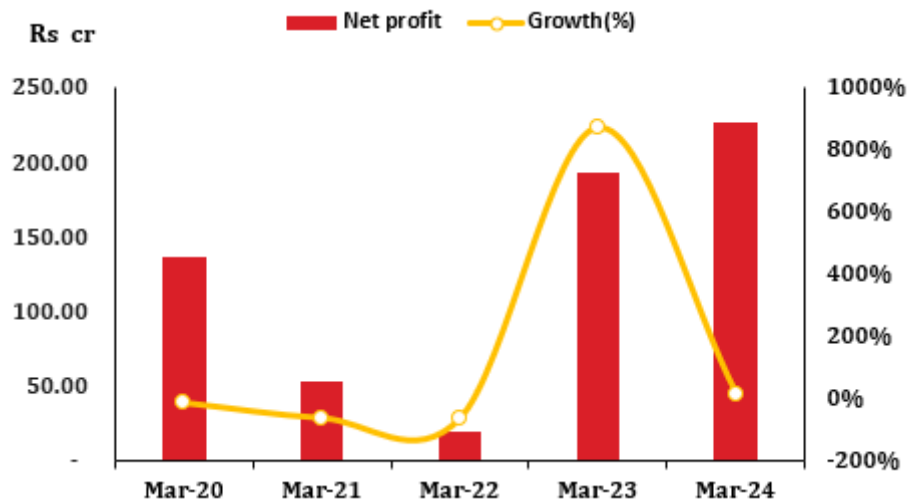
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	0.07	0.35	0.47	0.38	0.15
Debt/Assets	0.04	0.21	0.23	0.20	0.09
Debt/Ebitda	0.26	3.12	6.45	1.18	0.48
Debt/Capital Ratio	6%	26%	32%	28%	13%
Cash flow/Debt	6.40	-0.30	0.31	0.60	0.70
Interest coverage ratio	22.32	9.33	3.07	6.18	8.74
Sales Change	-24%	-44%	37%	258%	34%
Ebit Change	-10%	-60%	-50%	707%	19%
Operating Leverage	1.41	1.29	1.18	1.16	-0.03
Financial Leverage	1.52	1.62	2.03	1.95	1.66

Efficiency ratios

Receivable days	66	100	38	77	153
Receivable turnover	5.56	3.66	9.61	4.77	2.38
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	3	2	10	3	10
Net Fixed assets turnover	0.57	0.34	0.31	0.45	0.60
Sales/capital employed	0.28	0.12	0.14	0.43	0.56
Total Asset Turnover	0.20	0.10	0.10	0.30	0.38

Profitability ratios

Ebitda	173.13	81.41	55.39	309.05	360.38
Ebitda margin	86%	72%	36%	55%	48%
Gross Profit	144.27	63.07	88.61	346.47	330.17
Gross Profit Margin	71%	55%	57%	62%	44%
EBIT	143.74	58.04	29.18	235.35	280.36
EBIT Margin	71%	51%	19%	42%	37%
ROE	20%	7%	3%	20%	19%
Net profit margin	68%	47%	13%	35%	30%
EPS	10.41	4.04	1.51	14.68	17.13
DU Pont ROE	20%	7%	3%	20%	19%
Net Profit Margin	68%	47%	13%	35%	30%
Sales/Total assets	0.20	0.10	0.10	0.30	0.38
Financial Leverage	1.52	1.62	2.03	1.95	1.66
DU PONT ROA	13%	5%	1%	10%	12%
Net Profit Margin	68%	47%	13%	35%	30%
Sales/Total assets	0.20	0.10	0.10	0.30	0.38

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	34%	8%	17%	21%	16%
EBIT Margin	71%	51%	19%	42%	37%
Sales/cap employed	0.28	0.12	0.14	0.43	0.56
NOPAT	144.01	59.82	29.64	231.48	255.68
Capital employed	724.57	986.86	1110.46	1311.4	1348.5
ROIC	20%	6%	3%	18%	19%

Valuation Ratios

Price/Earnings	3.34	24.04	145.43	8.19	10.37
Price/Book	0.68	1.75	3.86	1.68	2.00
Marketcap	459.40	1,284.32	2,907.08	1,589.04	2,349.19
Enterprise Value	418.41	1,466.50	3,199.05	1,875.17	2,454.77
EV/EBITDA	2.42	18.01	57.75	6.07	6.81

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