

Directors' review (pipelines)

Pipelines being the safest system for transporting finished petroleum products to consumption centres and crude oil to refineries continued to provide significant competitive advantage to IndianOil during the year. The efficient operations of pipelines, which recorded an all-time high throughput of 65.01 million tonnes during the period, have enabled us to sustain through the critical period which required optimised resources and enhanced efficiency. Our offshore terminals handled 218 tankers, including 128 Very Large Crude Carriers for unloading crude oil at Vadinar, Mundra and Paradip, which have helped us maintain the margins of our refineries.

While our multi-product pipelines successfully prepared to transport Bharat Stage-IV grade fuels from refineries to marketing centres across the country, the first batch of Bharat Stage-IV grade Petrol was made available to the National Capital Region in January 2010. The continuous monitoring of critical parameters of the pipelines through Supervisory Control and Data Acquisition (SCADA) enabled uninterrupted optimum throughput. Six of the 63 large capacity crude oil storage tanks at Vadinar, Viramgam, Chaksu and Haldia have been commissioned after maintenance and inspection under the rolling plan during the year. This has helped us in ensuring the availability of crucial infrastructure assets. The dry-dock repair of the offshore buoy at Vadinar was completed and over 135 km of mainline pipelines refurbished.

An intelligent pig survey, using high resolution magnetic flux leakage type tool, was completed in the Koyali-Viramgam section of the Koyali-Sanganer Pipeline; the onshore and offshore pipelines sections of the Salaya-Mathura Pipeline, Haldia-Mourigram-Rajbandh Pipeline and the Guwahati-Siliguri Pipeline. In order to sensitise all operating personnel on the importance of handling any eventualities, onsite mock drills at pipeline installations, offsite drills at mainlines and oil spill mock drills on the high seas at the locations of our Single Point Mooring system were also conducted.

Carrying on with the task of transporting petroleum products to the closest points of consumption centres, the 290 km long Chennai-Bengaluru Pipeline was completed and commissioned. The pipeline would help significantly in moving petroleum products from Chennai Petroleum Corporation's Manali refinery to Bengaluru and surrounding areas in a cost-effective manner. Crude oil feed for the expansion of our Panipat refinery to 15 million tonnes was arranged through the augmented Mundra-Panipat Pipeline which was commissioned during the year at a cost of Rs. 165 crore against an approved cost of Rs. 205 crore.

Crude oil blending application installed at Mundra has been an innovative solution for refineries. This has the ability to blend different crude types to provide a consistent and optimal feedstock to refinery operations. The online integrated crude oil blender facility is now being implemented at Vadinar crude oil terminal to enable the maximisation of yields of higher value products.

The implementation of Paradip-Sambalpur-Raipur-Ranchi Pipeline and the branch pipeline from Koyali-Sanganer Pipeline at Viramgam to Kandla will further strengthen the petroleum product delivery in central and western India in the coming years.

New pipeline projects of 2,000 kms are planned in the future at an approximate cost of Rs. 2,000 crore and these include the 700 km Paradip-Haldia-Budge Budge-Kalyani-Durgapur LPG Pipeline, the 295 km Sanganer-Bijwasan Naphtha Pipeline, augmentation of the Paradip-Haldia-Barauni Pipeline with five additional tanks at Paradip, 270 km branch pipeline from Patna to Motihari and Baitalpur, 120 km pipeline from CPCL's Cauvery Basin Refinery to

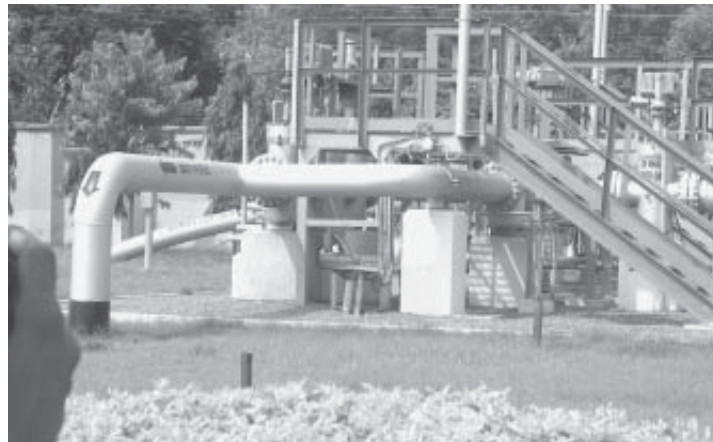


K.K. Jha
Director (Pipelines)

Trichy and the 400 km Ennore-Trichy-Pondicherry LPG Pipeline.

India, an emerging economy, has sustained economic growth during the worst times of the global recession and the continued higher GDP growth would translate into higher energy demands.

With demand slated to increase for petroleum products in the future and with the crucial role that pipelines play for efficient transportation to demand destinations, there are enormous opportunities for IndianOil to strategically invest in the petroleum transportation infrastructure in the future.



Transporting cost effectively to consuming centres