

HINDUSTAN PETROLEUM CORPORATION LTD.

C&MD Speech at 62nd AGM,

September 5, 2014

Good morning, Ladies and Gentlemen.

It is an honour and privilege for me to address all of you for the first time after assuming office as Chairman and Managing Director of HPCL. It gives me great pleasure to welcome you on behalf of the Board of Directors to the 62nd Annual General Meeting of HPCL.

This is a historic AGM, as this year marks the completion of 40 glorious years by your Company since its formation on July 15, 1974. Your Company has evolved over four decades, to be recognized as a leading downstream player in the country, meeting the energy needs of our nation, with best in class infrastructure and delivering superior performance.

2013-14 was a year when your Company continued to progress at a faster pace. Your Company achieved highest growth in market sales amongst the public sector oil marketing companies and recorded the highest level of net profit in the last decade. Each of the business units worked together to accomplish significant milestones in Refining & Marketing and also made inroads in the sectors of Exploration & Production (E&P) and Natural Gas.

I am happy to share with you that your Company has obtained 'Excellent' rating in terms of the MoU signed with the Government of India for the year 2012-13 and obtained a MOU score of 1.034 which is the best score amongst all the PSUs under the Ministry of Petroleum and Natural Gas, for the second consecutive year.

I shall now outline the major developments that have taken place in the Indian economy during 2013-14, before sharing the details of the performance and future plans of your Company.

Indian Economy & Oil Sector

The Indian economy improved marginally in 2013-14, with GDP growth of 4.7% compared to the decade's low of 4.5% in 2012-13. This increase in GDP was supported by good performance of the agriculture sector while industrial sector continued to remain a cause of concern throughout the year.

The average crude oil price in 2013-14 was around \$ 108 per barrel, which is slightly lower than 2012-13 average of \$ 110 per barrel. However, benchmark prices of Crude Oil were higher when denominated in Indian currency due to depreciation of the Rupee.

Sluggish economic activity coupled with sector specific factors led to only a minimal increase in the consumption of petroleum products in 2013-14. The consumption of petroleum products in India increased by about 1.3% to reach 160 million metric tons [MMT]. Major increase was seen in the consumption of Petrol, LPG, ATF, Bitumen and Petcoke.

For the first time since 2001-02, Diesel consumption recorded a decline of 1% over the previous year mainly because of lower sales of commercial diesel vehicles and shift of industrial customers to alternate fuels. Fuel Oil consumption also declined by 10% due to shift to Natural gas.

HPCL Performance

I am pleased to report that 2013-14, coinciding with the completion of 4 decades of glorious existence of your Company, was yet another successful year. Your Company achieved excellent refining and sales performance and delivered strong revenue growth. The performance is even more satisfying given the backdrop of challenging economic conditions and volatility in the exchange rates.

The gross sales increased by 7.7% to reach Rupees Two Lakh Thirty Two Thousand One Hundred and Eighty Eight crore [Rs. 2,32,188] while profit after tax almost doubled to Rs.1,734 crore from Rs. 905 crore in 2012-13. This is the highest profit earned by your Company in the last decade. Your Company continues to be a Fortune Global 500 Company with a ranking of 284.

Your Company's refineries have achieved a combined refining throughput of 15.51 MMT with a capacity utilization of 105%.

Your refineries have maximized the production of high value products and achieved highest ever annual production of Petrol, Lube Oil Base Stock and Rubber Processing Oil during 2013-14. Various measures to improve distillate yields and energy efficiency were undertaken during the year, which resulted in the improvement of Gross Refining Margin to \$ 3.43 per barrel.

In a major step towards realizing the objective of achieving product sufficiency, your Company's joint venture refinery at Bathinda, HMEL, recorded more than 100% capacity utilization in its first full year of operation. The throughput of 9.3 MMT in 2013-14, helped your Company consolidate market share in the high growth region of Northern India.

I am happy to share that we have formed a Joint Venture Company "HPCL – Rajasthan Refinery limited" with Government of Rajasthan as an equity stakeholder. This company has been incorporated for setting up a 9 million metric tonne per annum [MMTPA] refinery-cum-petrochemical complex in Rajasthan.

Your Company continued to deliver strong sales performance during the year in a challenging business environment through effective marketing strategies and responsiveness to changing customer needs.

Your Company achieved total sales of 31 million tonnes, with an all-time high domestic sale of 30.27 million tonnes during 2013-14 and recorded a growth of 4.1% over the previous year. This is the highest growth amongst the Oil Marketing Companies (OMCs), thereby increasing market share for the fourth consecutive year. This robust performance is due to the consistent implementation of best practices in operations, institutionalization of a number of strategic initiatives and enhanced employee engagement.

Your Company increased market share in retail sales of motor fuels for the 10th consecutive year to reach a level of 25.35%, making it a decade of excellence. This performance has been achieved through unrelenting focus on customer centric initiatives, strengthening of network capabilities and widespread deployment of information technology.

In the LPG business line, your Company sustained its leadership in the profitable and highly competitive Non-Domestic bulk sales segment with 43% market share. Overall your company sold 4.2 MMT of LPG with a market share of over 26% by focusing on initiatives for enhancing customer satisfaction, strengthening of infrastructure, network expansion in rural areas and improving productivity. New initiative of sale of 5 Kg free-trade LPG cylinders through retail outlets in select cities was launched for enhancing customer convenience.

Your Company achieved a sales volume of 3.9 million tonnes [MMT] in Industrial & Consumer sales, despite a challenging and volatile business environment and ended the year with an impressive market share gain of 1.8%. Bitumen sales of more than 1 million tonnes [MMT] were recorded for the second consecutive year. To overcome the reduced off-take by bulk Diesel industrial customers, your Company focused on Diesel sales to Railways as well as Marine and Steel sectors.

In the Aviation business line, a calibrated marketing strategy was adopted and a sale of 445 thousand metric tonnes [TMT] of aviation fuel was achieved.

Your Company introduced new lubricant grades and specialty products for tapping new segments in the B2B and B2C markets for meeting customer needs. This has increased the reach of HP Lubes across various segments.

The customer centric initiatives along with implementation of well laid out plans for the marketing channels and the OEM sector have resulted in your Company achieving a significant milestone of becoming India's largest lube marketer with a total lube sales of 484 thousand metric tonnes [TMT] during the year.

The strategy to construct and operate cross-country pipelines for achieving least cost of transportation has paid rich dividends in 2013-14. Your Company achieved a record combined pipeline throughput of 15.69 MMT, thereby optimizing the logistics cost.

Impetus is being given to the Natural Gas business, and a Joint Venture Company HPCL Shapoorji Energy Ltd has been incorporated for setting up a 5 MMTPA LNG terminal at Chhara in Gujarat. Further, we are participating in two Joint Venture Companies viz. GSPL India Gasnet Ltd [GIGL] and GSPL India Transco Ltd [GITL] with equity stakes from GSPL [52%], IOCL [26%], HPCL [11%] and BPCL [11%] for laying, building and operating three natural gas pipelines.

In the area of renewable energy, your Company has achieved wind energy generation of 56 million units from the first phase of 50.5 Megawatt wind farm projects set up in Maharashtra and Rajasthan.

In a significant step to move up the value chain, your Company, through its wholly owned subsidiary, M/s Prize Petroleum Company Ltd, has signed an agreement for acquisition of 11.25% and 9.75% participating interest in two Exploration & Production (E & P) blocks in Australia. This acquisition will help in creating a balanced portfolio of upstream assets and will lay the foundation for participation of your Company in international E & P business.

In acknowledgement of the leadership in performance, pioneering initiatives and operational excellence your Company has received a number of Awards and Recognitions across all the major functions in various national and international forums.

The Joint Venture companies and Subsidiaries of your Company have also performed well during 2013-14.

Projects completed during the year

To cater to the increasing energy demand in the country and support the capacity expansion, your Company lays significant thrust on infrastructure development.

In line with the focus on providing clean auto fuels, your Company has set up Diesel Hydro Treater Units with associated facilities at both Mumbai and Visakh Refineries for producing BS-IV diesel.

Your Company continued the expansion of supply and distribution network for ensuring nationwide product availability. A major milestone achieved during the year was the successful commissioning of state-of-the-art white oil terminal at Ennore in Tamil Nadu with tankage of 115 thousand KL [TKL], 2 Rail siding facilities and 24 bay Tank truck loading gantry.

With a view to augment infrastructure at Marketing locations, your Company has also commissioned new Tank Truck gantries in depots and terminals located at Paradeep, Bathinda, Akola, Ajmer and Jaipur.

Your Company has commissioned a new LPG bottling plant at Anantapur in Andhra Pradesh and strengthened LPG infrastructure by augmenting the storage facilities and bottling capacity at Paharpur and Hubli LPG plants. With the completion of these projects, LPG bottling capacity has increased to 3.91 MMTPA to meet the growing demand.

Health, Safety and Environment

Safety is vital and important in every activity of your Corporation and continues to be accorded the highest priority. Your Company is focused on enhancing safety culture, risk assessment and training.

The nature of the business demands adherence to stringent safety processes and norms. Significant progress in implementing the M B Lal Committee recommendations has been achieved at existing Refineries, Terminals and Installations during the year.

Your Company is committed to ensure environmentally sustainable and responsible operations to achieve highest standards of environmental excellence and both your refineries are ISO-14001 certified.

Sustainability

During the Financial year 2013-14, your Company published its Sustainability report in accordance with Global Reporting Initiative (GRI) guidelines with a theme focused on 'People'. A number of sustainability development projects like electrical energy audits at operating locations, solar installation at Laboratory building in Mumbai Refinery and improved output of treated water at both Mumbai and Visakh Refineries were also completed.

Corporate Social Responsibility

In line with the vision to be a model of excellence and 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 projects as part of CSR initiatives in partnership with specialized NGOs and touched the lives of large number of people across the country through community interventions in areas of Childcare, Healthcare, Education and Skill Development.

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. A Risk Management Steering Committee continues to provide direction and guidance for effective implementation of the Risk Management framework.

Corporate Governance

Your Company lays special emphasis on conducting its business within the framework of policies, internal & external regulations and in a transparent manner. 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.

Your Company has complied with all the mandatory provisions provided in Clause 49 of the Listing Agreement of SEBI relating to the Corporate Governance requirements.

Human Resources

Your Company firmly believes that the employees are its most valuable asset. This belief is translated into action through a number of initiatives for improving employee engagement, capability building, empowerment and leadership development for ensuring that employees remain a key competitive advantage.

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

The employees of your Company are skilled, committed, motivated and engaged in the spirit of HP FIRST. I take this opportunity to acknowledge their contribution and the proactive support by the unions & union representatives in ensuring safe & efficient operations and maintaining a healthy industrial climate.

I will now briefly share the future plans of your Company.

Future Plans

Your Company is focused on achieving the strategic objectives outlined under Target Shikhar. The performance during the year gone by is testimony to the robustness of the strategy and initiatives undertaken.

To bridge the imbalance between Sales and Refining capacity, Visakh refinery modernization project is being taken up to augment the refinery capacity from 8.3 to 15 million tonnes [MMTPA]. Mumbai refinery expansion plan is also envisaged to augment existing refining capacity from 6.5 to 10.0 million tonnes [MMTPA].

Your Company is focused on enhancing the brand value by delivering a differentiated customer experience through customer centric initiatives and innovation by leveraging technology. Your Company will continue the initiatives of product innovation, strategic OEM partnerships and strong loyalty programs for being the marketeer of choice.

To be competitive in the dynamic downstream marketing, your company is focused on strengthening infrastructure, improving operational excellence, implementing best practices, and enhancing network productivity.

A Research & Development center conforming to eco-friendly design norms is being constructed at Bengaluru which will carry out research in various areas including Crude Evaluation, Hydro processing, Catalytic Cracking and Nano-Technology.

To provide impetus to the efforts for cost optimization and maximizing profitability, your Company is implementing two major strategic initiatives of Central Procurement and Integrated Margin Management. In the Integrated Margin Management approach, end-to-end processes across crude sourcing, refining, storage, distribution and marketing operations are being integrated to unlock potential value.

In the last AGM we had mentioned about the Long term strategy road map beyond Target Shikhar. Today, I am pleased to inform you that a detailed exercise for creating long term perspective plan UDAAN 2030 has been undertaken during the year. Going forward, the focus will be on strengthening the existing businesses of Refining and Marketing while leveraging the opportunity in Exploration & Production and Natural gas and diversifying into Petrochemicals.

Our Appreciation

Ladies and Gentlemen, before I conclude, on behalf of the Board of Directors, I would like to thank the Ministry of Petroleum & Natural Gas, Government of India, other Ministries & Departments of the Government of India, various State Governments and the Regulatory and Statutory authorities for their valuable guidance and counsel and look forward to their continued support.

My fellow Directors on the Board and I are thankful to all the shareholders – both individuals and institutions for the support and confidence reposed in us. I thank you all for being here today. We look forward to your continued association.

I thank all our customers, dealers, distributors and other business associates for their continued support. I sincerely thank all our employees for their outstanding efforts and commitment. I wish to acknowledge the contribution made by Shri S Roy Choudhury, previous Chairman & Managing Director, and also Shri Anil Razdan and Shri S K Roongta, who were Part time Non-official Directors.

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

I look forward to the continued involvement and commitment of all stakeholders to build this great organisation into a world class energy company.

Together Towards Tomorrow . . .

Thank You

Place: Mumbai

Dated: September 5, 2014

Director

Nishi Vasudeva

Chairman & Managing