



**IndianOil**

*The Energy of India*

*Chairman's Message*

**57<sup>th</sup>** Annual General Meeting



## Valued Shareowners of IndianOil, Ladies and Gentlemen!

On behalf of IndianOilPeople and my colleagues on the Board, it is my pleasure and privilege to extend a hearty welcome to you all at the 57<sup>th</sup> Annual General Meeting of Indian Oil Corporation Ltd.

The notice convening the meeting, the Directors' Report and the Audited Annual Accounts have been with you for some time, and with your permission, I take them as read.

It is your sustained trust, support and inspiration that have kept your Company energised and profitable over more than five decades.

This AGM indeed is a special one as we meet after an incredible year. Here are some significant performance highlights of your Company for the year 2015-16:

- IndianOil's state-of-the-art Paradip Refinery was dedicated to the nation by the Hon'ble Prime Minister of India, Shri Narendra Modi, in February 2016.
- All Divisions of IndianOil set new benchmarks in physical performance parameters during the year.
- Your Company earned the highest ever profit of ₹ 10,399 crore for the year 2015-16.
- Your Company spearheaded Government of India's PaHaL initiative & GiveltUp campaign targeted at domestic LPG customers and made them resounding successes.
- During the year, your Company's Indane & IndianOil Aviation brands completed 50 golden years in the service of the nation.
- Your Company retained its position as the top-ranked Indian corporate in the prestigious Fortune 'Global 500' listing for the year 2016.

“...the Board of Directors have recommended issue of bonus shares in the proportion of 1:1, that is, one new equity bonus share of ₹ 10/- each for every one existing fully-paid equity share of ₹ 10/- each held.”

In the first quarter of 2016-17 too, we have earned a record profit of ₹ 8,269 crore. The average gross refining margin for the quarter was a healthy US\$ 9.98 per barrel, reflecting robust operational performance.

Right from its inception, your Company has always endeavoured to deliver good returns to its valued shareholders. In fact, we see ourselves as trustee-managers of your Company and are determined to raise the shareholder value through our collective efforts and expertise.

I am very happy to inform you that the Board of Directors have recommended issue of bonus shares in the proportion of 1:1, that is, one new equity bonus share of ₹ 10/- each for every one existing fully-paid equity share of ₹ 10/- each held. This is subject to the approval of the shareholders, for which the process of seeking approval through postal ballot has already commenced.

## INDUSTRY TRENDS

Ladies & Gentlemen, let us now look at the trends that shaped the economy and the oil & gas sector at the global level as well as in India.

The global economy grew by a modest 3.1 per cent in 2015 as compared to 3.4 percent in 2014. The projected global growth for 2016 is expected to be the same as in 2015. International oil prices have picked up and are likely to be in the moderate range.

The Indian economy has been growing consistently at well over 7 per cent, and has been hailed as the 'brightest spot' in the global economy.

Over the last two years, major reforms are unleashing the nation's immense potential. Government programmes like *Make in India*, *StartUp India*, *StandUp India*, *Smart Cities* and *Digital India* are being taken up in mission mode and have the potential to transform India into a developed country over the next two decades.

The oil & gas sector, under the Ministry of Petroleum & Natural Gas, is deeply committed to making energy available, accessible and affordable across the socio-economic divides. Key reforms are being initiated in upstream, midstream and downstream segments.

In the upstream segment, the Government has brought in a new investor-friendly policy, with an appropriate acronym HELP (Hydrocarbons Exploration & Licencing Policy) to attract foreign direct investment. Efforts are on to commercialise 69 Discovered Small Fields. The Government is also encouraging Indian corporates to acquire oil & gas assets abroad.

In the midstream segment, natural gas is becoming increasingly popular across all the consuming segments. City gas distribution networks are coming up in urban centres across the country and an additional 15,000 km of gas pipelines are under construction.

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In the downstream segment, with all petroleum products having been deregulated, except LPG for domestic use and kerosene for public distribution, the market place is gearing for intense competition.

India's fuel-stations are getting a full make-over. The 56,000+ network catering to the road transport segment is witnessing a rapid expansion, both in numbers and value-added services. Automation of product delivery and cashless transactions are becoming the norm; many non-fuel businesses are being run out of fuel stations to augment profitability and enhance competitiveness.

In LPG marketing, the enormous resources freed through innovative, targeted subsidy management are now being used to provide deposit-free connections to crores of women belonging to BPL families across the country under the Pradhan Mantri Ujjwala Yojana. Like PaHaL & GiveltUp, IndianOil is proud to be leading the Ujjwala initiative.

The success in rationalising subsidy management in LPG has paved the way for a similar scheme in PDS kerosene, which would target the real beneficiaries and plug leakages in the system.

## INDIANOIL PERFORMANCE

Now let us look at your Company's performance in the year 2015-16.

Inspired by the core values of *Care*, *Innovation*, *Passion* & *Trust*, the IndianOil team has been pursuing a six-fold path to corporate excellence over the last two years. Focussing strategically on sustaining leadership in core business; operational excellence; investing in people; financial prudence; leveraging assets; and enhancing corporate reputation and brand value, this pursuit has helped us put up exceptional operational and financial performance in 2015-16.

### Core Business

#### Refineries

IndianOil refineries registered the highest ever crude oil throughput of 56.69 million tonnes during 2015-16, achieving a capacity utilisation of 102.2 per cent as against 98.9 per cent capacity utilisation in 2014-15. The refineries also realised the best ever distillate yield of 80.6 wt.% in 2015-16.

With the commissioning of the state-of-the-art Paradip Refinery, IndianOil's group refining capacity rose to 80.7 million tonnes, which is now 35 per cent of the national refining capacity.

#### Pipelines

Your Company owns and operates the largest pipelines network in the downstream sector, spanning 11,750 km, and is continuously

expanding its reach and throughput capacity for added competitive advantage.

Your Company's pipelines network achieved the highest ever throughput of 79.82 million tonnes during 2015-16 as against a throughput of 75.68 million tonnes in 2014-15.

### Marketing

Your Company continued to dominate the domestic market in core product categories, that is, Petrol, Diesel and LPG, during the year. Domestic POL sales of 72.65 million tonnes registered a 6.1 per cent growth over 68.47 million tonnes sold during the previous year.

With over 45,000 customer touch points, your Company operates one of the largest customer interfaces among corporates in the world. Besides direct supplies to over 6,500 bulk consumers, it caters to over 15 million vehicles every day through its 25,000+ fuel stations. Similarly, your Company delivers cooking gas cylinders to the doorsteps of over 2 million households every day and refuels over 1,750 flights.

### Petrochemicals

In the last decade, your Company has been consolidating its presence in areas beyond petroleum refining & marketing. And I am happy to share with you that our strategic investments in petrochemicals and gas marketing have started yielding results. In fact, they contributed significantly to both the top-line and the bottom-line of your Company during 2015-16.

Having entered the petrochemicals business in 2004, your Company has grown to become the second largest player in the domestic market, besides exports to over 70 countries. With sales of 2.54 million tonnes in 2015-16, IndianOil now offers the full slate of petrochemical products and intermediates under the brand name PROPEL.

### Natural Gas

Natural Gas is emerging as the 'fuel of the 21<sup>st</sup> century,' steadily replacing liquid fuels and coal due to its low ecological footprint and inherent advantages for all user segments: Industrial-Transport-Households. Your Company took up marketing of natural gas over a decade ago and has rapidly expanded its customer base by leveraging its marketing expertise in liquid fuels. Its innovative 'LNG at the doorstep' initiative is highly popular with bulk consumers located away from pipelines. Compressed natural gas (CNG) as a green auto-fuel is being made available in select cities and fuel stations.

During the year 2015-16, your Company sold 1.93 million tonnes of natural gas, up from 1.80 million tonnes in 2014-15, registering a 7.22 per cent growth over the previous year. Besides the quantum of gas available as a joint venture partner of Petronet LNG Ltd., direct imports are being made to meet the increasing domestic demand.

### Exploration & Production

The current low-price regime is most suited for your Company's ambitions for speeding up upstream integration into oil exploration & production. With a view to further expand the current portfolio of 15 oil & gas assets, which includes 7 overseas and 8 domestic blocks, your Company is shortly planning to acquire valuable stakes in two oil fields of Rosneft, the national oil company of Russia, as part of an Indian consortium.

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## THE ROAD AHEAD: GROWING WITH A VIBRANT INDIA

Today, India is poised to drive global economic growth. The Government of India has adopted a multi-pronged approach to fast-track infrastructure projects and industrial growth. This will see a steep increase in energy consumption. In line with its legacy, your Company is gearing to meet the challenge and is acting with responsibility, creating infrastructure ahead of demand.

As a sectoral leader, your Company wants the Indian oil & gas industry to grow to world standards. We favour cooperation with other players when it comes to developing industry infrastructure. For instance, we are eager to lead and contribute in the proposed mega refinery on the west coast, to be built jointly by the public sector oil marketing companies. At the same time, we welcome competition in the market place, which enhances efficiency and ultimately benefits the end-customers.

Now, I shall share with you some of your Company's business plans that are being firming up to add further momentum to its growth trajectory.

India's oil demand is projected to grow from 176 million tonnes in 2013 to about 458 million tonnes by the year 2040, which entails a 3.7% compounded annual growth rate over the next 25 years. This would necessitate a corresponding increase in domestic refining capacity by way of major capacity expansions and new greenfield refineries.

As the country's leading refiner, IndianOil is planning to add about 24 million tonnes per annum refining capacity through brownfield expansions in the next five to six years. These will be concurrent to the projects being undertaken for production of environment-friendly BS-VI grade auto fuels as per the stringent timelines committed to the Government.

We are also taking steps to expand our crude oil basket by focussing on opportunity crude in place of term crude. Ongoing innovations in the procurement process, setting up of crude oil blending infrastructure and refinery projects to improve distillate yield and energy conservation are bound to enhance operational efficiency further.

Oil & gas pipelines are the energy arteries of the country. Keeping this in view, your Company is planning to further expand its pipelines network by 6,375 km, taking its nodes to all major States of the country. By the year 2022, your Company's pipeline length is projected to surpass 17,500 km, with a combined throughput capacity of over 100 million tonnes per annum.

***"We have seen the enormous potential in petrochemicals marketing; its contribution to our overall profit is giving us the strength and the confidence to withstand turbulence and volatility in our business."***

Bulk storage terminals are the feeder points for the retail fuel market. Your Company is building more and more sophisticated terminals, or 'smart' terminals, in high-consumption areas across the country to enhance reliability of supplies.

In the wake of the rapid urbanisation and the automobile sector boom, IndianOil's fuel stations network, currently numbering over 25,000, is headed for a major expansion. The network itself is being modernised and automated on a massive scale. Value-added services and non-fuel businesses at the fuel stations are also emerging as attractive propositions in line with the international trend.

The 6,700-strong *Kisan Seva Kendra* network in rural markets is also being expanded in a big way and equipped with more farmer-friendly features.

The Indian aviation sector has gained new heights of achievement over the last two decades. The Government of India has recently come up with an integrated civil aviation policy that would further accelerate its growth. The policy will facilitate regional connectivity through over 30 new no-frills airports. With this, the country's civil aviation network will expand to 125 airports. In view of this, the quantum of demand for aviation turbine fuel, refuelling equipment, hydrant refuelling systems, fuel-farms at airports as well as into-plane services will go up in a big way. As the leader in aviation fuel market, operating 101 aviation fuel stations across the country, your Company is primed to invest in and benefit from all growth opportunities in the segment along with its joint venture, IndianOil Skytanking Ltd.

India is one of the world's largest markets for LPG as cooking gas, with about 62% of the population covered as of now. The Government of India has ambitious plans to further expand its reach significantly in the next five years, especially in rural areas. As a dominant player in the segment, your Company is aggressively promoting the Government agenda through innovative initiatives like *Pradhan Mantri Ujjwala Yojana* and 'Smokeless Villages.' Concurrently, your Company is also augmenting LPG bottling capacity and building two import terminals. The latest IT tools are being leveraged to upgrade customer service and embed convenience in business transactions.

We have seen the enormous potential in petrochemicals marketing; its contribution to our overall profit is giving us the strength and the confidence to withstand turbulence and volatility in our business. With the anticipated upsurge in the manufacturing sector, the demand for petrochemicals is bound to zoom and we are investing in infrastructure and logistics in a big way to profit from this business. A number of projects are envisaged for production of high-value petrochemical products at our Paradip, Panipat and Koyali refineries.

With natural gas emerging as the bridge fuel in the ongoing transformation of the country's energy mix, your Company is working to expand the existing business multifold with investments across the

gas value chain, that is, LNG, R-LNG, PNG and CNG. As part of this, long-term LNG supplies have been tied up from US and Canadian sources and construction of a 5 million tonnes per annum LNG import terminal has commenced at Ennore, near Chennai, for commissioning by the year 2018. Your Company has two joint ventures in the burgeoning city gas distribution segment through piped natural gas (PNG) networks that are coming up in many urban centres. Yet another joint venture is investing in cross-country natural gas pipelines.

Your Company has ambitious plans to broaden its energy basket with alternative, renewable options. Accordingly, the current portfolio of 69.3 MegaWatts of wind-power projects; 9.5 MegaWatts of solar photovoltaic grid-connected projects and 20.8 MegaWatts of off-grid solar PV projects, are being scaled up to 260 MegaWatts by the year 2022. This would enable us to enlarge our footprint in the low-carbon energy space, which is one of the growth-drivers of the future.

#### Advanced R&D to be Future-Ready

Your Company's state-of-the-art R&D Centre has a prolific research output, reflected in its intellectual wealth of over 450 patents. The vibrant research undertaken by the Centre in tribology is showcased in the *SERVO* productline, with over 4,000 lubricant & grease formulations to suit all conceivable applications.

The Centre has also developed several in-house refining process technologies and catalysts specially suited to Indian conditions. A 4.17 million tonnes per annum *INDMAX* unit, based on IndianOil's flagship process technology, has been commissioned at Paradip Refinery. *INDMAX* enables direct conversion of hydrocarbon streams into more valuable light distillates and petrochemical feedstock. Other innovative technologies, like *OCTAMAX* being implemented at Mathura Refinery and *IndAdept*<sup>®</sup> being deployed at Guwahati Refinery, have earned recognition for your Company as a world-class technology solutions provider. *Indane Nanocut*, a hi-therm LPG-based metal-cutting gas, is another major innovation that has been commercialised.

As a strategic asset to power your Company's future with research and innovation, IndianOil R&D is focussing on the cutting-edge areas of nanotechnology, petrochemicals & polymers, coal gasification & liquefaction, and gas-to-liquid technologies. Its alternative energy programmes include bio-energy, solar energy, Hydrogen energy, Hydrogen-CNG blends, synthetic fuels and shale oil.

The Department of Biotechnology, Government of India, has chosen your Company as a partner to work in the field of bio-fuels, which again is a recognition of our expertise in developing and commercialising green fuels. We are forging many more such partnerships with research institutions both in India and abroad to usher in a clean and green future for India. And I am happy to inform you that your Company is setting up a new campus in Faridabad to house its extended R&D facilities.

**“Your Company's state-of-the-art R&D Centre has a prolific research output, reflected in its intellectual wealth of over 450 patents.”**

#### Overseas Business

Your Company has already established its credentials as a leading downstream petroleum company abroad through its subsidiaries in Sri Lanka and Mauritius. Lanka IOC has predominant presence in fuel retailing, terminalling and bunkering. IndianOil (Mauritius) Ltd. offers terminalling, retailing, lubes and aviation refuelling services in Mauritius.

Your Company is successfully tapping the overseas markets with its *SERVO* brand lubricants and greases, with presence in over 25 countries, and *PROPEL* brand of petrochemicals, being exported to over 70 countries.

Upstream, we have made investments in seven E&P assets abroad – in Canada, USA, Venezuela, Libya, Nigeria, Gabon and Yemen. In addition, IndianOil and Delonex Energy UK Ltd. have jointly won an onshore block in Mozambique under the 5<sup>th</sup> licencing round for hydrocarbon exploration in November 2015. As I had mentioned earlier, we are also proposing to invest in two Russian assets.

Your Company is also keen to improve its trade ties in neighbouring countries. As part of this, we are planning to build a products pipeline to Nepal to streamline supplies. With Bangladesh, your Company is in talks to collaborate in LPG and natural gas business.

With the active support of its subsidiaries and JVs, your Company is exploring diverse business opportunities in Asia, Africa, the Middle East and CIS countries.

#### Empowering People

Today, the 32,800-strong IndianOil team is co-creating a robust, forward-looking 21<sup>st</sup> century corporate that shall face all emerging challenges with will and vigour, and perpetuate its legacy of leadership in an increasingly competitive market.

Your Company has a large pool of trained, talented professionals and their skills and competencies are being further honed through innovative training & development programmes. Led by IndianOil Institute of Petroleum Management, the Corporation-wide network of training centres are designing and delivering programmes to equip IndianOilPeople with a rich repertoire of functional, interpersonal and leadership skills.

The imperatives for the training fraternity are: instilling pride in the organisation, and mainstreaming the core values and IndianOil's six-fold path to excellence across the divisions and functions, especially among young IOCIans who are the future energy leaders of the country.

**“Today, the 32,800-strong IndianOil team is co-creating a robust, forward-looking 21<sup>st</sup> century corporate that shall face all emerging challenges with will and vigour, and perpetuate its legacy of leadership in an increasingly competitive market.”**

Skills in big-data mining, analytics, cost & target orientation, customer relationship management and behavioural safety are being reinforced among IndianOilPeople in line with contemporary trends. All this is being integrated under the umbrella projects *Utkrisht & Saksham*.

#### Corporate Governance

Corporate governance is the touchstone of our philosophy and it has been our constant endeavour to conform to all the relevant directives and guidelines of the Government and statutory authorities. Your Company continues to adopt the best practices in the industry to ensure transparency, integrity and accountability in its functioning.

#### CSR & Sustainability

Your Company is deeply committed to the idea and practice of sustainable business and has been working intensely to mitigate its environmental footprints through rain-water harvesting, water and waste-recycling, etc.

Corporate social responsibility is now mandated by law in India while sustainability is a global imperative. IndianOil has already done significant work in both these areas. Now, we are committed to do critical and model work to further our CSR and sustainability agenda.

#### ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my sincere appreciation of the dedicated efforts made and valuable services rendered by IndianOilPeople in the Corporation's achievements during the year 2015-16.

The Board would also like 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.

On behalf of the Board, I would also like to thank all our stakeholders, including our customers, bankers, investors, consultants, technology licensors, contractors, vendors and auditors, for their continued support and confidence reposed in the Corporation.

The Board wishes to place on record its deep appreciation of the valuable guidance and significant contributions made by Dr. Archana S Mathur, Prof. Devang Khakhar and Shri D Sen during their tenure on the Board.

I now move the Annual Accounts for adoption.

For and on behalf of the Board



Mumbai  
Sept. 14, 2016

**(B Ashok)**  
Chairman

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



#### Indian Oil Corporation Limited

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