

Chairman's message



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The year gone by was once again a test of perseverance for IndianOil as we had to contend with negative margins at the pump nozzle. On the one hand was the task of meeting the growing energy needs of the nation and on the other was the need to generate an equitable surplus through profits, for investing in the future. But, given our mandate as the energy lifeline to the nation, our commitment was to ensure that the common man is protected from the vicious volatility in the global oil prices.

However, if we have to remain a vibrant company, healthy profits are vital too. Being a public enterprise, our responsibility is to be focused on building a secure energy future for India. Despite negative cash flow and the inability to guard the bottomline, we continued to invest in new infrastructure, diversification forays, new

product development, customer service and technology.

There are several issues that portend the future when we look at the entire system of pricing of hydrocarbons, in the backdrop of the objective to ensure the availability of fuel to the needy. Over the years, a large number of villages have been electrified which calls for a fresh view on the subsidy on Kerosene, which

is mainly used for lighting. The prices for domestic LPG, which is largely used by urban households, can be reviewed considering that urban incomes have grown manifold.

During the year, which was its Golden Jubilee year, IndianOil recorded the highest ever sales of petroleum products, boosted by an increasing contribution from its Petrochemicals and Gas businesses. While the overall petroleum products consumption in the country grew during the year, IndianOil managed to notch up a matching growth, besides fulfilling our promise of providing clean and green fuels to the

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nation conforming to Bharat Stage-IV norms. In fact, to ensure compliance to Bharat Stage III and IV norms, IndianOil has made huge investments in quality improvement projects.

Our marketing network continues to grow and the new concept of the Rajiv Gandhi Grameen LPG Vitarak Yojana was launched to increase our penetration in the rural hinterland, and to extend the availability of LPG to the rural population. Our network of underground highways continue to help us retain the pole position as a least cost fuel provider in the market. IndianOil is



IndianOil



Naphtha Cracker at Panipat

currently implementing projects costing over Rs. 47,000 crore which includes a new grassroots refinery at Paradip besides capacity enhancements in refining, pipeline and marketing networks. We continued to add value to different facets of the companies' activities and research continues to drive our business. Our diversification forays have started gaining traction with our picking up a stake in PetroCarabobo S.A. which was selected by the Government of Venezuela and awarded a 40% ownership for the development of the blocks located in the Heavy Oil Belt.

IndianOil's largest petrochemicals investment - the Naphtha Cracker and downstream polymer units at Panipat - has been completed and the first batch of polymers dispatched. With this, we have embarked upon a journey to emerge as an integrated and diversified company that is actually moving up the hydrocarbon value chain. Our diversification move has two major spin-offs. Internally, it would mean a change in our operational mindset. Externally, it would entail the rolling out of a marketing interface that would reach high quality petrochemical products in

time to suit the customer's production cycle. Our Panipat petrochemical complex joins an elite list of purpose-designed integrated complexes in the world.

But our task has only begun and we now move to the uncharted terrains of petrochemical marketing and the challenge is to move fast and consolidate. The demand for petrochemicals in the domestic segment in India is very strong. Slowly we are seeing the established markets move to



Customised Petrochemical products

specialty polymers while much of India and China are focusing on commodity polymers.

In a world that is increasingly dependent on fossil fuels, the task is to explore alternative forms of energy which is imperative. IndianOil has the largest captive plantation for bio-fuel production in India which is underway in Chattisgarh and Madhya Pradesh. We have also launched Solar Lanterns in Orissa, Karnataka and North East states and an all-India phased roll-out is being planned. We have also signed a MoU with the Nuclear Power Corporation of India Ltd., for investing in the nuclear energy sector in the country.

An efficient and productive economy can be built only on the foundations of a strong structure of energy efficiency. Over the years, we have been pursuing the goal of reaching petroleum products to all segments of the society in our country. Even as the Indian petroleum industry moves steadily towards a structured and tapered deregulation process, we have to be ready to capitalise on whatever opportunity that may come up. And when the challenge presents itself, the *IndianOilPeople* will not be found wanting.