

CHAIRMAN'S MESSAGE

for New Financial Year 2022-23

1st April, 2022

Dear Colleagues,

The world over, we measure Corporate Progress based on the fiscal performance year on year. So, while 1st January is a time for everyone to look forward with renewed hope, expectations and resolutions, Companies reflect on their journey and blueprint for a brighter future on the 1st of April. Every new Financial year allows our teams to contemplate and introspect. I thus thought it an apt time to share my thoughts on our journey and the business nuances that impact our prospects. It is heartening that despite the challenging times, our financials remained robust through the year. In fact, during the first nine months of the year, our Revenue from Operations went up by around 48% compared to the previous year, and our Net Profit went up by nearly 40%. However, COVID continued to play havoc, especially during the second wave that ravaged the country during the first quarter of the previous fiscal. Let me take this opportunity to salute those IOCIans and frontline soldiers who succumbed to the menacing virus while serving the nation and the Corporation.



Looking forward, 'Green' is the word driving the priorities of the energy sector worldwide. As Energy Commanders of India, you are well aware of the green goals that India has set for itself, including achieving Net Zero Emission Target by 2070. But traditional energy forms will continue playing a defining role as India seeks to balance its economic ambitions and green aspirations. And as the 'Energy of India', we have our task cut out in powering India's march towards the new energy frontiers of tomorrow.

To meet the net-zero commitment, the Indian Government has recently announced the Green Hydrogen and Green Ammonia Policy to boost Green Hydrogen production to 5 MMT by 2030 and make India an export hub for this clean fuel. IndianOil is geared up to leverage the immense opportunities that arise from the transitional avenues. 2022- 'The Year of Crafting a Green Future' reflects our resolve and preparedness.

Aligning with the national priority, IndianOil will be producing Green Hydrogen in stages at Mathura Refinery and Panipat Refinery. As a first step, we will be implementing a 5 KTA (40 MW) Green Hydrogen plant at Mathura Refinery and a 2 KTA (16 MW) Green Hydrogen plant at Panipat Refinery. To sync with the entire hydrogen value chain, we will be forging crucial collaborations to develop Green Hydrogen production assets, associated renewable assets and manufacture electrolyzers. This will be a game-changer as electrolyzers contribute to approximately 30% of the overall cost of Green Hydrogen. Due to the policy interventions by the Govt of India, we foresee strong momentum in the electrolyzers market and RE Power with a commensurate decline in the cost of production of Green Hydrogen. IndianOil is also exploring multiple hydrogen production pathways, including solar-electrolysis, biomass gasification and bio-methanation. The Hydrogen produced will be used for fuelling 15 fuel cell buses to establish the efficacy, efficiency and sustainability of the the fuel cell technology and hydrogen production processes. Further, we will commission a hydrogen dispensing station at our Gujarat Refinery to enlarge hydrogen-based mobility coverage. Let me also add that IndianOil was inducted into the World Hydrogen Council last July as a Supporting Member of the Council. Also, MoP&NG has chosen IndianOil as the Industry coordinator for Green Hydrogen Initiatives in recognition of our pathbreaking endeavours in this area.

Let me reiterate that IndianOil will be leading India's energy transition journey from the front even in the immediate future. This resonated in our aggressive approach in the 11th round of the CGD bidding process, where we secured nine high market potential GAs that covers 26 districts spread across the country. IndianOil, along with its JV companies, is now present in 49 GAs, making it one of the most significant CGD players in the country. We are now poised to emerge as a dominant player in the Indian CGD market.



We have also sharpened our focus on bio-energy and renewables. Under the ambitious SATAT scheme on CBG (Compressed Bio Gas), IndianOil has awarded over 2180 LOIs and is now marketing CBG from 16 Plants through 28 retail outlets spread across nine states. During 2021-22, our CBG sales have exceeded 3850 MT. As far as renewables are concerned, IndianOil has a portfolio of 237 MW, including 168 MW of wind capacity. The total generation from the renewable energy projects during FY 2021-22 is about 333 GWh, which resulted in emission mitigation of 263 TMT of CO₂e equivalent. Let me also touch upon EVs since its revolutionising mobility across the globe. I believe EVs will play a significant role in the decarbonisation of India's transport sector but despite the growing hype and steadily rising EV sales, the industry is long away from mainstream adoption. We target to provide EV Charging Stations (EVCS) at 10,000 ROs in the next three years, and as a strategic initiative, we are pursuing the setting up of EVCS at public parking at Airports and tourist places.



Before I dive into divisional performance details, let me touch upon the cornerstone of sustained operational excellence. Safety is the foundation on which the energy fraternity thrives. For safe, smooth, and incident-free operations at our installations and marketing outlets, we must continue to review the Standard Operating Procedures, strictly adhere to laid down norms, and learn from reported incidents within the company and across the industry. More importantly, an agile and alert workforce is an essential safety component. This is especially true when we are on an aggressive expansion spree and stewarding crucial projects which are being monitored at the highest level.

I am delighted to share that IndianOil has left no stone unturned to meet the stiff Capex targets and has risen above every constraint even during the pandemic to meet these targets consistently. You will be intrigued to know that since 2018-19, IndianOil has contributed more than a quarter of the combined Capex spend of all PSUs under MOP&NG. Last year was no exception as we have successfully met the Capex target of Rs 29,347 Crore which is over 28% of MOPN&G's overall outlay.



Let me now elaborate on the Marketing Division's performance highlights for the last fiscal. Continuing last year's trend of introducing a slew of customer-centric initiatives, we launched Xtra Green last July, which is now sold through over 700 ROs pan India. Today, I can proudly assert that such innovative offerings ensure that IndianOil has the most enriched product basket to cater to the preferences of every section of fuel customers.

Our constant endeavour is to make today's customer experience better than yesterday's. Keeping this in mind, we launched the Indane Tatkal Seva; Customers can avail of guaranteed LPG delivery within two hours of booking by paying a nominal fee of Rs 25. We have started it in Hyderabad, and soon this facility will be extended across the country. We also launched the Missed Call facility across India. We are also rapidly expanding the composite cylinder customer base which we had launched in March 2021. IndianOil has also launched the Indane Family Connect, where customers can add details of family members or friends for whom they want to make a refill booking/or payment. I must compliment our LPG group, who were able to complete the target of Ujjawala 2.0 of releasing 50 lakh connections much before the target date.

Now coming to the Retail Business, I must say that this segment remains an area of concern. However, on a positive note, let me share that till February this fiscal, we have commissioned 2,521 ROs, taking our total tally to 34,559 ROs/KSKs. I feel we need to continue to put in concerted efforts to ensure we retain our market leadership across geographical areas in times to come, both through network expansion and enhanced per pump throughput. In the bid called by NHAI for Way Side Amenities (WSA), IndianOil was able to secure 10 out of 20 sites in the strategic greenfield Delhi-Mumbai Expressway. It will reinforce IndianOil's presence along major corridors. There is a need to

focus on non-fuel offerings in a major way at these WSA sites for ensuring competitive edge. Let me also point out that as Retail is the face of our organisation, the Look & Feel at Retail Outlets is very important to stay ahead of competitors. We have launched a portal, AVALOKAN, wherein pictures of all ROs are uploaded. It is incumbent upon senior officers to look and guide the Retail field team to strive for betterment. Also, we launched the Leadership Board for Divisional Managers in Retail, which will be replicated for Field officers and other departments as well. Officers are ranked on the Leadership Board based on their performance during the year.



Coming to Institutional Customers, it is heartening to note that innovation continues to be our mainstay for progress even in this sector. Several initiatives have been taken to reduce our dependence on discounts to garner business and instead be known as a solution provider. We have introduced 'Differentiated HSD with Combo Lubes' with major customers. IB Group has also begun trials of 'Winter grade HSD' and 'Low Sulphur/Low Aromatic SKO' with the Army. IndianOil commenced dispatches of Common Winter Grade HSD from Leh & Kargil for the retail market as well. I am happy to share that our revamped storage depot and retail outlet at Kavaratti and Minicoy in Lakshadweep Islands was inaugurated recently. So, for the first time, 35 MT of MS and 564 MT of HFHSD (High Flash High Speed Diesel) were loaded from Kochi and decanted at Kavaratti last month. IndianOil is now the sole fuel supplier to the Lakshadweep Islands.

This year has been spectacular from the point of view of our Lubes business as we recorded the highest ever sales of 634 TMT last fiscal which translates to year-on-year growth of over 23%.

As far as the physical performance of IndianOil Refineries is concerned, we have achieved total crude throughput of 67.65 MMT against Govt. MoU target of 69.12 MMT. The shortfall is mainly due to disruptions related to second wave of COVID.



As I have been reiterating, Refinery expansion, value-added products, & petrochemical integration are the fundamental tenets of our future growth strategy. Never has IndianOil rolled out megaprojects of such magnitude that the Refineries Division is witnessing now, with projects worth more than Rs one lakh crore that are in various stages of implementation. These mega projects shall increase the installed group refining capacity from 80.5 MMTPA to an estimated 107 MMTPA by 2024-25.

Petrochemicals have emerged as another silver lining, with Naphtha throughput touching 3.0 MMT, about 28% higher than the target of 2.35 MMT. IndianOil is currently the 2nd largest Petrochemicals player in India, with a capacity of around 3.2 MMT. With new Petrochemicals projects in the pipeline at Gujarat, Barauni, Panipat and Paradip Refineries, the present Petrochemical Intensity Index (PII) of about 5% will go up to 9% by 2025 and 15% by 2030. Timely commissioning of the grass-root MEG (Mono Ethylene Glycol) plant at Paradip, Phase-1 expansion of Naphtha cracker at Panipat and LAB expansion at Gujarat Refinery will go in a long way in enhancing the Corporation's profitability. Thus, we need meticulous attention to project planning, quick decision-making, and rigorous monitoring.

As I mentioned before, as the torchbearer of the hydrocarbon industry, we are preparing for the future energy demand to support economic growth. Timely completion is the keyword and crucial for the Corporation to be in absolute readiness to meet the peak energy demand projected for the coming years.

Since the beginning of 2022, petroleum product prices have witnessed a high level of cracks with an increase in crude oil prices due to geopolitical reasons. Cracks of diesel, petrol, jet/kerosene since the beginning of 2022 are in good shape, but the positive impact of same is partly offset by high fuel costs due to an increase in crude oil and RLNG prices. The spread between HS crude and LS crude has also widened in recent times. Refineries should constantly review factors such as processing of high sulphur and low sulphur crude, yield, and cracks to take full advantage of the higher spread and

cracks. It is heartening to note that we have already enhanced the processing of cheaper and heavy crudes this year. Interruptions and unplanned shutdowns at our Refineries are a major area of concern. Our Refineries must leave no stone unturned to minimise interruptions, and preventive maintenance should be accorded unwavering focus.

Looking at the Performance of the Pipelines Division, our mammoth 15,000 km network of underground highways is all set to increase with the completion of laying of the 1200 Km long Paradip- Hyderabad Product Pipeline. Further, the IndianOil Board has approved the establishment of a 1033 Km long new Mundra-Panipat crude oil pipeline with a capacity of 17.5 MMTPA to meet the enhanced crude oil requirement of the Panipat refinery due to expansion from 15 to 25 MMTPA. We have also commissioned our Dahej- Koyali dedicated Natural Gas Pipeline (106 km long, 5 MMSCMD Capacity) to connect the PLL Dahej LNG terminal to the Koyali Refinery. This has substantially reduced our dependency on other pipeline operators.



Now, let me dwell beyond the physical numbers and touch upon a landmark juncture that IndianOil has crossed recently. This year was memorable for the entire IndianOil family as we celebrated the Golden Jubilee Foundation Day of IndianOil R&D on 10th March 2022 to mark fifty years of innovative excellence. After all, this centre has been stewarding India's green goals with missionary zeal while strengthening our Urja Aatmanirbharta. Moreover, SERVO, born out of IndianOil's R&D cradle, witnessed another variant being added to its portfolio on the same day. The R&D Golden Jubilee celebrations culminated in a grand finale that was held on 22nd March at Vigyan Bhawan, where we launched the pathbreaking 'Surya Nutan' solar cooktop that reflects how our business strategies always align with national priorities. The patented cooking solution is green, cost-efficient and aims to benefit the masses. A special commemorative stamp was also released to mark the Golden Jubilee of IndianOil R&D.



IndianOil is also pursuing synergistic collaborations to explore new avenues of opportunities. The brightest of such partnerships is the Hindustan Urvarak and Rasayan Limited, where we have joined hands with NTPC, CIL, FCIL and HFCL to develop three gas-based urea fertiliser plants at Gorakhpur, Barauni and Sindri at the cost of Rs 25,000 crore. These three plants will augment the domestic fertiliser production capacity by producing over 38 lakh tonnes per annum of neem coated urea. Last December, the Gorakhpur plant was dedicated to the nation by the Hon'ble Prime Minister. The other two plants at Barauni and Sindri are also in an advanced completion stage and are likely to be commissioned very soon.

In another development, the Trincomalee Tank Farm lease deed, pending since February 2003, was finally inked this January between Govt of Sri Lanka, Ceylon Petroleum Corporation (CPC) and Lanka IOC. This further strengthens our position in the Sri Lankan energy market.

Let me also take this opportunity to reflect on how IndianOil has gone beyond business to revitalise the sporting landscape in the country. You would recall that IndianOil's remarkable sporting contributions were acknowledged at the highest level when we were bestowed with the "Rashtriya Khel Protsahan Puraskar" for 2021. It was an honour for me to accept the award from the Hon'ble President of India at Rashtrapati Bhawan last November on behalf of all of you.

IndianOil also received the 'Sportstar Aces Award 2022' under the category 'Best Corporate/PSU' to promote sports. These awards



strengthened our resolve to walk the extra mile to support Indian sporting excellence. Speaking of sporting excellence, IndianOil inducted nine Women Hockey Sport Stars into the IndianOil family this International Women's Day. This was a momentous occasion as IndianOil emerged as the first Indian corporate with a full-fledged Women's Hockey Team. IndianOil will also collaborate with the Ministry of Youth Affairs and Sports for a unique program, "IndianOil Shakti", to extend comprehensive support to talented young girl athletes. I must also laud the IndianOil Sports icons like Lakshya Sen, Simranjeet Singh, Hardik Singh, Dilpreet Singh, Chirag Shetty, Satwiksairaj Rankireddy and many more who have brought several laurels to the country.

IndianOil's social forays extend well beyond the sporting arena. We have spent nearly 1500 crores in the last three years on CSR Projects that majorly cover areas such as Health Care, Skilling & Education and Environment & Sustainability. Speaking of health care, let me share that cancer care has been one of our key focus areas, and over the next 3-5 years, we will be contributing around Rs 400 crores to bolster India's cancer care infrastructure. Recently we contributed Rs 66 crore for the implementation of the Phase II expansion of Tata Medical Centre in Kolkata. Moreover, we are planning to make a substantial investment at IISc Bengaluru for their upcoming Medical Hospital & Research Centre, which includes setting up an oncology wing.

Let me also add that we will be taking our social commitment forward by joining the Jan Andolan for 'TB Mukht Bharat' in collaboration with the Central TB Division. Under this project, we will support various initiatives to eliminate TB from Uttar Pradesh and Chhattisgarh by 2025.

Finally, let me touch upon our Environmental & Sustainability focus. Due to reckless exploitation, excessive hunting and inadequate protection laws, Cheetah was driven to extinction in India over seven decades ago. To reintroduce Cheetah to its natural habitat in India, IndianOil has collaborated with National Tiger Conservation Agency to undertake a historical project. For this unique project, which involves transcontinental relocation (from South Africa/ Namibia) of Cheetah to Kuno National Park in Madhya Pradesh, IndianOil will be contributing about Rs 50 crore over the next four years. This is right in line with the spirit with which we launched the IndianOil Rhino as our mascot that stands tall as IndianOil's commitment to protecting India's biodiversity.



Before I end, let me quote the Irish Snooker star Ken Doherty who says, "The five S's of sports training are: stamina, speed, strength, skill, and spirit; but the greatest of these is spirit." As IndianOil aims to fuel India's journey towards a greater and greener tomorrow, the spirit of every IOCian will have a remarkable role in powering the national ascent. I would want each one of you to recognise your place in history. You must revel in the pride and honour that has been bestowed on you the moment you entered the IndianOil family.

I wish you all the very best. May the new financial year bring the very best out of you in creating new benchmarks of excellence in every sphere of work and life.

Stay safe and healthy!

A handwritten signature in blue ink, reading "Shrikant Madhav Vaidya".

Shrikant Madhav Vaidya

Chairman, IndianOil

1st April, 2022