

# Directors' report

To  
The IndianOil Family of Shareowners

## Dear Members

On behalf of the Board of Directors, it is my privilege to present to you the 51<sup>st</sup> Annual Report on the business and operations of the Corporation for the financial year ended 31<sup>st</sup> March, 2010 along with the Audited Statement of Accounts, Auditors' Report and the Report on the Accounts by the Comptroller & Auditor General of India.

## PERFORMANCE OVERVIEW

### FINANCIAL

	2009-10		2008-09	
	US\$ Million	Rs. in Crore	US\$ Million	Rs. in Crore
<b>Turnover</b> (inclusive of Excise Duty)	57,116	271,074	62,043	285,398
<b>Gross Profit</b> (before Interest, Depreciation and Tax)	3,976	18,872	2,461	11,319
Interest Payment	321	1,526	859	3,952
Depreciation	683	3,240	660	3,038
<b>Profit Before Tax</b>	2,972	14,106	942	4,329
Tax Provision	818	3,885	300	1,379
<b>Profit After Tax</b>	2,154	10,221	642	2,950
Balance brought forward from last years' account	1,118	5,305	1,153	5,305
<b>Profit available for appropriation</b>	3,272	15,526	1,795	8,255
<b>Appropriations</b>				
<i>Add :</i>				
Insurance Reserve utilised	(4)	(22)	-	-
<i>Less:</i>				
Proposed Dividend	665	3,156	198	910
Corporate Dividend Tax	107	509	34	155
Insurance Reserve	4	20	2	10
Bond Redemption Reserve	(56)	(269)	118	540
General Reserve	2,556	12,132	290	1,335
Balance carried to Balance Sheet	NIL	NIL	1,153	5,305

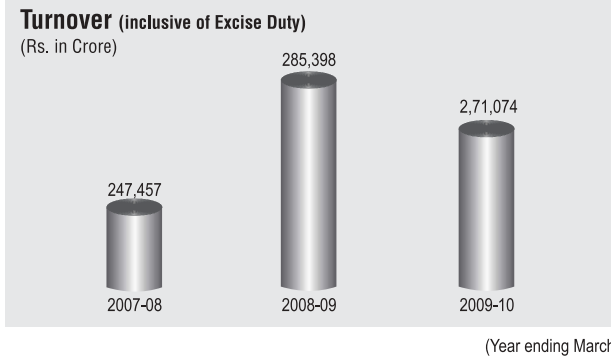
### PHYSICAL

	2009-10		2008-09	
	Million Metric Tonnes (MMT)			
Product Sales (incl. of Gas, Petrochemicals & Exports)	69.920		66.757	
Refineries Throughput	50.696		51.367	
Pipelines Throughput	65.007		59.627	

### SHARE VALUE

	2009-10		2008-09	
	US\$	Rupees	US\$	Rupees
Cash Earning per share*	1.17	55.44	0.54	24.66
Earning per share*	0.89	42.10	0.26	12.15
Book value per share*	4.64	208.21	3.57	181.22

\* EPS & Book value figures of the previous year have been recast upon issuance of bonus shares.

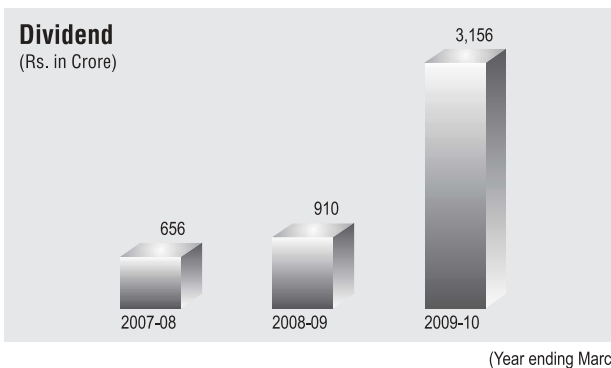


### CHANGE IN PAID-UP SHARE CAPITAL

Keeping in view the aspirations of the shareholders, your Corporation rewarded its shareholders by issuance of bonus shares in the ratio of 1:1 i.e. one new bonus equity share of Rs.10 each for every one existing equity share of Rs.10 each in November, 2009. Consequently, the paid-up Share Capital of the Corporation has increased from Rs.1,213.98 crore to Rs.2,427.95 crore.

### DIVIDEND

Your Corporation has been consistently declaring dividend for the past 44 years. This year the Board of Directors have recommended a dividend of Rs.13 per equity share of Rs.10 each on the post-Bonus paid-up Share Capital, as against Rs.7.50 per share in the previous year. So far, your Corporation has paid a cumulative dividend of Rs.15,419 crore excluding a dividend of Rs.3,156 crore payable for the current year subject to the approval by shareholders.

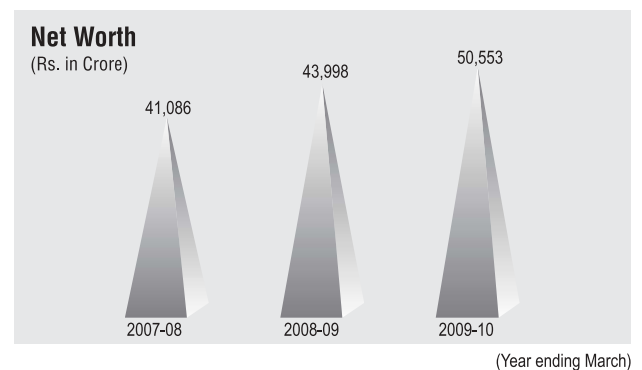
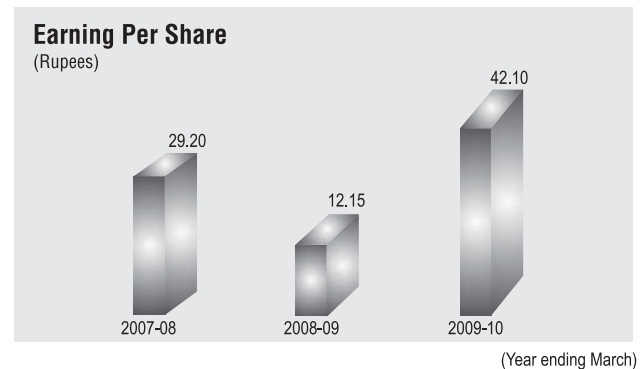
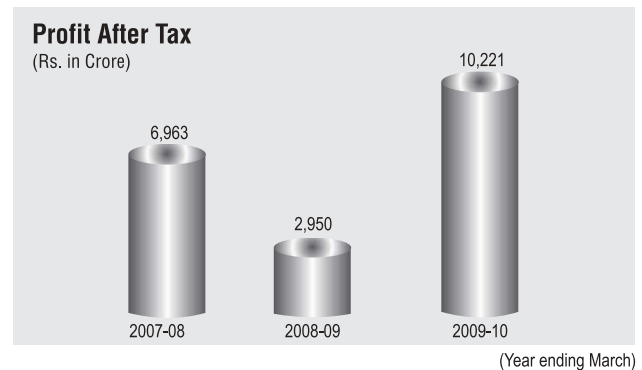
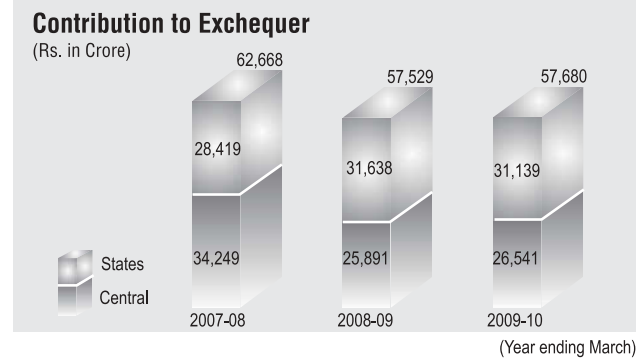


### PUBLIC DEPOSIT SCHEMES

The Public Deposit Scheme, which was open only for employees and ex-employees of the Corporation, is closed with effect from 31<sup>st</sup> August, 2009. The total outstanding deposits amount to Rs.75,000 as on 31.03.2010.

### CONTRIBUTION TO EXCHEQUER

Your Corporation makes enormous contribution to the Exchequer in the form of duties and taxes. During the year, Rs.57,680 crore was paid to the Exchequer as against Rs.57,529 crore in the previous year. Out of this, Rs.26,541 crore was made to the Central Exchequer and Rs.31,139 crore to the States Exchequer.





IndianOil

## INDIANOIL GROUP REFINERIES AND PIPELINES NETWORK



### Refineries

#### Installed Capacities

#### IndianOil Refineries

Koyali	13.7
Panipat	12.0
Mathura	8.0
Barauni	6.0
Haldia	7.5
Bongaigaon	2.35
Guwahati	1.0
Digboi	0.65

#### Subsidiaries' Refineries

CPCL, Chennai	9.5
CPCL, Narimanam	1.0

#### Group Total

Paradip (upcoming)	15.0
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(Figures in million metric tonnes per annum, equivalent to 20,000 barrels per day)

### Pipelines

- Crude Oil Pipeline
- Product Pipeline
- R-LNG Pipeline – Dadri-Panipat
- Product Pipeline (under construction/proposed)
- LPG Pipeline – Panipat-Jalandhar

#### Operating Pipelines

	Length (km)	Capacity (MMTPA)
Product Pipelines	6,175	34.86
Crude Oil Pipelines	4,366	40.40
<b>Total</b>	<b>10,541</b>	<b>75.26</b>

(As on 31<sup>st</sup> March, 2010)

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, your Corporation has prepared the Consolidated Financial Statements of its subsidiaries and joint venture entities. The highlights of the Consolidated Financial Results are as follows:

(Rs. in Crore)

	2009-10	2008-09
Turnover (inclusive of Excise duty)	2,59,360	2,71,412
Profit Before Tax	15,049	3,649
Profit for the Group (after tax)	10,713	2,599

## MAHARATNA STATUS

IndianOil has been conferred with the 'Maharatna' status by the Government of India which provides enhanced autonomy and larger flexibility for its operation. However, the Maharatna powers can be invoked only on the induction of the requisite number of Independent Directors on the Board of IndianOil in compliance with SEBI guidelines and the Listing Agreement. The matter is being pursued with the Government of India.

## CORPORATE GOVERNANCE

The Corporate Governance Report and Management's Discussion & Analysis Report have been incorporated as separate sections, forming part of the Annual Report as stipulated under Clause-49 of the Listing Agreement with the Stock Exchanges. IndianOil also complies with the Corporate Governance guidelines enunciated by the Department of Public Enterprises, Government of India for Government Companies.

The Ministry of Corporate Affairs, Govt. of India has issued a set of voluntary guidelines on Corporate Governance in December 2009. The guidelines provide for good governance practices which may be adopted by corporates voluntarily. IndianOil complies with most of the provisions of the guidelines and would endeavour to comply with the other provisions that are within the domain of a Government Company.

## SECRETARIAL AUDIT

As a good Corporate Governance initiative, IndianOil has voluntarily carried out Secretarial Audit through a Practising Company Secretary for the year 2009-10. The report confirms that the Company has complied with all the applicable provisions of the Corporate Laws, guidelines rules etc. This is



Expanding refining capacities



Lifelines of the petroleum business

also in line with the provisions of voluntary guidelines on Corporate Governance issued recently by the Ministry of Corporate Affairs.

## CODE OF CONDUCT

The Board has enunciated a code of conduct for the Directors and senior management personnel of the Corporation, which has been circulated to all concerned and has also been hosted on the website of the Corporation. The Directors and senior management personnel have affirmed compliance with the code of conduct.

## OPERATIONS

### Refineries

IndianOil's refineries achieved a crude throughput of 50.696 million tonnes during the year, as against 51.367 million tonnes during 2008-09, which was marginally lower due to planned shutdown of Gujarat, Mathura and Haldia Refineries to carry out revamp jobs and hook-up required for MS / HSD Quality Upgradation as per Bharat Stage-III / IV norms. Despite major planned Maintenance & Inspection shutdowns, the Refineries together achieved capacity utilisation of 102% for the third consecutive year and the highest ever overall distillate yield of 75.3 wt%. The specific energy consumption for all Refineries together was 62 MBN\* which is the lowest ever and much below the industry average of 68 MBN. IndianOil refineries also achieved record overall production of MS and ATF during the year.

In line with the Government's Auto Fuel Policy for supplying Bharat Stage-IV quality MS and HSD in 13 Indian cities, the refineries at Panipat, Mathura and Haldia successfully produced and despatched the products in January 2010 itself beating the deadline of 1<sup>st</sup> February 2010, after commissioning the respective Quality Improvement Projects. Implementation of Quality Improvement Projects at other refineries is also in full swing and is expected to be commissioned progressively.

### Pipelines

During the year, the Pipelines Division registered an outstanding performance of the highest-ever operational throughput of 65.007 million tonnes of crude oil and petroleum products as against 59.627 million tonnes in the previous year. Your Corporation owns and operates the largest network of crude oil and product pipelines in India. With the commissioning

(\*MBN – Thousand British Thermal Unit / Barrel / Energy Factor (MBTU/BBL/NRGF))



IndianOil



*Into the rural heartland - KSKs*

of the Chennai-Bangalore Product Pipeline, the total network of pipelines as on 31<sup>st</sup> March 2010 is 10,541 km with a capacity of 75.26 million tonnes.

#### **Marketing**

During the year, IndianOil's Marketing Division sold 63.030 million tonnes of petroleum products as against 60.887 million tonnes in the previous year, registering a growth of 3.52%. IndianOil maintained its lead in the highly competitive bulk consumers segment, while the retail segment too registered robust growth. Your Corporation commissioned 238 new retail outlets and 414 Kisan Seva Kendra (KSK) outlets during the year taking their total tally to 18,643.

IndianOil continued to dominate the market in respect of branded fuels. The XTRAPOWER usage in value terms grew by 22%. To further consolidate its leadership in the bulk consumers segment, your Corporation commissioned 258 new consumer pumps during the year taking their total to 7593.

IndianOil's Indane LPG brand earned the coveted status of 'Superbrand' during the year. On the lines of KSK, the Rajiv Gandhi Grameen LPG Vitarak Yojana was launched to penetrate rural markets. Your Corporation enrolled about 41 lakh new Indane customers and the cumulative Indane population



*(From left to right): Shri Murlidhar Deora, Union Minister of Petroleum and Natural Gas with President Chavez (extreme right), Venezuela, Shri B.M. Bansal, Chairman, IndianOil, Shri S. Sundareshan, Secretary, Ministry of Petroleum & Natural Gas at Venezuela for the Carabobo project*

reached 568 lakh. About 110 new Indane distributorships were commissioned during the year, raising their total number to 5,095.

Your Corporation achieved the highest-ever finished lube sales of 407 TMT during the year registering a growth of 8.8% over the previous year. Export of finished lubricants and base oil grew by 42% as compared to the previous year, which is an exceptional performance.

IndianOil gained sales volume & new business and consolidated its leadership position in the aviation fuel business with a market share of almost 63%. Your Corporation continued to meet the aviation fuel requirements of the defence services, national carriers, scheduled private airlines and international airlines. IndianOil met the entire requirement of aviation fuels of the Navy, Army and over 90% of Indian Air Force.

#### **ASSAM OIL DIVISION**

The Digboi Refinery of Assam Oil Division (AOD) processed 0.600 million tonnes of crude oil during the year. AOD sold about 1.142 million tonnes of products and retained its position as the market leader in the North East. Its marketing network comprises of 447 retail outlets, 394 SKO/LDO dealerships and 412 Indane distributors. AOD reaches Indane gas to 3.09 million customers across 190 towns in the region.



*R&D Centre - Marking a milestone*

#### **RESEARCH & DEVELOPMENT**

IndianOil's Research & Development Centre developed 181 product formulations during the year. The year was marked with 65 approvals from Original Equipment Manufacturers (OEMs) / Customers. The Centre carried out successful plant trials of in-house developed catalysts in the Guwahati, Haldia and CPCL Refineries. IndianOil received OIDB grant of Rs. 88 crore for demonstration of a novel adsorption-based fuel desulphurisation technology developed by its R&D Centre. It is the biggest ever Government grant for demonstration of an indigenously developed technology.

In alternative fuels research, lifecycle assessment of the use of bio-diesel from Jatropha in State Transport application was completed in collaboration with the National Renewable Energy Laboratory (NREL), USA.

For the first time, efficacy of modified Oilivorous-S technology for bio-remediation of oily sludge was successfully demonstrated for marine application for bio-remediation of oil spillage caused by a sinking ship (Black Rose) at Paradip Port.

The R&D Centre filed a total of 18 patents (including 3 in the US) out of which, eight patents (including two US patents) were granted. With this, IndianOil now has a portfolio of 215 active patents. During the year, 15 MoUs were signed with various reputed academic and research organisations for undertaking collaborative research.

A special scheme has been introduced for offering sabbatical to employees to facilitate increased interaction & R&D collaboration between industry and academia, for which IndianOil's R&D Centre will be the nodal agency.

## IBP DIVISION

IBP Division, which comprises of Explosives and Cryogenics Business Groups, sold 57,645 tonnes of explosives, registering a growth of 12.5%. The Cryogenics Group sold 16,366 Cryo containers and 55 industrial containers during the year.

## PROJECTS

Project implementation is accorded the highest priority by your Corporation and best endeavours are made to avoid time and cost overruns. The status of the projects, is as under:

### Completed Projects

- Naphtha Cracker & downstream Polymer Units at Panipat.
- Installation of facilities for Distillates Yield (Hydrocracker) at Haldia Refinery and capacity increase from 6 MMTPA to 7.5 MMTPA.
- MS/HSD Quality Upgradation Projects at various refineries.
- Bijwasan-Panipat Naphtha Pipeline
- Augmentation of Mundra-Panipat Pipeline from 6 to 9 MMTPA.
- Chennai-Bangalore Product Pipeline
- Dadri-Panipat R-LNG Spurline.
- Grassroots depot commissioned in Zewan, Srinagar.
- Retail Outlets Automation (Phase 1)

### Ongoing Projects

- 15 MMTPA grassroots refinery at Paradip, Orissa
- Panipat Refinery Additional Expansion Project
- Diesel Hydro Treatment Project at Bongaigaon Refinery
- Branch Pipeline from Viramgam to Kandla
- Paradip-Sambalpur-Raipur-Ranchi Pipeline
- Integrated crude oil handling facilities at Paradip
- New TOP at Jasidihi, Jharkhand
- Retail Outlets Automation (Phase 2)

### New Projects:

- Butadiene Extraction Unit project at Panipat
- Sanganer-Bijwasan Product Pipeline
- Paradip-Haldia-Durgapur LPG Pipeline
- Augmentation of Paradip-Haldia-Barauni Pipeline

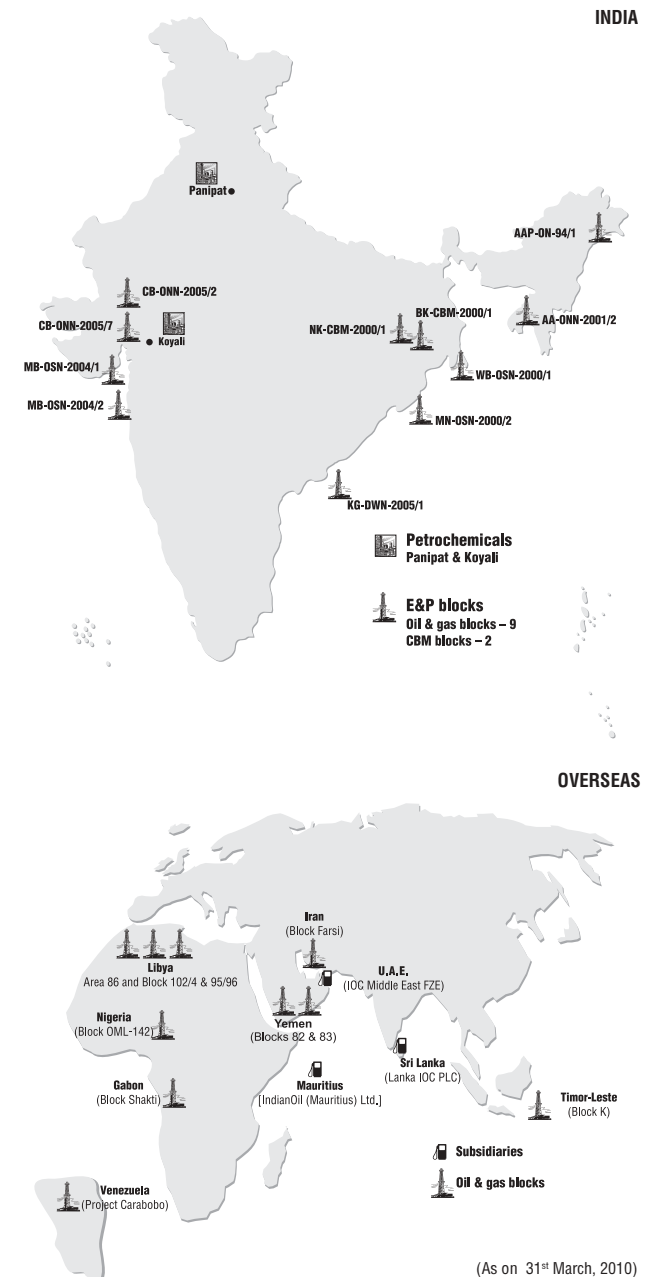
## BUSINESS DEVELOPMENT

During the year 2009-10, Business Development opportunities across the entire value chain of the hydrocarbon sector continued to receive focussed attention and thrust. Strategic initiatives were guided by IndianOil's long-term vision. The year gone by witnessed some major achievements.

## Exploration and Production (E&P)

Your Corporation presently has participating interest in 11 blocks within the country, including two Coal Bed Methane (CBM) blocks, and nine

## NEW BUSINESSES FOR SUSTAINED GROWTH



(As on 31<sup>st</sup> March, 2010)



*Lighting-up homes, the solar way*

overseas blocks - in Libya, Iran, Yemen, Nigeria, Gabon and Timor-Leste. Exploration activities are at different stages of progress.

IndianOil has been awarded a project for the development, extraction, upgradation and marketing of heavy oil in Carabobo heavy oil region of Venezuela in consortium with Repsol, Petronas, ONGC Videsh Ltd. and Oil India Ltd.

During the year, IndianOil was granted the Petroleum Exploration License for one of the two Type-S blocks in Cambay basin for which it is the operator. Upon getting the license, exploration activities were initiated in the block. Under the eighth NELP bidding round conducted in 2009 by the Government of India, two blocks have been provisionally awarded to your Corporation along with consortium partners.

### Consultancy Services

In a visible recognition of IndianOil's expertise, the Manpower Secondment Agreement and Technical Services Agreement with Emirates National Oil Company, Dubai, was extended for the 12<sup>th</sup> and 13<sup>th</sup> consecutive years respectively. During the year, IndianOil was selected as a qualified Training Provider to Kuwait Petroleum Corporation.

### Gas Business

IndianOil sold 1.683 million tonnes of Natural Gas during the year with a turnover of Rs. 2,660 crore. Your Corporation participated, in a consortium with Adani Energy Ltd., in two rounds of bidding for the development of City Gas Distribution networks and was the lowest bidder in the cities of Chandigarh, Ghaziabad and Allahabad. To reach Natural Gas to consumers through cryogenic road tankers in the liquefied form, the "LNG at Doorstep" initiative is being expanded commercially.

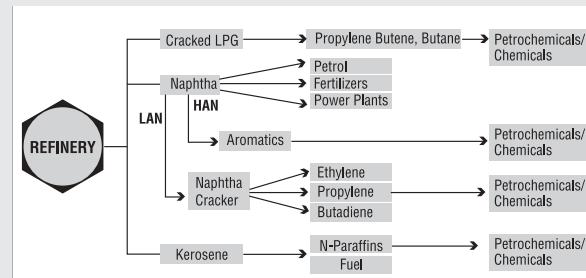
### Petrochemicals

With the commissioning of the world-scale Naphtha Cracker unit along with downstream polymer units at Panipat, your Corporation moved forward to become a major petrochemicals player in India.

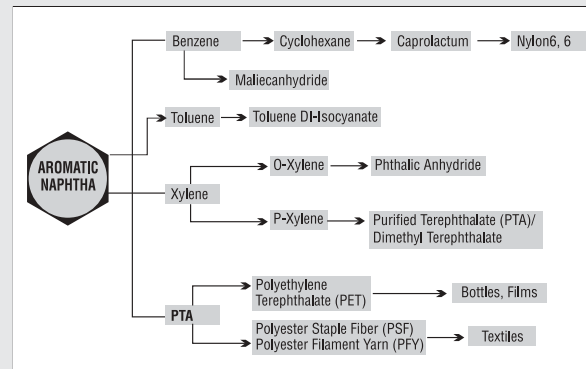
During the year, the domestic and global customer base for Linear Alkyl Benzene (LAB) expanded. The total sales volume of LAB for the year was 124 TMT, which includes domestic sales of 105 TMT and export sales of 19 TMT. LAB is now being exported to 19 countries.

## Petrochemicals - Product Flow Chart

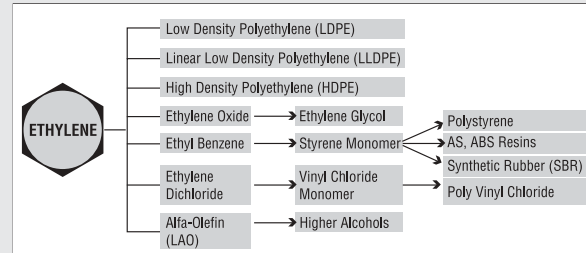
### Refinery Streams for Petrochemicals/Chemicals



### Aromatic Naphtha Based Petrochemicals/Chemicals



### Ethylene Based Petrochemicals/Chemicals



*State-of-the-art petrochemical solutions*

Purified Terephthalic Acid (PTA) sales rose to 528 TMT, exhibiting a robust growth rate of over 30% over the last year. An extensive polymer marketing set-up has been established including selection of Customer Stockists & Delivery Agents.

A Styrene Butadiene Rubber unit, the first in India, is proposed to be set up at Panipat in a joint venture with TSRC Corporation, Taiwan and Marubeni Corporation, Japan; which will add value to the intermediate streams of our Panipat Naphtha Cracker Complex.

## Sustainable Development

### Solar

The first commercial Solar Charging Station (SCS) was put up at a retail outlet in Orissa. Your Corporation is in the process of implementing this project on an all-India basis.

### Wind

IndianOil's first wind power project of 21 MW in Gujarat has completed its first year of successful power generation. The Corporation is in the process of scaling up presence in the wind energy business by expanding capacity through further investments.



*Harvesting the power of wind*

### Nuclear

In line with the new Vision to be the 'Energy of India', IndianOil has entered into an MoU with Nuclear Power Corporation of India Ltd. for exploring opportunities in the field of nuclear energy.

### Bio-fuels

IndianOil CREDA Bio-fuels Limited (ICBL), a joint venture with Chattisgarh Government, has completed plantation on 770 hectares of land in the districts of Chhattisgarh. The project envisages producing 30,000 MTPA of Bio-diesel by the year 2015.

IndianOil's pilot project of Jatropha plantation on 600 hectares of Government wasteland in Jhabua district of Madhya Pradesh progressed significantly, with plantation on 241 hectares completed during the year 2009.

Another bio-fuel initiative during the year was the formation of a Limited Liability Partnership (LLP) between IndianOil and Ruchi Soya Industries Limited to undertake projects in Jhansi and Lalitpur districts of Uttar Pradesh. It is a unique initiative under the Public-Private-Panchayat Partnership to set up a Bio-diesel value chain with NREGA funds for



*Nuclear power - exploring alternatives*

Jatropha curcas plantation. IndianOil plans to plant over 50,000 hectares of land through this LLP.

To harness algae for commercial production of bio-diesel, an MoU has been signed with PetroAlgae LLC, USA.

### Sustainability

During the year, IndianOil's second GRI/G3 compliant Sustainability Report for the year 2008-09 was published. The Corporation is in the process of undertaking a major environmental mapping exercise for putting in place information systems for monitoring and management of its carbon footprint. A separate Renewable Energy & Sustainable Development group has been set up in the Corporation.

### INTERNATIONAL TRADE

Your Corporation arranged to import 47.898 million tonnes of crude oil during the year amounting to Rs.1,16,767 crore to meet its requirements through a carefully selected and diversified mix of supply sources. IndianOil also exported petroleum products worth Rs.13,671 crore during 2009-10.

### OPTIMISATION & INFORMATION SYSTEMS

IndianOil's SAP R/3 Enterprise Resource Planning Solution offers an integrated environment for transaction processing across all business functional areas. The decision support system comprising Demand Forecasting, Supply Chain Planning & Scheduling and Refinery Fence feedback systems facilitate integration and optimisation of complex business functions across the organisation. SAP Application has now been implemented in 768 locations across the Corporation (including subsidiaries) to a common IT platform for online and concurrent business transactions.

### SAFETY, HEALTH & ENVIRONMENT

Your Corporation is committed to conducting business with a strong environment conscience for sustainable development, safe workplaces and enrichment of quality of life of employees, customers and the community at large. The Vision of IndianOil also envisages Care for Environment and Community. A separate department for Safety, Health & Environment exists in IndianOil to ensure compliance with safety systems and procedures at various installations and locations of the Corporation.

An unfortunate incident of fire occurred in IndianOil's Jaipur Terminal on 29<sup>th</sup> October 2009 resulting in the loss of lives as well as destruction of



IndianOil



*Jatropa seeds yielding sustainable bio-fuels*

property and products. An internal committee of IndianOil and a committee constituted by Ministry of Petroleum & Natural Gas has investigated the incident. The recommendations of the Committees were reviewed across the organisation and action plan prepared for implementation of each of the recommendations of the Committee. The recommendations of the committees are being implemented in a phased manner. A special audit with emphasis on safety has been carried out at all the locations of the Corporation and all safety-related issues are being closely monitored to avoid re-occurrence of such incidents. Further for implementation of various recommendations, a Monitoring Committee and a Joint Implementation Committee (JIC) has been constituted by Ministry of Petroleum & Natural Gas.

In order to strengthen the safety norms & procedures and effectively monitor compliance thereof in various units, locations and installations of the Corporation, a Committee of the Board for Safety, Health and Environment was constituted during the year.

#### **ENERGY CONSERVATION**

Your Corporation continued to maintain its thrust on oil / energy conservation at all its eight refineries and various units of pipelines division through continuous in-house process monitoring and keeping abreast with latest technological developments. As a result of various energy conservation measures undertaken, the energy index in terms of MBN\* of IndianOil refineries during the year is down to 62 as against the energy index of 64 in the previous year. Similarly, energy conservation schemes implemented during the year resulted in fuel savings to the tune of about 82,000 Standard Refinery Fuel Tonne (SRFT) per annum valued at about Rs.180 crore.

#### **HUMAN RESOURCES**

##### **Employee Profile**

The Corporation's employee strength as on March 31, 2010 was 34,363 including 14,210 officers. There are 2,624 women employees, constituting 7.64% of the total manpower.

##### **Welfare of Employees**

The Ministry of Petroleum & Natural Gas, in exercise of the powers conferred by Article 144(b) of the Articles of Association of IndianOil, has issued a Presidential Directive vide its letter dated 21<sup>st</sup> April 2009 to

\* (MBN – Thousand British Thermal Unit / Barrel / Energy Factor (MBTU/BBL/NRGF))

implement the pay revision of Board level and below Board level executives as per the guidelines issued by the Department of Public Enterprises (DPE) vide its Office Memorandums dated 26.11.2008, 09.02.2009 and 02.04.2009 and the same have been implemented.

#### **Presidential Directives for weaker sections**

Your Corporation has been meticulously following the Presidential Directives and other guidelines issued by the Ministry of Petroleum & Natural Gas and the DPE from time to time regarding reservation in services for Scheduled Castes, Scheduled Tribes, Physically Challenged and OBCs.

It has been the endeavour of your Corporation to utilise 25% of Community Development funds towards the Special Component Plan (SCP) and Tribal Sub Plan (TSP) for meeting the needs of the weaker sections.

In accordance with para 29 of the Presidential Directive, a note about the Corporation's activities, which have direct relevance to the advancement of SC/ST category of employees along with the statistics relating to representation of SCs/STs in the prescribed proforma – SC/ST/OBC Report-I and SC/ST/OBC Report-II, is annexed.

#### **Status on Implementation of Disabilities Act, 1995**

Your Corporation has been implementing the provision of 3% reservation for physically handicapped and disabled persons diligently.



*Green belts that nurture nature*

#### **Industrial Relations and Employees' Participation in Management**

The industrial relations climate in the Corporation remained harmonious, peaceful and cordial during the year. The bilateral relations with the collectives have helped in resolving several major issues. Continued information sharing and cordial relationships with the collectives helped in obtaining their cooperation for various initiatives taken by the Management to optimise manpower positioning and other productivity improvement measures including technology upgradation.

Your Corporation's efforts to promote employees' participation in various activities such as Suggestion Scheme, Quality Circles, Welfare, Safety, Total Productive Maintenance (TPM), etc. were continued during the year.

#### **Human Resource Development**

IndianOil culminated its journey of a new 'Vision' in 2009, which would be the guiding light for taking IndianOil ahead in this decade. The new vision envisaged IndianOil to become 'The Energy of India' and a 'Globally Admired Company'. The structured matrix has six cornerstones: Ethics, People, Innovation, Environment, Technology and Customers.



*IIPM - Strengthening human capital*

IndianOil Institute of Petroleum Management (IIPM), the apex training institute of the Corporation, continued to be the torch-bearer of the learning and development initiatives of IndianOil.

#### Sports

IndianOil's sportspersons continued to excel in national and international sporting events in various disciplines during the year. The Sports Scholarship Scheme for promising young sportspersons was continued with a view to encourage talent and create a pool of sportspersons.

Shri P. Gopichand, the renowned badminton star, won the Dronacharya Award from the Government of India. Ms. Trupti Murgunde won the Czech Open Badminton championship. Shri S.S. Ganguly won the Asian Continental Chess Championship at Olangapo, Philippines. Shri Prabhjot Singh and Shri Rajpal Singh represented India in International Hockey Tournaments. Shri A. Sharath Kamal represented India in the Commonwealth Table Tennis Championship at Glasgow, Scotland.



#### Corporate Social Responsibility (CSR)

IndianOil's present business practices and vision for the future are synergised with sustainability. Our strong commitment and sense of corporate social responsibility is reflected in the decision of the IndianOil Board to enhance the annual CSR expenditure to 2% of the retained profits



*Society before profits*

of the year 2009-10. During the year, a Committee of the Board was constituted to monitor and administer CSR activities in IndianOil.

IndianOil continued its endeavour to make a positive impact to the underprivileged communities in and around our major installations by supporting a wide range of socio-economic initiatives such as clean drinking water, health & medical care and education with special emphasis towards the weaker sections of the society.

IndianOil continued its support to Global Compact in implementing the ten guiding principles in United Nations' agenda on human rights, labour standards, environment and anti-corruption. As an active founder member and now permanent member, IndianOil also actively participated in the meetings and conferences of the Global Compact Society.

During the year, 450 meritorious students from economically weaker sections of the society and pursuing 10+/ITI and professional courses in engineering, medicine, business administration and management disciplines were awarded scholarships.

#### Hindi Implementation

Efforts continued during the year to enhance the progressive use of Hindi in official work in compliance with the Official Language Act, 1963, Official Language Rules, 1976 and orders issued by the Government of India from time to time. The Official Language Implementation Committees functioning



*Increasing foreign presence*

at IndianOil units regularly review the progress of implementation of official language policies and the annual programme as circulated by the Department of Official Language, Ministry of Home Affairs. Committee of Parliament on Official Language inspected five locations during the year. A team of officials from Ministry of Petroleum and Natural Gas inspected five IndianOil locations to review progress in use of Hindi.

#### Foreign Tours

IndianOil officers undertook a total of 809 foreign tours during 2009-10 for business purposes and for attending conferences, seminars and training programmes. The total expenditure on foreign tours was Rs.16.15 crore.

#### Vigilance

The objective of vigilance as an organisational function is to ensure maintenance of the highest level of integrity throughout the organisation. To achieve this, the Vigilance group carries out mainly preventive and punitive functions with emphasis on preventive aspect. Towards fulfilment of this objective, 68 vigilance awareness programmes were conducted during the year 2009-10. Vigilance Awareness Week was observed across

various locations of the Corporation. A large number of joint surprise inspections of dealers / distributors network was also carried out during the year.

#### REMUNERATION TO THE AUDITORS

The Auditors' remuneration for the year 2009-10 has been fixed at Rs.75.50 lakhs plus applicable service tax. In addition to this, reasonable out-of-pocket expenses actually incurred are also reimbursable.

#### ENTERTAINMENT EXPENSES

The entertainment expenses for the year 2009-10 were Rs.2.23 crore.

#### SUBSIDIARIES

The financial performance of following subsidiaries of the Corporation during 2009-10 is as under:

Subsidiary	( Rs. in Crore)		
	Total Turnover	Net Profit	Dividend
Chennai Petroleum Corporation Ltd.	29,184	603	120%
IndianOil (Mauritius) Ltd.	744	19	-
Lanka IOC Plc.	2,095	(18)	-
IOC Middle East FZE	48	1	-

IndianOil Technologies Limited, the wholly owned subsidiary of IndianOil, is in the process of liquidation effective 12<sup>th</sup> January 2010.

#### REPORT ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS

In accordance with the Company's (Disclosure of Particulars in the report of Board of Directors) Rule, 1988, a report on Energy Conservation, Technology Absorption and Foreign Exchange earnings is annexed.

#### PARTICULARS OF EMPLOYEES

The particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 and Rules framed there under are annexed.

#### BOARD OF DIRECTORS

Shri P.K. Chakraborti, Director (Pipelines), ceased to be a Director upon superannuation from the services of the Corporation on 31.08.2009 and Shri K.K. Jha was appointed as Director (Pipelines) with effect from 01.09.2009. Shri S. Sundareshan ceased to be a Director with effect from 01.02.2010 upon his elevation as Secretary, MoP&NG. Shri S. Behuria ceased to be Chairman upon completion of his tenure on 28.02.2010 and Shri B.M. Bansal, Director (P&BD) holds the additional charge of the post of Chairman, effective 01.03.2010. Shri S. Bhargava, Additional Secretary, MoP&NG was appointed as a Director with effect from 23.03.2010. Shri Anand Kumar, Director (R&D) ceased to be a Director upon superannuation from the services of the Corporation with effect from 01.07.2010.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under the new Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:


- that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2010, all applicable accounting standards had been followed along with proper explanations relating to material departures;
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors had prepared the accounts for the financial year ended 31<sup>st</sup> March 2010 on a 'going concern' basis.

#### ACKNOWLEDGEMENTS

The Board of Directors hereby records its deep appreciation of the valuable services and dedicated efforts of the members of the IndianOil family in the Corporation's achievements during the year 2009-10. The Board also wishes to thank the Government of India, particularly the Ministry of Petroleum & Natural Gas, and the various State Governments, regulatory and statutory authorities for their valuable guidance and support. The Board is also grateful to the Corporation's bankers, investors, customers, consultants, technology licensors, contractors and vendors for their continued support and confidence reposed in the Corporation.

The Board of Directors wishes to place on record its deep appreciation for the commendable performance and immense contribution made by Shri S. Behuria during his chairmanship, which enabled IndianOil to achieve greater heights. The Board also wishes to place on record its appreciation for the significant contribution and guidance rendered by Shri P.K. Chakraborti, Shri S. Sundareshan and Shri Anand Kumar during their tenure on the Board.

For and on behalf of the Board

  
(B.M. BANSAL)  
CHAIRMAN

New Delhi  
Dated : 7<sup>th</sup> July, 2010