



Economic

Economic Strategy and Management Approach

India's economic landscape, propelled by accelerated growth rates in the past few years, provides an opportunity for restructuring the policy imperatives to achieve the new vision based on faster, more broad-based and inclusive growth. The country is now much more integrated with the global economy and has benefited from it in many ways. Management of diversity through a pluralist democracy is its inherent strength. This has in turn evoked a high level of confidence amongst foreign investors. Sustained growth, as envisaged in the coming years, will, however, call for making energy services available across all sectors of the economy at affordable prices. The oil & gas industry will, therefore, play a pivotal role in the economic value addition to the nation.

IndianOil is deeply committed to helping build a robust economy. In our management approach, we always try to create opportunities for small and medium enterprises, which in turn contribute to the development of a local business framework and the necessary infrastructure to support sustained economic



growth. As our suppliers and contractors grow, they in turn create financial, technical and managerial expertise that continues to expand domestic capacity and capability to support the oil & gas industry in the long term. We endeavour to foster the development of a reliable and sustainable supply chain of our products, carrying it to the remotest part of the country.

IndianOil is a *Navratna* company in terms of the empowerment conferred on it by the Government. It does not receive any budgetary support from the Government. All its capital expenditure is financed through internal resources and external borrowings. No financial support or contingent liability is involved on the part of the Government.

Market Presence

IndianOil's recruitment policy is broadly guided by the administrative instructions and policy guidelines issued by the Department of Public Enterprises (DPE) and the Ministry of Heavy Industries, Government of India (GOI). In case of appointment of dealers and distributors for



Employee Benefit Schemes

The various facilities/welfare measures provided by IndianOil to its employees are given here under:

Housing facility	Medical facilities	Transport facility, running & maintenance expenses
Rationalisation adjustment/skills update expenses	House building advance	Conveyance advance
Computer advance	Festival advance	Furniture advance
Service awards	Subsidised canteen	Protective clothing
Liberal leave for women employees	LTC and holiday homes	Sports & recreational facilities
Incentive scheme for higher education	Children's educational assistance	

Social Security Benefits

Contributory provident fund	Employees' Pension Scheme	Gratuity
Rehabilitation scheme	Superannuation Benefit Fund	Group savings-linked insurance
Compensation on death or permanent total disablement due to accident		

retail sales, there is a very well defined selection procedure which, besides addressing the commercial interests, also accommodates different social objectives criteria as desired by the Government from time to time. This broadly involves recruitment of individuals and selection of dealers/distributors from the weaker sections of society classified under the categories of Scheduled Castes, Scheduled Tribes, physically handicapped and women.

Selection of employees for direct recruitment with the company is done on the basis of

uniform policy guidelines applicable across the country and supported by a robust selection process. IndianOil has been continuously benchmarking its HR processes and has won recognition as a pioneer in evolution of robust HRD systems, including succession planning and other sub-systems. With IndianOil's emphasis on 'growing its own timber', most of its top management personnel, including Board members, have risen from within. It has provided leadership positions to the industry as well, with several CEOs in PSUs and private enterprises being ex-IOCIans.

IndianOil Performance at a Glance

	2007- 08 (US \$ Million)	2006- 07	2007- 08	2006- 07	2005- 06	2004- 05	2003- 04
			(Rs. in Crore)				
I FINANCIAL							
Turnover (Inclusive of Excise Duty)	61,700	50,777	247,479	220,779	183,172	150,729	130,203
Gross Profit *	3,575	3,363	14,339	14,622	9,931	8,722	12,013
Profit Before Interest & Tax	2,900	2,758	11,631	11,990	7,728	6,538	10,144
Profit Before Tax	2,513	2,412	10,080	10,485	6,706	5,955	9,691
Profit After Tax	1,736	1,725	6,963	7,499	4,915	4,891	7,005
Dividend	164	518	656	2,251	1,460	1,694	2,453
Dividend Tax	19	83	76	362	205	237	314
Retained Earnings	1,553	1,124	6,231	4,886	3,250	2,960	4,238
Value Added	6,156	5,684	24,693	24,716	17,132	16,611	18,659
Contribution To Central Exchequer (including Dividend paid to Central Govt.)	8,539	6,539	34,249	28,431	24,449	22,148	24,601
Cumulative Dividend	3,617	3,186	14,509	13,853	11,602	10,142	8,448
* Profit before Depreciation, Interest Expenditure and Tax.							
What Corporation Owns							
Gross Fixed Assets	14,169	12,612	56,832	54,837	43,695	39,869	36,388
Depreciation & Amortisation	5,999	4,937	24,060	21,467	18,672	16,488	14,341
Net Fixed Assets	8,171	7,675	32,772	33,370	25,023	23,381	22,047
Capital Work In Progress	2,286	1,011	9,170	4,395	9,646	8,734	5,286
Investments	5,372	4,599	21,546	19,998	14,526	5,705	5,596
Finance Lease Receivables	8	11	31	49	71	95	119
Working Capital	4,575	2,151	18,350	9,351	10,806	9,662	6,388
Misc. Expenditure	31	36	125	157	58	33	73
Total	20,443	15,483	81,994	67,320	60,130	47,610	39,509
What Corporation Owes							
Net Worth							
- Share Capital	297	269	1,192	1,168	1,168	1,168	1,168
- Share Capital Suspense Account	-	5	-	24	-	-	-
- Reserves	9,946	7,743	39,894	33,665	28,135	24,817	21,879
- Total	10,243	8,017	41,086	34,857	29,303	25,985	23,047
Borrowings	8,857	6,229	35,523	27,083	26,404	17,320	12,178
Deferred Tax Liability	1,343	1,237	5,385	5,380	4,423	4,305	4,284
Total	20,443	15,483	81,994	67,320	60,130	47,610	39,509
Note: Figures for the previous year have been regrouped, wherever necessary.							



	2007-08 (US \$)	2006-07	2007-08	2006-07	2005-06 (Rupees)	2004-05	2003-04
Ratios							
Debt Equity Ratio							
- Total Debt To Equity	0.86:1	0.78:1	0.86:1	0.78:1	0.90:1	0.67:1	0.53:1
- Long Term Debt To Equity	0.28:1	0.31:1	0.28:1	0.31:1	0.39:1	0.27:1	0.31:1
Earnings Per Share*	1.46	1.45	58.39	62.90	42.08	41.88	59.97
Cash Earnings Per Share*	2.02	1.95	81.10	84.97	60.94	60.57	75.97
Profit After Tax To Average Networth (%)							
	18.34	23.38	18.34	23.38	17.78	19.95	33.38
Book Value Per Share	8.59	6.72	344.58	292.34	250.88	222.47	197.32
* Earnings Per Share and Cash Earnings Per Share for all the periods have been calculated after considering the Bonus Issue in line with AS-20- "Earnings Per Share".							
Note:							
Exchange rate used:							
1 US \$ = Rs.40.11 as on 31.03.2008							
1 US \$ = Rs.43.48 as on 31.03.2007							
II OPERATIONS							
Million Metric Tonnes (MMT)							
	2007-08	2006-07	2005-06	2004-05	2003-04		
Product Sales							
Domestic							
- Petroleum Products	57.55	53.36	46.22	48.17	46.80		
- Gas	1.74	1.48	1.30	0.69	0.01		
Total Domestic	59.29	54.84	47.52	48.86	46.81		
Export	3.33	3.13	2.09	1.96	1.81		
Total	62.62	57.97	49.61	50.82	48.62		
Refineries Throughput	47.40	44.00	38.52	36.63	37.66		
Pipelines Throughput	57.12	51.69	45.35	43.03	45.17		
III MANPOWER	Nos.	31,945 *	29,862	30,048	30,430	30,801	
* Includes employees of erstwhile IBP Co. Ltd., merged with IndianOil w.e.f. 2 nd May 2007.							

The compensation structure for officers and workmen, governed by extant guidelines of DPE, is among the best in the industry. With the present structure due for revision with effect from 1st January 2007, the Government of India had set up the 2nd Pay Revision Committee for Public Sector Enterprises under the chairmanship of Mr. Justice MJ Rao. The committee's report recommending a new pay-package for officers has been approved by the Government in November 2008.

The GOI has issued guidelines for initiation of negotiations with the workers' unions on revision of their wage structure.

Product Quality Improvement

As per the Auto Fuel Policy of the Government of India, Euro-IV equivalent quality auto fuels are to be introduced in 13 notified cities and Euro-III equivalent fuels in the rest of the country. Accordingly, IndianOil has progressively upgraded the quality of auto fuels produced at its refineries in terms of emission-related parameters and to meet the quality requirement of new generation vehicles at an investment of Rs.10,000 crore. Of this, Rs. 585 crore was spent during 2007-08. This is a continuous process and investments are required from time to time to meet the stringent standards as and when they are announced.

