

Address by

Chairman & Managing Director

at the 64th Annual General Meeting

of Shareholders in Mumbai

on September 8, 2016



M.K. Surana
Chairman & Managing Director



Hindustan Petroleum Corporation Limited

Good Morning, Ladies and Gentlemen.

It gives me great pleasure to welcome you, on behalf of the Board of Directors, to the 64th Annual General Meeting of Hindustan Petroleum Corporation Limited. It is an honour and privilege for me to address you for the first time after assuming office as Chairman and Managing Director of HPCL.

During 2015-16, your Company continued to scale new heights and achieved the highest ever net profit, refining throughput & market sales. All the business units achieved significant milestones and exceeded stakeholder's expectations by delivering outstanding performance.

I am happy to share that your Company has obtained 'Excellent' rating in terms of the Memorandum of Understanding (MOU) signed with the Government of India for the year 2014-15.

During the year, Shri J Ramaswamy was appointed as whole time director on the Board as Director (Finance) effective 1st October, 2015; Shri Ram Nivas Jain was appointed as Additional Director & Non-Executive Independent Director effective 20th November, 2015 and Ms Urvashi Sadhwani was appointed as Additional Director & Non-Executive Government Director on the Board effective 4th January, 2016.

Now, with your permission, I would like to outline the major developments that have taken place in the Indian economy and Oil sector during 2015-16 before sharing the details of the performance and future plans of your Company.

Indian Economy

India with a GDP growth of 7.6% during 2015-16, is one of the fastest growing economies. Backed by various structural reforms and the flagship programmes initiated by Government of India like 'Make in India' for investment-led growth, 'Digital India' for leveraging technology, 'Skill India' for building capabilities, 'Start Up India' for enabling innovation etc., the economic development will further accelerate. The forecasts for India's GDP in 2016-17 predict strengthening of economic activity.

India, with 18% of world's population, consumes about 5% of world's primary energy. However the per capita energy consumption in India is below the world average. As population grows with enhanced disposable income, there is a huge potential for growth in energy demand in the country. Oil caters to about a third of India's energy consumption and demand for oil is bound to increase as the per capita energy consumption increases.

Developments in Oil Sector

The year saw oil prices plunge to a decade low which had a profound impact on the industry. The primary reason for the fall in international crude oil price was the oversupplied market coupled with sluggish growth in global demand. The Indian crude basket witnessed decline from US \$ 55 per barrel in March 2015 to US \$ 28 per barrel in January 2016, the lowest level since 2003 amidst a mild Northern Hemisphere winter. The oil prices recovered in view of reduced shale activities in North America, wild fire in Canada

and disruptions in Nigeria. However, the prices remained below US \$ 45 per barrel due to sustained high production from OPEC countries.

However, India was a sweet spot in otherwise sluggish market. During 2015-16, the consumption of Petroleum products in India witnessed a double digit growth for the first time in last 2 decades and increased by 11% to reach 183 million tonnes. Consumption of Petrol saw growth of 14.5%, Diesel 7.5% and LPG 8.6%

After the success of PAHAL initiative, for Direct Benefit Transfer of LPG Subsidy, Government of India continued launch of new initiatives like #GiveItUp to motivate surrender of LPG subsidy by segment who can afford. The subsidy so saved could be utilized to provide LPG connections to less privileged people. Pradhan Mantri Ujjwala Yojana (PMUY) has been launched to provide deposit free LPG connections to women of Below Poverty Line (BPL) households by providing cleaner cooking environment and thereby improving their health conditions. This programme is turning to be a catalyst for social change for empowerment of women. The year 2016 has been declared by MoP&NG as the year of LPG consumers.

Under Clean India Initiative, there is a thrust to connect major cities with "Green Highways", which would have vehicles running on CNG and LNG with adequate re-fueling stations. Apart from CNG, a plan is being worked out to provide Piped Natural Gas (PNG) to households in a Mission Mode. These initiatives will accelerate the use of Natural Gas.

Government of India has notified implementation of BS IV Fuel standards across the country effective 1st April, 2017 in a phased manner. The Auto Fuel Policy 2025 also envisages a leapfrog directly from BS-IV to BS-VI fuels standards by 1st April, 2020. Your Company is gearing to comply with the same.

The short-term outlook for global oil market is uncertain and the crude oil prices will depend on demand supply rebalance scenarios, sustainable breakeven points, strategies of oil producing nations and the geo-political events. The crude oil prices which rallied in the month of April 2016, climbed steadily to US \$ 50 per barrel through June 2016 and remained between US \$ 45 to US \$ 50 per barrel thereafter. The current trends also indicate that the crude oil prices are likely to be range bound in the near future.

The surplus availability of products especially Petrol and Diesel has reduced the product-crude differentials in the current year. The onward trend of product-crude differentials and the exchange rate can have bearing on the margins.

HPCL Performance

It gives me great satisfaction and delight to convey that 2015-16 was yet another outstanding year for your Company.

Financial

Your Company registered a gross sales of Rs. 1,97,744 crore during 2015-16 and achieved the highest ever Profit After Tax of Rs. 3863 crore, which is 41% higher than the previous high of Rs. 2733 crore achieved last year.

The strong financial performance led to increase in the earnings per share from Rs. 81 per share in 2014-15 to Rs. 114 per share in 2015-16. The market capitalization also increased by Rs. 4,587 crore during the year to reach Rs. 26,601 crore as on 31st March, 2016.

Your Board has recommended the highest ever dividend of Rs 34.50 per share for the year 2015-16 including two interim dividends totaling to Rs. 18.50 per share already paid.

It also gives me great pleasure to state that the Board of your Company has recommended bonus shares in the ratio of two fully paid equity shares of Rs 10/- each for each equity share of Rs 10/- held.

Physical

Both refineries at Mumbai and Visakh maximized crude processing and achieved the highest ever combined refining throughput of 17.2 million tonnes with a capacity utilization of 116%. Refineries achieved GRM of US \$ 6.68 per barrel.

Highest ever production of Petrol, Diesel, LPG, Bitumen & Lube Oil Base Stock was achieved at the refineries facilitated by robust distillate yields and reliable operations.

Your Company achieved new milestones in marketing sales by realizing highest ever total sales volume of 34.2 million tonnes.

In Domestic sales, your Company achieved a growth of 9.3% over previous year and increased market share by 0.31% amongst public sector oil companies.

Your Company continued to register outstanding performance in Retail sales with a volume of 22.7 million tonnes. In motor fuels segment, a growth of 7% was achieved despite increased competition. Your Company achieved the highest market share gain among Public Sector Oil Companies in total motor fuel sales. Initiatives like Retail Automation, launch of "MyHPCL" MOBILE APP, Loyalty cards, Vehicle Tracking System etc. helped in enhancing customer convenience and confidence.

Your Company maintained its number two position in LPG Sales with highest ever sales volume of 5.07 million tonnes and consolidated the market leadership position in Non-Domestic Bulk LPG segment with over 48% of market share.

As on date, more than 92% of HP GAS customers have been enrolled in the PAHAL scheme. Under the '#GiveltUp' campaign, more than 30 lakh consumers have given up subsidy on LPG. Under Pradhan Mantri Ujjwala Yojana (PMUY), over 12 Lakhs LPG connections have been given to women of BPL category.

To enhance customer experience for LPG consumers, various customer centric initiatives like "EZY" GAS CARD, SAHAJ etc., were launched leveraging technology.

Your Company continues to be India's largest Lube marketer for the third consecutive year with an impressive growth of 20% in total lubricants sales.

A calibrated marketing strategy helped your Company gain significant market share in the

highly competitive Industrial & Consumer business by recording a growth of 22.5%. This excellent performance was aided by effective key account management and focus on consumer value propositions.

In the growing sector of Aviation fuels, your Company recorded a growth of 20%. I am happy to share that your Company is supplying Jet fuel to most of the scheduled domestic airlines in the country.

The strong marketing performance was made possible by the sustained efforts of Operations & Distribution team which achieved highest throughput of 48 MMT in liquid fuels by effectively managing the supply network of Terminals, Pipelines and Depots for ensuring timely and adequate product availability across various demand centers. Your company has actively pursued ethanol blending in Petrol and has improved ethanol blending to 3.5% in 2015-16. Bio-Diesel sale was commenced during the year.

The strategy to have an effective network of cross-country pipelines has led to optimization of logistics cost in addition to reduction in carbon foot print. Highest ever pipeline throughput of 17.6 million tonnes was achieved during the year.

In acknowledgement of the leadership position in various segments of the business and pioneering initiatives, your Company has been conferred with number of awards and has received recognitions in various national and international forums.

The operating joint ventures and subsidiaries of your Company improved their financial

performances during the year which resulted in the highest ever consolidated net profit of Rs 4,921 crore during 2015-16 registering an impressive growth of 228% over the previous year.

It gives me great pleasure to state that HPCL-Mittal Energy Ltd (HMEL) achieved its best ever operational and financial performance during 2015-16. HMEL processed 10.7 MMT of crude oil with capacity utilization of 119%.

Projects Completed during the year

To cater to the increasing demand and support the growth, your Company lays significant thrust on infrastructure development.

A landmark achievement in 2015-16 was the commissioning of 443 km long product pipeline from Rewari to Kanpur within cost and schedule. Commissioning of this pipeline has increased the cross country pipeline network of your Company to 3015 Kms. This strategic pipeline with state of the art technology has tap off stations at Bharatpur, Mathura and a receiving terminal at Kanpur strengthening the reach in the northern and central parts of the country.

The supply infrastructure was further augmented with the commissioning of a new state of the art green field marketing terminal at Kanpur in Uttar Pradesh and new depot at Bokaro in Jharkhand.

LPG infrastructure was augmented with commissioning of 120 TMTPA LPG Plant at Solapur in Maharashtra and 8.4 TMT LPG mounded storage facility at MLIF, Mangalore taking the total installed LPG Bottling capacity to

4.1 million metric tonnes per annum.

Two new Aviation Service Facilities were commissioned at Chandigarh and Dharamshala.

The first phase of the Green Research & Development Center Project at Bengaluru has been completed with an investment of Rs.395 crore. This will enhance the capabilities of your corporation to constantly innovate and develop new technologies and products.

At Mumbai Refinery, your Company adopted Isotherming, a niche technology in the Diesel Hydro Desulphurisation (DHDS) which improved energy efficiency and helped in production of superior quality of Diesel. To reduce Suspended Particulate Matter (SPM) a Flue Gas Scrubber Unit (FGSU) was commissioned at the Fluidised Catalytic Cracking Unit (FCCU) which also helped in reducing the Sox emissions.

Your Company supported Indian Strategic Petroleum Reserves Limited (ISPRL) in commissioning of 1.33 million tonnes crude cavern storage facility at Visakhapatnam. A storage compartment with 0.30 million tonnes capacity is assigned to HPCL, usage of which has enhanced flexibility in crude procurement and freight optimization.

Research & Development

The year 2015-16 has seen your Company file 28 Indian and 10 International Patents. Three new products were developed and commercialized, viz., HP FurnoKare for online furnace cleaning, HP BioActiva for effluent treatment, and HPDUCER for reducing pressure drop in hydroprocessing units.

Two key technologies developed in-house namely HP HIGAS for absorption / separation process and Hydrogen Pressure Swing Adsorption (H2 PSA) technology for hydrogen purification, have been commercialized at Visakh Refinery.

Further, new technologies developed include Catalytic-Vis-Breaking for achieving higher distillate yields and HP Cosol process for enhancing raffinate yield.

HSE and Sustainability

Safety is vital and important in every activity of your Company and is accorded the highest priority across all spheres of business operations. The focus is on further promoting a safety culture with emphasis on health of the workforce, training, sustainable development, and care for environment.

I am happy to share that Mumbai Refinery has achieved best ever safety record with over 16 Million safe Man Hours.

A number of sustainability development projects like recycling of waste water, rain water harvesting, LED lighting, Solar Photo Voltaic Power Plant at terminals and flare gas recovery systems at Refineries were completed.

To ensure transition to a low carbon economy and support development of renewable energy, 44.7 million units of electricity was generated during 2015-16 through wind farms of 50.5 Megawatt capacity.

Your Company commenced annual sustainability reporting on triple-bottom-line performance from the Financial Year 2011-12. The 4th Sustainability Performance Report for the year 2014-15, duly assured on AA1000 assurance standard has been published.

Corporate Social Responsibility

To help drive inclusive growth, your Company continues to work responsibly for the development of the under-privileged communities and empowerment of marginalized sections of the society.

Your Company has undertaken various CSR initiatives during the year for bringing smiles to over 33,000 people across the country by supporting them through programmes related to Childcare, Healthcare, Education and Skill Development.

Under Swachh Vidyalaya Abhiyaan, 1168 toilets in government schools were constructed during 2015-16 in the states of Andhra Pradesh, Assam, Bihar, Chhattisgarh and Odisha taking the total number to 1245 toilets. In addition, community toilets were also constructed at Varanasi and Mumbai.

Risk Management

Risk being an inherent part of Oil & Gas Business, a comprehensive and well-defined Risk Management Framework has been put in place. This system is being implemented as an integral part of all business processes and operations.

Corporate Governance

Your Company lays special emphasis on conducting its business in a transparent manner within the framework of policies. The focus is on good corporate governance practices, ethics, fairness and accountability to enhance stakeholder's value and to build an environment of trust and confidence.

All the mandatory provisions provided in Clause 49 of the Listing Agreement of SEBI relating to the Corporate Governance requirements have been complied with.

Human Resources

The strength of your corporation are its employees who are skilled, competent, committed, dedicated and imbibe the motto of 'HP First' in all professional endeavours. Your Company believes that performance built on values alone will lead to the path of excellence. The values of fairness, integrity, respect and collaboration drive the employees to work relentlessly for achieving sustained performance.

To prepare for the challenges ahead and create the next generation of leaders, the leadership development initiative of "Akshaypath" was continued. To help in succession planning a new behavioural competency framework HP Path was developed.

To keep pace with constantly changing business environment and enhance value to all the stakeholders, your Company has imbibed a culture of innovation and excellence.

I take this opportunity to acknowledge the

contribution of all employees and the proactive support by the unions & union representatives in ensuring safe & efficient operations and maintaining a healthy industrial climate.

Future Plans

The performance during the year gone by is testimony to the faith and loyalty reposed by the customers and the unwavering support of all the stakeholders. The future plans are centred on accelerating the business growth profitably by creating value for all stakeholders.

I am happy to share that the Board of Directors have recently approved "Visakh Refinery Modernisation Project" at a project outlay of Rs. 20,928 crores. It envisages expansion of Visakh Refinery from 8.33 MMTPA to 15 MMTPA capacity with bottom upgradation and facilities to produce BS VI compliant fuels. The Environmental Clearance for the project has been received and pre-project activities are in progress. This is the single largest investment project your Company has undertaken as on date.

Activities have also been taken up to expedite environment approval for expanding capacity of Mumbai refinery to 9.5 MMTPA with facilities to produce BS VI compliant fuels.

In the area of new business, we are pursuing opportunities to foray into the downstream Petrochemical business segment.

On the Marketing Infrastructure front, 168 km long Uran-Chakan LPG pipeline is under construction and 356 km long Mangalore – Hassan – Mysore - Bengaluru LPG Pipeline is

expected to be commissioned shortly. Further, capacity expansion of Visakh-Vijayawada-Secunderabad Pipeline and Mundra-Delhi Pipeline along with extension branch lines has been planned.

Revamp of Terminals & Depots at Jabalpur, Loni, Nalagarh and Meerut are being implemented. Further, new POL Depots at Bilaspur, Leh and a 120 TMTA Lube Blending Plant have been envisaged to meet increased demand and future growth.

New LPG Plants at Panagarh, Bhopal and Karimnagar are under construction and five more new LPG Bottling plants are planned for expanding the bottling capacity along with augmentation of existing bottling facilities to meet the future demand for packed LPG.

To cater to the increasing Natural gas demand of customers, the focus is on participating in the entire gas value chain. Your Company is also investing through Joint Venture companies in 3 Natural Gas pipelines and a 5 MMTA LNG Regasification terminal at Chhara in Gujarat.

The consortium of HPCL and Andhra Pradesh Gas Distribution Corporation (APGDC) is progressing for setting up of City Gas Distribution Network in East Godavari and West Godavari districts in Andhra Pradesh for which authorization has been received from PNGRB.

Your Company has taken up implementation of additional 50.4 MW wind power capacity project in the state of Rajasthan.

The strategic initiative of central Integrated Margin Management (IMM) process for

maximizing the Net Corporate Realization (NCR) across the crude-to-customer value chain has completed its first year of implementation and has added significant value to the corporation. Your Company will continue to innovate and focus on the IMM approach for improving profitability by addressing the business and process challenges.

The Central Procurement Cell created for centralizing procurement activities has been further strengthened and will focus on standardization of procurement processes with higher efficiency and transparency.

In this new age of digitally connected world, companies which are relevant to customers will only be successful. Your Company is focused on creating value in the eyes of customer by delivering a uniquely consistent customer experience. To achieve accelerated growth and profitability, your Company will continue to innovate and leverage Cost Leadership as competitive advantage.

Acknowledgement

Ladies and Gentlemen, before I conclude, I on behalf of the Board of Directors would like to thank the Ministry of Petroleum & Natural Gas, other Ministries and Departments of the Government of India and various State Governments for their valuable guidance and counsel and look forward to their continued support. We also acknowledge the support received from various local authorities in smooth conduct of our business.

My fellow directors and I are thankful to all the

shareholders for their support and confidence reposed in us. I thank you for taking time to be with us today.

I thank all our customers, dealers, distributors and all business associates who are an integral part of our business. I sincerely thank all our employees for their relentless efforts and commitment.

I wish to acknowledge the contribution made by Ms Nishi Vasudeva, previous Chairman & Managing Director, Shri Anant Kumar Singh who was the Non-Executive Government Director, Shri Gitesh K Shah who was the Non-Executive Independent Director and Shri K V Rao, previous Director (Finance).

I also take this opportunity to thank my colleagues on the Board for their mature counsel.

I would like to place on record, our sincere appreciation for the contributions made by Shri B.K. Namdeo, Director-Refineries and Shri Y.K. Gawali, Director-Marketing who will be superannuating at the end of October this year.

I look forward to the continued involvement and collaborative working with all our stakeholders to keep alive our legacy of touching lives and be a Company that delivers happiness.

Thank You.

Mukesh Kumar Surana
Chairman & Managing Director

Place: Mumbai

Date : September 8, 2016



Bringing Smiles...
Touching Lives...



Hindustan Petroleum Corporation Limited

Petroleum House, 17, Jamshedji Tata Road, Mumbai-400 020

www.hindustanpetroleum.com

CIN L23201MH1952GOI008858