

CHAIRMAN'S ADDRESS

**59th Annual General
Meeting**



IndianOil



YEAR OF TRUST





Dear Valued Shareowners of IndianOil,

A very good morning to you all.

It gives me great pleasure to welcome you all to the 59th Annual General Meeting of the Company here today.

As we look back at the growth story of IndianOil, we bow to the vision of its founding fathers and the innate ability of IndianOilPeople to adopt, evolve and grow in sync with the energy needs of the nation, serving its people and fuelling all sectors of the economy in many ways.

The IndianOil story is indeed a saga of generations of IOCIans working with unity of purpose, bound by the core values of CARE, INNOVATION, PASSION and TRUST and an abiding commitment to exceed the expectations of its customers and stakeholders at all times. In return, the biggest reward has been the growing presence and prestige of 'Brand IndianOil.'

“ Brand IndianOil, assiduously built over six decades, essentially embodies the trust of millions of stakeholders. It may be worth millions in terms of brand value but, to every IOCIan, it is a priceless legacy to be treasured, preserved and passed on to future generations. Your Company is celebrating the current year as the “Year of Trust”. ”

As shareholders of IndianOil, you will be happy to know that your Company not only retained its status as the topmost Indian company in the prestigious *Fortune* 'Global 500' listing this year too, but climbed 31 steps up the rankings to 137, from 168 in the previous year. It has also emerged as the second best PSU in a survey conducted by Great Place to Work[®] Institute.

IndianOil has always been proud of its public sector legacy, and proud of its rich heritage of serving the nation through war and peace. It was, therefore, a proud moment for us when, during the CPSE Conclave in April 2018, the Hon'ble Prime Minister stated that the letters P S U stand for *Pragati, Seva* and *Urja*. He specifically praised the oil marketing companies for the commendable job of reaching LPG even to the remotest hamlets in the country.

Prime Minister, in his inspiring address at the CPSE Conclave, asked the CPSE leadership to put in place a comprehensive strategy for overseas expansion that meets the twin objectives of generating higher return on capital and serving the country's geo-strategic interests.

During the Conclave, CEOs of select CPSEs made thematic presentations on diverse topics like Corporate Governance, Human Resource Management, Financial Re-engineering, etc. I had the honour of making a presentation on 'R&D & Technology for the Future: Vision New India 2022.'

The Prime Minister's inspiring vision for the PSUs, coupled with his vision for India's energy future, with energy access, energy efficiency, energy sustainability and energy security as its four pillars, offer us a clear road map to proceed. IndianOil, ageless and agile in its sixtieth year, is determined to be the Energy behind the New India.

IndianOil's efforts in flood-hit Kerala

During the unprecedented rain and floods in Kerala earlier this month, IndianOil teams worked round-the-clock to maintain the supply line of essential fuels. Petrol, diesel, LPG and aviation fuel (ATF) were moved from neighbouring States. Priority was given to the Navy, Army, NDRF forces, State and district machinery involved in relief & rescue operations. Fuelling needs of defence and civilian aircraft were fully met at Thiruvananthapuram and Kochi, and refuellers were rushed to other locations to fuel IAF choppers conducting rescue sorties. Teams at IndianOil's Kochi terminal and bottling plant maintained operations despite flood waters inundating the premises. While ensuring that fuel stations have petrol and diesel supplies, special arrangements were made to reach LPG cylinders to households and flood relief camps across the State.

Oil marketing companies together donated ₹ 25 crore to the Chief Minister's Relief Fund.

PERFORMANCE HIGHLIGHTS 2017-18

Let us now turn to the performance of your Company in the previous fiscal.

The Integrated Annual Report 2017-18 has been circulated among the shareholders, both in print and e-formats, and I trust all of you have read the contents with pride.

As you may have noted, this time, the Company has attempted an Integrated Report that not only details its financial performance but focusses on its commitment to value creation for its stakeholders through sustained efforts aimed at continuous growth and expansion.

“ I have great pleasure in sharing with you that Financial Year 2017-18 has been a stupendous year in which your Company not only exceeded its past performance but created new benchmarks across business verticals. ”

Here are the key highlights of your Company's performance across the six key capitals as per the globally-accepted Integrated Reporting framework:

Financial Capital

- Your Company notched up the highest ever revenue of ₹ 5,06,428 crore during the year 2017-18, an increase of 13.7% over the previous fiscal
- It also achieved the highest ever EBITDA of ₹ 43,079 crore, an increase of 19.70% over the year 2016-17
- For the second year in a row, your Company clocked the highest ever profit; the Profit After Tax for 2017-18 was ₹ 21,346 crore, an increase of 11.72% over ₹ 19,106 crore earned in the previous year
- Your Company's Debt : Equity ratio improved from 1.3 as on 31st March, 2014 to 0.53 for the year ending 31st March, 2018

- Your Company incurred a capital expenditure of over ₹ 20,000 crore in the year 2017-18 to ensure sustained growth and value creation
- Your Company has contributed ₹ 1,90,670 crore to the Government exchequer during 2017-18

Manufactured Capital

- The nine refineries of your Company together achieved the highest ever crude oil throughput of 69.0 million metric tonnes (MMT) during the year 2017-18 as against 65.2 MMT in the previous year. Including CPCL refineries, Your Company has achieved a crude oil throughput of 79.8 MMT against 75.5 MMT in the previous year
- They registered superlative performance in distillate yield, fuel & loss and specific energy consumption during the year as compared to previous years
- The Company's cross-country pipelines network expanded to 13,400 km and registered a combined throughput of 85.68 MMT as against 82.5 MMT in the previous year
- Product sales from over 47,800 customer touch points, together with exports, were 88.76 MMT as against 83.5 MMT in the previous year

Human Capital

- Your Company has a strong leadership team that drives a high-performance culture and is ably supported by a 33,000-strong committed workforce
- Women constitute 8.36% of your Company's workforce with presence in all functions
- To make the employees future-ready and develop leadership competency and skills, over 3,000 training programmes were organised during the year, which corresponds to 1,30,000 employee training man-days
- With about 1,000 youngsters recruited in the executive cadre every year, emphasis is being laid on mentoring, e-learning and employee engagement through specific forums for Gen-Y and millennials

Intellectual Capital

- Your Company's R&D Centre at Faridabad pursues active research programmes in a diverse range of energy domains, like lubricants technology, refinery processes & catalysts, petrochemicals & polymers, biofuels & biotechnology, etc.
- Over the years, the Centre has garnered a bouquet of 611 active patents, of which 388 are international patents
- During the year 2017-18 alone, the Centre filed for 82 new patents and was granted 54

“ Innovative, cost-effective technologies developed by the R&D Centre, such as INDAdapt[®], Delayed Coking and Octamax, have been successfully deployed at various Company refineries. Savings ascribed to such in-house R&D technologies is about ₹ 1,700 crore ”

- IndianOil Start-up Fund, initially set up with ₹ 30 crore, aims to finance and incubate promising start-up initiatives in the oil & gas sector
- 11 projects from different domains were selected in Round-1 in 2017-18. Round-2 Challenge is currently open and proposals are being invited from different domains like Agri, Waste-to-Wealth, IoT, etc., besides energy sector.

Social & Relationship Capital

- Your Company has always subscribed to the philosophy of doing good for society and partnering communities in diverse development programmes
- Your Company undertook over 850 CSR projects during the year 2017-18, covering more than 1.2 crore beneficiaries from under-privileged, marginalised sections
- 73.8 lakh deposit-free LPG connections were released to women from poor households under *Pradhan Mantri Ujjwala Yojana*
- About 9 lakh people benefited from drinking water projects taken up across the country
- Over 32,000 cleanliness activities were conducted under *Swachh Bharat Abhiyan*
- More than one lakh tank-truck drivers benefited from health check-up camps conducted at the Company's fuel stations across the country

Natural Capital

- Your Company's sustainability agenda aims to minimise the carbon, water and waste footprints of its countrywide operations
- Over 130 energy conservation projects were implemented at various refineries during the year, leading to savings in fuel use equivalent to ₹ 150 crore.
- A sewage treatment plant is being set up under *Namami Gange* project to supply 20 million litres per day of treated water to Mathura Refinery with a financial implication of ₹ 217 crore. An MoU has been signed between Gujarat Refinery and Vadodara Municipal Corporation to set up 21 million litres per day sewage treatment plant
- Your Company's wind-power and solar energy projects generated over 330 GWh of power during the year
- About 89% of effluent water generated was reused/recycled in the Company's own operations
- Around 11,000 fuel stations of your Company have been converted to operate on solar energy as on date

GLOBAL TRENDS

Now, let us look at global trends that are impacting business, economy, societies, cultures and our own personal lives, thereby defining our future world and its pace of change:

Demographic Shift and Urbanisation

Globally, the trend of urbanisation is accelerating and it is projected to rise from 54% to about 70% by the year 2050. In India, it is set to increase from 30% to 40% by the year 2030 with the middle-class in India more than doubling its presence in the last decade.

Climate & Regulatory Change

- COP-21 summit has set about to limit global temperature increase to 2°C above pre-industrial levels
- India is set to reduce its emissions intensity by 35% by the year 2030, compared with 2005 levels

Shift in Economic Power

- China and India are emerging as the two largest economies in the world by the year 2050 (in terms of Purchasing Power Parity)
- Energy consumption share of emerging economies is expected to increase from 30% to 42% by 2030



- Recent developments in the global political scenario, such as US policies, Brexit, etc., point towards a trend of Deglobalisation

Next Level Technology

- Life and business continue to be influenced and driven by changing technologies. Some of the emerging technologies that are disrupting the business models include Electric Mobility, Internet of things, Digitalisation & Analytics, etc.

INDUSTRY TRENDS

Looking at the future, here are some industry trends that are likely to impact Indian economy in general and its energy sector in particular.

- While United States is emerging as the world's biggest oil & gas producer and net exporter, OPEC countries are collaborating with non-OPEC countries
- A new group of major developing countries led by India is moving centre-stage to address the need for responsible pricing in the global oil market
- While the year 2017-18 in particular was dominated by tense geopolitical challenges, natural disasters and an unstable oil market, the projections for India's petroleum sector are robust

NEW INDIA'S AGENDA

As per the latest report of the International Monetary Fund (IMF), India will continue to lead global economic growth in the coming years. There is no change in its forecast for India's GDP growth, that is, 7.3% for the current fiscal year and 7.5% for 2019-20.

While consumption will continue to drive India's growth, gross investment as a percentage of GDP is projected to go up from 30.6% in FY18 to 32.2% this year. IMF predicts that growth in merchandise exports will also be strong at 13.2% this fiscal. This would mean that the three engines of economic growth — consumption, investment and exports — will start firing from the current year.

India is fast becoming one of the most attractive global energy markets with investment opportunities of an estimated US \$ 325 Billion up to the year 2030. The Government of India too is committed to creating a favorable and investor-friendly regulatory framework to support the accelerated growth of the energy sector.

Major initiatives like GST, Make In India and Ease of Doing Business are shaping India's business environment and opening its economy for foreign investment and participation. The Draft National Energy Policy 2017, once finalised, will shape the energy regulatory and policy environment and boost the sector's attractiveness to global players.

The country's oil demand is expected to grow at a CAGR of 3.6% to 458 million tonnes of oil equivalent (MTOE) by 2040, while demand for energy will more than double by that year as the economy is likely to grow to more than five times its current size.

Gas production is likely to touch 90 billion cubic meters (BCM) by 2040, while demand for natural gas will grow at a CAGR of 4.6 per cent to touch 149 MTOE.

On completion of the ongoing projects at various refineries, India's refining capacity is expected to reach 256.55 MTPA by 2019-20.

Energy Security

India has big plans to reduce crude oil imports by 10% by the year 2022, by enhancing domestic production, promoting energy efficiency & conservation, renewable energy and biofuels.

Acquisition of lucrative oil & gas assets abroad, in Russia, the UAE, Oman, etc., and engagement with neighbouring countries has enhanced India's energy security.

Besides this, investor-friendly policies like Hydrocarbon Exploration Licencing Policy (HELP) and Discovered Small Field Policy, as well as diversification of crude oil sources and development of strategic reserves are the other steps in this direction. The National Biofuel Policy-2018 unveiled recently is also creating the right environment for large-scale promotion of biofuels and their integration with conventional fuels.

LPG

LPG as cooking gas continues its phenomenal growth with about 10 crore connections released in the last four years.

“ As part of the ambitious Pradhan Mantri Ujjwala Yojana, 5 crore deposit-free LPG connections have been released to women from below poverty line households till date, with a revised target of 8 crore connections. ”

The *PaHaL* scheme launched earlier earned the distinction of the largest direct benefits transfer scheme of its kind, with over 20 crore beneficiaries. The market penetration of LPG has now crossed 80%.

Natural Gas

Plans are underway to boost domestic gas production and to import larger volumes of liquefied natural gas, or LNG, from diversified sources at renegotiated rates. However, setting up a well-functioning gas supply & distribution infrastructure is a big challenge, which is being addressed by upcoming LNG import & regasification terminals on both the coasts, and pipeline grids emanating from them, especially in underserved east and northeast India. India's city gas distribution (CGD) map, with PNG and CNG as its main components, is projected to cover more than half the country soon with investments close to ₹ 70,000 crore.

Petrochemicals

Petrochemicals is one of India's fastest growing sectors, with demand rising at a CAGR of 8%-plus over the last five years. It is the mother industry for a wide array of vital products, including plastics, synthetic fibres, solvents, fertilisers and pharmaceuticals.

Despite such healthy growth, India's per capita consumption of petrochemicals is only 10 kg, much lower than the global average of 30 kg, indicating significant scope for growth in the future.

Keeping this in view, most Indian refineries are integrating capacity expansions with downstream petrochemicals production for value-addition.

INDIANOIL 2.0

“ Today, as we stand poised for an exciting future, I am happy to say that your Company, with its bright, talented and hard-working people, is fully prepared to transform into IndianOil 2.0 and stay viable, sustainable and profitable in the decades to come. ”



Your Company has made clear plans to consolidate core business, accelerate extended businesses and also get ready for the future. Besides strengthening its traditional liquid fuels business through a slew of capacity, infrastructure and market expansion initiatives, your Company is working on an ambitious agenda of integrating its new and profitable business verticals of Natural Gas & Petrochemicals with its core business and venture to newer energy areas.

Consolidating Core Business

“ Your Company aims to double its refining capacity to 140 MMT per annum by the year 2030, and has accordingly undertaken brownfield expansions at almost all its operating refineries. Its subsidiary, Chennai Petroleum Corporation, is also preparing to set up a 9 MMTPA refinery at Nagapattinam in Tamil Nadu. ”

In addition, as the lead partner of the world's largest greenfield 60-MMTPA refinery being proposed to be set up in Ratnagiri district of Maharashtra, your Company shall be leveraging its strength as the country's leading PSU refiner to establish India as a regional refining hub.

Along with expansion of refinery capacities, operations are being made more efficient by replacing old and smaller units with single economically sized ones.

India is going to pole-vault from BS-IV grade fuels directly to BS-VI grade fuels by April 2020, and refineries across the country are upgrading their technologies and processes accordingly. IndianOil has the privilege of leading the refining sector in meeting this stringent timeline.

Recently, your Company emerged as the first to quickly reconfigure its refineries at Mathura and Panipat and begin supplying BS-VI fuels in the Delhi NCT market well before the advanced 1st April, 2018 deadline.

More pipelines are planned to evacuate additional product from all refineries due for expansion. Further, major gas pipelines are planned and are under execution for evacuating gas from Ennore. Gas pipelines are also envisaged in the eastern sector. Northeast gas grid is another network that your Company is anchoring. LPG pipelines are also under construction in East and South. About 7,450 km of pipelines are under construction.

Your Company is also investing in the retail segment. With over 50,000 new fuel stations & LPG distributorships coming up in the next few years, benchmarking to global standards and generating additional revenue streams from non-fuel business is an idea worth exploring by oil marketing companies.

In the Lubes business, your Company has made many strides in controlling cost besides taking many market-oriented initiatives.

Accelerating Extended Businesses

“ As the second largest player in gas marketing, your Company is investing in Natural Gas infrastructure by way of LNG import terminals, cross-country pipelines and city gas distribution networks in a big way. Investments close to ₹ 20,000 crore are being envisaged in city gas distribution alone over the next five to eight years. ”

Your Company supports establishment of gas hubs in public-private partnership mode. It is a matter of pride that your Company has used in-house capabilities for the construction of the terminal and will be leveraging the same to build CGD networks.

All of you are aware that your Company has grown to be the second largest player even in petrochemicals, that too in a very short span of time. It is now consolidating the gains by expanding capacities for value-added petrochemical streams at its various refineries and by partnering industry players in developing plastics and textiles parks so as to nurture downstream industries.

In Paradip, Polypropylene plant is in an advanced stage of completion. MEG, PX-PTA plants and anchoring business parks for Plastics and Textiles in Eastern Region are on the cards. Panipat Refinery Naphtha Cracker expansion is also underway. In Gujarat Refinery, a proposal to set up a world-class Oxo Alcohol plant is being actively pursued.

Future-Readiness

The oil & gas sector has a key responsibility in catalysing viable and sustainable energy solutions for the future because, its own success and profitability depends on how well it adapts, integrates and promotes other energy forms as complementary and not adversaries.

Keeping this in view, your Company is evolving into an integrated energy & petrochemicals group that is future-ready to take the optimal route to a low-carbon, high-efficiency sustainable future.

With intrinsic strengths across various verticals such as R&D, Refineries, Pipelines, Terminalling, Marketing and Aviation fuelling, your Company aspires to collaborate with foreign counterparts to create innovative business models. By partnering growing companies, your company too can grow at a faster pace, and your Company's R&D Centre is doing just that by establishing mutually beneficial partnerships with overseas entities.

IndianOil R&D is actively pursuing technologies, including Slurry Hydrocracking to process opportunity crudes, and also focussing on research towards proprietary internals and hardware for various indigenous technologies.

“ A second R&D campus is being set up with additional research facilities for nanotechnology, alternative energy, catalyst scale-up units, pilot plants for refining technology, Material Research Centre, industrial biotechnology, CNT & Batteries, pilot plants for petrochemicals, pipelines, etc. with an investment to the tune of ₹ 2,300 crore. ”

R&D is setting up a captive Catalyst Manufacturing Unit (CMU) of 1,500 MTPA capacity at Panipat Refinery & Petrochemicals Complex (PRPC) with an investment of about ₹ 207 crore.

Your Company's alternative energy portfolio has grown to 202 MW as on date. This includes 168 MW of wind-power projects in Gujarat, Andhra Pradesh and Rajasthan and 34 MW of solar energy. We plan to scale up this capacity to 260 MW by the year 2020. Retail outlet solarisation has been completed in nearly 11,000 outlets out of the 27,200, with an installed capacity of 44 MW, and your Company is expediting implementation of solarisation in the remaining retail outlets.

At the same time, your Company recognises that renewables alone cannot resolve today's energy challenges, while coal and oil are coming under increasing scrutiny as polluting sources of energy.



Part of the solution also lies in cleaner fuels and higher engine efficiencies as well as horizon technologies like 2G biofuels, coal gasification, H-CNG, Hydrogen fuel cells, etc. Bio-CNG is another alternative with high potential, especially in areas where gas pipelines are not viable. You will be happy to know that your Company is pursuing each of these routes vigorously and in detail, leveraging its R&D expertise.

Facilities for production of next-generation ethanol to the tune of 33,500 tonnes per annum from refinery off-gases are being set up at Panipat Refinery using Lanzatech technology, which is a first of its kind project in the world.

Your Company currently has active Participating Interest (PI) in 9 domestic and 10 overseas oil & gas assets. During the year 2017-18, the production of equity oil & gas production was 3.26 MMTOE. At present, Your Company has 2P reserves of 148.56 MMTOE from its active assets and is making concerted efforts to achieve a production target of 7 MMTPA by 2023-24.

Hindustan Urvarak & Rasayan Ltd., a joint venture between IndianOil, Coal India and NTPC, is setting up gas-based ammonia-urea complexes at Gorakhpur in Uttar Pradesh, Sindri in Jharkhand and Barauni in Bihar at a capital cost of ₹ 21,000 crore. The projects are in full swing with a target for completion by 2021-22.

During 2017-18, your Company sourced crude oil from 18 countries, including USA. Sourcing of crude oil from USA has widened your Company's crude oil basket with enhanced energy sustainability and security.

Electric vehicle charging stations have been installed in four cities: Nagpur, Hyderabad, Kolkata and Delhi. Further, an MOU has been signed with NTPC, Powergrid and Rajasthan Electric to install EV charging stations in various identified cities and locations.

Among the other options being considered by your Company is an improved version of the traditional lead-acid battery for low-cost mobility and industrial applications. Also on the anvil is a next generation energy storage product to cater to electric vehicles. The idea is to think beyond lithium ion batteries in view of their limitations.

Regional Partnerships

India has a great geo-strategic advantage as an emerging refining-cum-petrochemicals hub with a huge domestic market and in close proximity to the oil-rich Middle East and African nations for mutual investments and partnerships in the hydrocarbons sector. Saudi Aramco and ADNOC partnering the west coast refinery project is a case in point.

“ Your Company has already established itself as a major player in the downstream marketing segment in Sri Lanka and Mauritius and wishes to replicate this success in other countries. Your Company has plans to expand its business in Bangladesh, Myanmar & Singapore. ”

To keep the focus, your Company has already opened offices in these countries. Offices are also being set up in Nepal and Bhutan.

Customer-Driven Company

Your Company is fully committed to customer service and satisfaction and has been making continuous efforts to reach precious petroleum products closest to customers in every nook and corner of the country.

With a view to further add value to its products and services based on customer feedback, your Company is putting in place an ambitious CRM package titled *ePIC* (e-Platform for IndianOil Customers). *ePIC* has been designed to provide valuable insights into customer behaviour and aspirations and, through diagnosis, grievance resolution and proactive initiatives, we shall be able to establish a whole new relationship with our countrywide customer base.

Similarly, *Project Dhruva* is another ambitious pan-India initiative to qualitatively and comprehensively transform your Company's fuel retail system. With an objective to retain leadership in a deregulated, competitive market-place, its central idea is to develop customer-centric, differentiated value propositions and leverage the Company's network potential to drive competitive advantage. In lubes, *Lakshya & Disha* are two major initiatives underway.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to place on record our sincere appreciation of the collective efforts of the 33,000-strong IndianOil family in the Company's achievements during the year 2017-18.

The Board is grateful to the Government of India, particularly our parent ministry, the Ministry of Petroleum & Natural Gas, and the various State Governments, regulatory and statutory authorities for their constant guidance and support.

I would also like to put on record our thanks to all our stakeholders such as customers, channel partners, bankers, investors, consultants, technology licensors, contractors, vendors, etc, for their continued trust and confidence in IndianOil.

The IndianOil Board also wishes to place on record its deep appreciation of the valuable contributions made by Smt. Uravashi Sadhwani, Dr. B.Mahadevan, Shri Vivek Rae and Ms. Sushma Taishete Rath during their tenure on the Board.

I now move the Audited Financial Statements for adoption.

For and on behalf of the Board

Mumbai
August 29, 2018

Sanjiv Singh
Chairman

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



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