



IndianOil

# CHAIRMAN'S ADDRESS

60<sup>TH</sup>

ANNUAL GENERAL  
MEETING





- ❖ All the 27,700 fuel stations of our retail network have been fully automated
- ❖ Over 2 crore new Indane connections were released, the highest in a year
- ❖ With 116 aviation fuel stations, IndianOil Aviation continued to lead the rapidly growing market with 60% share
- ❖ BS-VI fuels were extended to 12 more contiguous districts of the National Capital Region as well as Agra city from April 1, 2019, ahead of the nationwide launch in April 2020
- ❖ IndianOil went up by 20 steps to 117 in the prestigious *Fortune* 'Global 500' listing of the world's largest corporates for the year 2019 by sales turnover

“The global energy eco-system today is being impacted by multiple factors. Impact from emerging technologies like EVs and renewable energy forms is likely, though may not be of immediate concern in India.”

## DEAR VALUED SHAREOWNERS,

On behalf of the Board of Directors and the IndianOil family, I extend a warm welcome to each one of you at the 60<sup>th</sup> Annual General Meeting of your Company.

This AGM is indeed a historic milestone in IndianOil's ongoing transformation from an oil & gas company into an energy major in sync with national priorities and the changing times. As we look back at the six decades of our service to the nation, we are filled with immense pride for our contribution to the growth and development of India and its people.

The legacy of our founding fathers and the trust and patronage of our stakeholders, coupled with the collective fortitude and perseverance of IOCians, have carved a special place for IndianOil in the corporate landscape. Today, we are the country's flagship oil & gas major, a *Maharatna* PSU and a *Fortune* 'Global 500' company, which is progressively expanding its business interests across different energy segments in India and abroad.

Let us quickly glance at the Performance Highlights of your Company for the year 2018-19:

- ❖ IndianOil registered its highest turnover of over Rs. 6 lakh crore for the year and earned a profit of Rs. 16,894 crore
- ❖ Our contribution to the exchequer stood at Rs. 1,93,422 crore
- ❖ We achieved the highest ever sales of 89.89 million metric tonnes (MMT), including exports, together with the highest refineries and pipelines throughput
- ❖ Our R&D Centre recently crossed the figure of 1,000 patents filed both in India and abroad, out of which 794 patents are active
- ❖ With the commissioning of a Polypropylene plant at Paradip, our petrochemicals production capacity went up to 3.15 million tonnes
- ❖ The 5 million tonnes per annum LNG import terminal was commissioned at Ennore near Chennai
- ❖ Term contracts for US crude widened our crude oil sources and basket of grades
- ❖ We registered a capital expenditure of over Rs. 28,100 crore, posting a new benchmark
- ❖ IndianOil's pan-India network of customer touch points crossed the 50,000 mark

## INDUSTRY SCENARIO

The global energy eco-system today is being impacted by multiple factors. Impact from emerging technologies like EVs and renewable energy forms is likely, though may not be of immediate concern in India. At present, the geopolitical factors across the globe are impacting the conventional energy sector the most. In such a scenario, it is imperative for us as a company to decipher the impact of these trends, remain agile and adaptable to change, and focus on our business strategies to maintain leadership.

There is consensus among key institutions as well as majors in the energy sector, e.g., the International Energy Agency (IEA), BP Outlook, OPEC, etc., about the growing demand for oil and that India will be a major contributor to oil demand growth. It is true that we are living in the age of disruptions; but, to me, both the new and old paradigms are destined to co-exist and thrive in India, at least in the foreseeable future. Because, I strongly believe that our country needs a diverse basket of energy alternatives that suit different levels of social and industrial evolution.

India is in a sweet spot as far as growth projections for the oil & gas industry are concerned. Fossil fuel usage will remain predominant at least for the next two decades, with natural gas as the fastest growing segment in the country's energy mix. IEA expects India to be the fastest growing oil & gas consumer through 2040, and is estimated to contribute 25% of the global oil demand growth.

This is a great opportunity for your Company, which is committed to maintaining its leadership position with a dynamic set of strategies in sync with the emerging trends in the energy space. IndianOil has planned Rs. 2 lakh crore investments in the next 5-7 years to evolve into a future-ready corporate that provides comprehensive energy solutions to diverse user groups.

## CORE BUSINESSES

IndianOil's core businesses are continuously being strengthened, consolidated and modernised. With a total refining capacity of about 250 MMTA, India today is the fourth largest petroleum refiner in the world. Your Company's 11 group refineries represent



over 32% of the national refining capacity, which is our major strength.

IndianOil refineries are at present in the final leg of upgradation to produce world-class BS-VI fuels for supplies across the country by April 2020. Other major initiatives include brownfield capacity expansions, projects to enhance petrochemicals integration, and optimise yields and energy efficiency. The Polypropylene unit at Paradip has been commissioned during the year to support the plastics processing industry downstream.

With the addition of about 950-km in length during the year, your Company now operates a 14,200-km cross-country network of crude oil and product pipelines. As part of continuous expansion of its pipeline network, IndianOil has just commissioned its first transnational pipeline, the Indo-Nepal products pipeline from Motihari in Bihar to Amlekhganj in Nepal. This prestigious project was completed 8 months before schedule.

Your Company's marketing eco-system now has over 50,000 customer touch-points to cater to about half of the petroleum needs of the country, making it the largest customer-facing organisation in India. In sync with the changing times and customer aspirations, digital technology is being leveraged across all bulk storage & supply locations as well as customer touch-points of the Company. With focus on building a smart, seamless and efficient logistics model, digitalisation covers the entire business value chain.

Your Company's *Indane* brand cooking gas continues to lead the market with over 14.8 crore customers. Release of a record 2.1 crore new Indane connections during the year helped raise the LPG penetration level in the country to over 94% per cent.

IndianOil's *SERVO* brand lubricants & greases, growing at an impressive 8.7%, continues its ascendancy in the domestic market through new product launches and over 120 OEM approvals from reputed companies.

IndianOil's state-of-the-art R&D Centre at Faridabad is a strategic vertical that works on the blue-print of future offerings from the Company. With proven credentials in fuel-efficient lubricants, greases and specialty products, the Centre's output-maximising technologies like INDMAX and clean-fuel technologies like OCTAMAX and INDAdapt<sup>®</sup> are already deployed at various IndianOil refineries. They are also on offer on licence basis to other refiners in India and abroad.

In the coming years, the Centre will focus on nano-technological interventions in fuels, lubricants and refinery catalysts; energy storage devices; petrochemical catalyst development; carbon capture, utilisation and storage, etc. A second campus of the R&D Centre is being planned in close vicinity to the old campus, which will house a Centre for Alternative & Renewable Energy. This campus will undertake various research activities and demonstration projects related to alternative & renewable energy such as gassification; Hydrogen production, storage & transportation; fuel cells; solar energy; second- and third-generation bio-fuels, etc.

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IndianOil exported about 5.24 million tonnes of products during the year 2018-19, of which exports to Nepal rose from 2.1 to 2.4 million tonnes. We commenced export of *Indane Nanocut*, an additised LPG suited for high-temperature industrial applications, to Bangladesh during the year. Your Company opened a new representative office in Nepal to coordinate business activities there, in addition to existing offices in Myanmar and Bangladesh. Full-fledged subsidiaries of the Company are already operating in Sri Lanka, Mauritius, UAE and Singapore.

## NEW BUSINESSES

### EXPLORATION & PRODUCTION

Upstream integration into E&P defines your Company's vision to bolster its energy security by way of strategic investments in oil equity across the globe. IndianOil's current upstream portfolio by way of Participating Interest comprises 10 domestic E&P assets and 12 overseas assets in 10 countries. These include three assets added during the year 2018-19; they are, Mukhaizna Block in Oman (17% PI), Onshore Block-1 in Abu Dhabi (50% PI), and Umatara Cluster in Assam (90% PI).

I am happy to inform you that, with an upstream integration ratio of 5.5% and a balanced portfolio of producing, discovered and exploration assets, your Company achieved significant progress in terms of reserves, equity oil and revenues during the year. Your Company's 2P Reserves were 117 million metric tonnes oil equivalent (MMToe) and equity oil was 4,398 TMToe, which generated a revenue of US\$ 465 Million during 2018-19.

### PETROCHEMICALS

Scaling up the Petrochemicals vertical is again a key priority that your Company is pursuing, considering the enormous potential the plastics industry offers. Since 1997, your Company has invested over Rs 25,000 crore in major petrochemical projects at Gujarat, Panipat and Paradip refineries, and is now investing over Rs 20,000 crore more on several ongoing and new petrochemical projects till the year 2023-24.

These include capacity expansion of Naphtha Cracker, PX/PTA plant and MEG plant at Panipat Refinery complex; Ethylene Glycol (MEG) and PX/PTA projects at Paradip Refinery; Polypropylene units at Barauni, Gujarat and Panipat refineries; capacity expansion of LAB plant and facilities for production of Acrylic Acid, Oxo-alcohols and Butyl Acrylate at Gujarat Refinery.

Your Company's forward integration plans into plastics via a JV with Industrial Development Corporation of Odisha and another JV for a textiles project in Bhadrak, have rich economic potential.

### NATURAL GAS

The Government of India intends to double the share of natural gas in the fuel mix to 15% in the next decade through policy reforms, incentives, investments and subsidies. As the second largest player in this fast-growing space, your Company is aggressively expanding its infrastructure across all user segments - LNG for industrial units, PNG for the household sector and CNG for the transportation sector. India today has the third largest fleet of CNG vehicles, and with increased policy push, more number of Indian cities are coming under the city gas distribution (CGD) fold.



“Your Company is focussed on consolidating its core business verticals and scaling up new business verticals while at the same time gaining entry into areas that have high potential for contributing to the country’s inclusive and sustainable development goals.”

In the latest 10<sup>th</sup> round of auctions for CGD projects, IndianOil has successfully bid for nine Geographical Areas on stand-alone basis and raised its tally of Geographical Areas, together with its JV companies, to 40.

## PERFORMANCE IN Q1 2019-20

In the first quarter of the current fiscal 2019-20, the Revenue from Operations of your Company improved to Rs. 1,50,135 crore as compared to Rs. 1,49,747 crore in the corresponding quarter of fiscal 2018-19. The profit for the first quarter of the current fiscal is Rs. 3,596 crore as compared to Rs. 6,831 crore in the corresponding quarter of the previous year, majorly on account of lower inventory gains.

Your Company sold 22.658 million tonnes of products, including exports, during the first quarter, while its refineries throughput was 17.283 million tonnes and pipelines throughput 21.851 million tonnes.

## THE JOURNEY AHEAD

Looking at the journey ahead, we should remember that India as a country consumes energy differently from the developed world. Ours is an agrarian economy with growing manufacturing and services sectors and a high-demand household sector. India’s growth, being energy-intensive, is directly linked to energy consumption. This is not the case with the developed countries, whose energy intensity is relatively low.

The energy sector players, therefore, have to continue fuelling all the key sectors of India’s fastest growing economy in the world, while ensuring security of energy supplies and mass access to basic levels of clean energy at affordable prices. At the same time, they have to address India’s commitment to climate change and air pollution targets.

Considering this multifaceted challenge, your Company is focussed on consolidating its core business verticals and scaling up new business verticals while at the same time gaining entry into areas that have high potential for contributing to the country’s inclusive and sustainable development goals. Here too, the focus is on segments where the Company can leverage its proven strengths in operating process plants and in marketing a wide range of products across diverse segments.

A case in point is your Company’s diversification into the fertilisers sector through the joint venture, M/s. *Hindustan Urvarak & Rasayan Ltd.* (HURL), which is setting up three world-scale urea plants at Gorakhpur, Sindri and Barauni. Construction activities for these plants are going on and the plants should be ready by mid-2021. Besides sourcing natural gas for the three plants, IndianOil’s extensive experience in marketing should come in handy for this new line of business.

In the refining segment, work is in progress for capacity expansion of IndianOil’s Barauni Refinery from the current 6 to 9 million tonnes per annum, and an ATF production unit using the in-house INDjet technology. Work has also commenced on a 357-kilo tonnes per annum (KTA) Monoethylene Glycol (MEG) plant being set up at Paradip Refinery. The project is envisaged as a key driver for the growing textiles industry in the region, especially for polyester fibre.

As leader in the refining space, your Company is also piloting the mega refinery project on the West Coast. Besides BPCL and HPCL, two major National Oil Companies from abroad, that is, Saudi Aramco and Abu Dhabi National Oil Company (ADNOC), are joining hands in setting up this 60-MMTPA refinery-cum-petrochemicals complex.

In the pipelines segment, your Company is collaborating with BPCL and HPCL to build the world’s longest LPG pipeline from Kandla to Gorakhpur. The 2,757-km pipeline will feed LPG in bulk to 22 bottling plants en route. IndianOil is also a part of the consortium that is building the 1,656-km gas pipelines grid connecting all the State capitals of the northeast. Besides these, 17 pipelines are under implementation at a combined cost of about Rs. 24,000 crore to expand the network to about 21,500 km in the next three years.

Similarly, the Corporation’s investment on development of CGD networks in the next eight years is likely to be about Rs. 10,000 crore.

Your Company is also leveraging digitalisation in a big way to streamline and optimise business processes to be future-ready to serve the new-age customers. IndianOil was among the first to promote digital payment systems on a mass scale through cashbacks and other incentives. Besides mobile apps for various stakeholder groups, the Company launched an e-platform that provides a 360-degree view of customers for better handling of service requests, grievances and suggestions across various access devices such as mobile phones, tablets, and desktops. Doorstep delivery of diesel to industrial customers has commenced with orders placed through a mobile application. Door delivery service is planned to be extended to more customers in the future.

## SUSTAINABLE BUSINESS INITIATIVES

The challenge of sustainable growth is real for both developed and developing nations, albeit in varying intensities. In the Indian context, policy intent on the part of the State and a proactive approach by the industry will together ensure viable and effective energy solutions for the future.

As the country’s flagship energy major, IndianOil is fully supporting India’s commitment to the Paris Agreement of 2015, for which a number of sustainable initiatives, both in operating locations and as business plans, are being undertaken.

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Your Company is persistently working to make its operations greener with reduced carbon and water footprints by incorporating energy efficiency & conservation measures in day-to-day operations. IndianOil refineries are continuously improving their performance in Specific Energy Consumption, Energy Intensity Index and Fuel & Loss indices year after year. Stringent measures are in place to treat effluents and minimise fugitive gases. Going one step forward, Mathura and Gujarat refineries are gearing to replace fresh water required for refinery operations with water recovered from treated city sewerage. Sophisticated vapour recovery systems are being installed at bulk storage installations and even fuel stations in 47 cities to make loading, unloading and fuelling operations free from hydrocarbon vapour.

Your Company is promoting natural gas as an environment-friendly fuel and going ahead with investments in LNG import terminals, gas pipelines, CGD projects and CNG stations. LPG is also being promoted aggressively as a clean domestic fuel. Under *Pradhan Mantri Ujjwala Yojana*, IndianOil has so far released about 3.61 crore LPG connections to BPL households, which were hitherto dependent on conventional cooking fuels that cause indoor air pollution and health hazards.

Your Company is fully aligned to the country's aspirations to transit to clean energy and has planned large investments in alternative energy and sustainable development projects. Besides a target to raise the Company's solar energy and wind-power portfolio from the current 222 MW to 260 MW by the year 2020, diversification into alternative, renewable energy options will cover production of ethanol from refinery off-gases, a novel bio-methanation process for converting organic waste to biogas, and commercialisation of a patented, economical process and enzyme for production of 2G ethanol from agricultural waste.

A green initiative of enormous potential that your Company is pursuing is *SATAT* (Sustainable Alternative Towards Affordable Transportation), whereby we would be marketing Compressed Bio-Gas (CBG) produced by other entrepreneurs from organic waste or biomass like farm residue, cattle dung, sugarcane press mud, etc., for use in automotive, industrial and commercial sectors in the local markets. IndianOil R&D is also envisaging plants to convert municipal solid waste to ethanol and methanol using a novel plasma-enhanced gasification technology.

Recently, IndianOil and ONGC joined hands for an innovative project, under which carbon dioxide captured from the flue gas stacks of IndianOil's Gujarat Refinery will be used in the Gandhar Oil Fields of ONGC for enhanced oil recovery. This would help in further reducing the carbon footprint of refinery operations while at the same time enhancing production from ageing oil wells.

Electric vehicles, or EVs, are a hot topic these days. I believe that they too will have a significant market share, especially among urban passenger cars and city bus fleets, once they attain a critical mass with a supportive eco-system. Your Company has a strategic intent to scale up its presence in e-mobility as well by equipping its customer touch-points with turbo-charging and battery-swapping facilities for EVs and plug-in hybrids. In fact, IndianOil R&D is foraying into energy storage and batteries, which I see as a new and profitable business avenue for your Company.

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With growing emphasis on decarbonisation of energy, your Company believes that Hydrogen-based fuels will best suit India's incremental energy needs in the coming years. Accordingly, IndianOil's R&D Centre has recently launched a pilot project of running 50 BS-IV engine buses with Hydrogen-spiked CNG, or H-CNG, derived from on-site compact reformers. Trial runs have already proved that H-CNG fuel reduces tailpipe emissions while at the same time enhancing the mileage of even BS-IV engines. The Centre is also working on Hydrogen fuel cells for transport applications, where Hydrogen is produced through the renewable route. We are also working on introducing LNG as an automobile fuel at select IndianOil outlets.

However, your Company believes that it is not possible, at least in the foreseeable future, to have energy systems running on 100% renewables. The challenge in the ongoing energy transition lies in seamlessly managing the changes in energy mix and demand patterns, and tweaking the old and building new supply & delivery systems to be able to provide total fuel solutions to our customers. Given the enormity of the challenge, our growing partnerships and collaborations cut across seemingly disparate entities - Government, corporates, technology-providers, academic & research institutions and even start-ups - to make it happen.

Let me reiterate that your Company, together with its subsidiaries and joint ventures in India and abroad, will be present in all energy verticals that are in sync with its inherent strengths and overall growth strategy.

## CSR

Over the years, your Company's sustained efforts in CSR have been creating a huge social impact. I am happy to share with you that the IndianOil *Vidushi* centres opened at Bhubaneswar and Noida last year to offer free coaching to young girls from under-privileged families have been a big success. Out of 56 girl students enrolled in these two centres, 17 girls cleared the JEE Advanced exam to join IITs, and 29 more cleared the JEE Main exam to be eligible for admission to NITs, IIITs, State and Central Engineering colleges. Encouraged by this, it has been decided to expand the programme to Patna, Jaipur and Chennai and offer scholarships to all *Vidushi* girls pursuing Engineering courses; this would benefit about 750 girls in the next five years.

Besides this, IndianOil locations are contributing to *Swachh Bharat Abhiyan* in all possible ways. During the *Swachhta Pakhwada* in July 2019, teams from various locations helped clean and rejuvenate over 35 water bodies across the country.

Your Company has reiterated its role in nation-building several times, especially during natural calamities. Rising to such occasions beyond the call of duty, IndianOil's countrywide network has always ensured that vital petroleum products reach



remote locations for undertaking relief & rescue operations. Recently too, IndianOil teams toiled to maintain the supply lines in the flood-affected States of Maharashtra, Gujarat, Kerala and Andhra Pradesh and to ensure timely fuel supplies to flood-relief agencies.

## CATALYSTS FOR THE FUTURE

Ladies & Gentlemen, IndianOil is proud to be in the energy business, which is the prime catalyst of economic growth worldwide. As new forms of energy emerge, it is reinventing itself through innovation and technology to continue fuelling economic growth of a new India on the rise.

The principal catalysts of IndianOil's continued success are its employees – generations of them. Having served the nation for over six decades with the core values of *Care, Innovation, Passion* and *Trust*, they are now geared to build a New India.

Continuous learning is the hallmark of a successful organisation. At IndianOil, the focus is on enhancing skills and capabilities in a learning organisation where each employee takes charge of his or her own development. In line with the digital era unfolding everywhere, we are launching a massive e-learning programme on a web-based platform that will be accessible to all our employees on their desktops, tablets and mobile handsets, so as to foster learning anywhere and anytime.

While on learning and education, it gives me great pleasure to inform you that the ICT-IOC Bhubaneswar campus recently introduced an Executive M.Tech programme for working professionals in the oil & gas industry. The campus is shaping into a Centre of Excellence and a beacon of learning in the country.

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## AWARDS & ACCOLADES

I am happy to share with you that IndianOil has been ranked as the third strongest brand in the country in a recent brand survey conducted by Brand Finance of UK, based on its performance on various parameters such as marketing investment, stakeholder equity and business performance.

IndianOil emerged as one of the 'best companies to work for' in India for 2019 in a study conducted by Great Place to Work Institute. The Company also earned the prestigious 'Vigilance Excellence Award' of the Central Vigilance Commission for its outstanding vigilance awareness initiatives. The award was given away by the Hon'ble President of India. IndianOil was also felicitated as the Best Performer in Maharatna category for promotion of SC/ST entrepreneurs by the Ministry of Micro, Small and Medium Enterprises, Govt. of India.

IndianOil sportstars A Sharath Kamal (table tennis) and Harika Dronavalli (chess) were conferred *Padma Shri*, the fourth highest

civilian award. Rohan Bopanna (tennis), Manika Batra (table tennis), Hima Das (Athletics) and N Sikki Reddy (badminton) bagged *Arjuna Awards*

## CORPORATE GOVERNANCE

'Corporate Governance' is the pole star of ethical business and I am proud that IndianOil is fully committed to fairness and transparency in its dealing with its shareholders and stakeholders. Your Company has created an eco-system of technology-aided preventive vigilance measures that give us competitive advantage by way of a high trust quotient.

Your Company has a well-defined policy framework to ensure effective implementation of good Corporate Governance practices. The Company complies with the guidelines issued by the Department of Public Enterprises as applicable to Public Sector Undertakings, the details of which are provided in the Corporate Governance Report forming part of the Annual Report.

## ACKNOWLEDGEMENTS

IndianOil's Board of Directors sincerely acknowledges the collective contribution of all IOCIans across divisions and group companies in making 2018-19 an year of all-round achievements.

The Board places on record its gratitude to the Government of India, in particular the Ministry of Petroleum & Natural Gas, as well as the various State Governments, regulatory and statutory authorities for their constant guidance and support.

The Board is also thankful to the stakeholders, including shareholders, investors, customers, bankers, consultants, technology licensors, contractors, vendors, etc, for their continued support and confidence reposed in the Company.

The Board also expresses its deep appreciation of the valuable contributions made by Shri AK Sharma as Director (Finance), Shri BV Rama Gopal as Director (Refineries) and Smt. Sushmita Dasgupta, Govt. Nominee Director, and Shri Sanjay Kapoor, Independent Director, during their tenure on the Board.

For and on behalf of the Board

Sanjiv Singh  
Chairman

Mumbai

August 28, 2019

(Note: This does not purport to be a report of the proceedings of the Annual General Meeting.)



**Indian Oil Corporation Ltd.**

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