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IndianOil (Mauritius) Ltd.

Charting new growth paths to emerge as a globally admired company.

directors' review (planning & business development)

In the past few years, IndianOil's business strategy has been to straddle the entire hydrocarbon value chain through integration and diversification initiatives. Despite the turmoil in the global economy in the past fiscal, IndianOil strode ahead as it consolidated its established businesses and entered into new ones.

In Exploration & Production (E&P), it was an activity-packed year. IndianOil crossed a major milestone when it was awarded for the first time, two on-land blocks in the Cambay Basin with 100% participating interest and operatorship in the face of stiff competition in the seventh round of the New Exploration Licensing Policy (NELP) of the Government of India. In addition, we also bagged a deepwater block in consortium with ONGC and GSPC under NELP-VII. IndianOil's upstream footprint expanded overseas when it farmed-in into a deepwater block in offshore Timor-Leste with a 12.5% participating interest. Gas discovered in the Assam-Arunachal Pradesh block during the year 2007-08 was successfully tested, and the commerciality of gas production from the Farsi offshore block (where IndianOil holds a participatory interest of 40%) in Iran was accepted.

The petrochemicals business grew from strength to strength. On the domestic front, IndianOil continued to cater to a major chunk of Linear Alkyl Benzene (LAB, used for manufacture of detergents) requirements of the country's biggest buyers (Unilever and Procter & Gamble), while the export market widened to twelve countries from nine last year. The petrochemicals business received a boost when IOCLAB qualified Procter & Gamble's worldwide quality standards. Indeed, this speaks

of the world-class quality of our product. The sale of Purified Terephthalic Acid (PTA) grew significantly, exhibiting a year-on-year growth of 8.6%. With the Naphtha Cracker project at Panipat set to be commissioned by the end of the year 2009, preparations for putting in place the necessary structure for polymer marketing reached the final stage during the year.

IndianOil marketed 1.85 million tonnes of re-gassified LNG (R-LNG), including 0.18 million tonnes for internal consumption in refineries. Green Gas Ltd. – IndianOil's joint venture with GAIL (India) Ltd. for undertaking City Gas Distribution (CGD) in Lucknow and Agra – sold 13,208 tonnes and 8,919 tonnes of gas in Lucknow and Agra respectively. In order to rapidly expand the gas business, we have entered into agreements with different companies for gas sourcing, setting up CGD networks, as well as for selling gas through our retail outlets. Under the innovative pilot project 'LNG at the doorstep' to reach LNG directly to the consumers for industrial/captive power applications, two customers - H&R Johnson (at Pen, Maharashtra) and Schott Glass (at Jambusar, Gujarat) - were supplied over 15,000 tonnes LNG during the year. To service the requirements of the new customers, IndianOil has signed a contract with Petronet LNG Ltd. to increase the LNG loading capacity in road tankers at Dahej from the existing 15,000 metric tonnes per annum (MTPA) to 20,500 MTPA.

Our efforts to scale up the bio-fuel business touched a major landmark with the formation of a joint venture - IndianOil CREDA Bio-fuels Ltd. - in the state of Chhattisgarh. Mandated to organise



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commercial captive plantation of energy crops for bio-diesel production, the venture is being keenly watched by national and international agencies due to its novelty and uniqueness of structure & approach. The project envisages production of 30,000 MTPA of bio-diesel by the year 2015 by undertaking plantation on 30,000 hectares of revenue wasteland. A pilot project for plantation of energy crops (Jatropha) in the State of Madhya Pradesh was also started during the year to explore the possibility of setting up a revenue land-based commercial bio-diesel unit and to develop benchmarks for plantation cost and output.

IndianOil is endeavouring to widen its portfolio of energy offerings to include alternative energy options. A Renewable Energy Group was formed to sharpen focus on the vertical.

As part of our commitment to develop sustainable energy systems, IndianOil forayed into wind energy generation by commissioning the first wind power project of 21 MW capacity near Ambliyara village in Kutch, Gujarat. In order to explore commerciality of solar energy, IndianOil also commissioned two pilot solar charging stations at its *Kisan Seva Kendra* stations in the state of Uttar Pradesh. Efforts are underway to expand the business portfolio in these areas.

During the year, IndianOil published the GRI-G3 (Global Reporting Initiative) guidelines compliant Corporate Sustainability Report. This report provided description, data and perspective on IndianOil's performance with respect to the triple bottomline of People-Planet-Profit.



Diversification into wind power.