

Touching Lives Everyday In Every Way

C&MD Speech at AGM,

September 10, 2015

Good Morning, Ladies and Gentlemen.

It is a great honor and privilege for me to welcome all the shareholders, on behalf of the Board of Directors, to the 63rd Annual General Meeting of Hindustan Petroleum Corporation Limited.

During the year 2014-15, your company has registered the best ever physical and financial performance. We are listed among the **Fortune Global 500** Companies with a ranking of 327 and also among the **Platts Top 250** Global Energy Companies with a ranking of 133.

HPCL secured '**Excellent**' rating in terms of the Memorandum of Understanding (MOU) signed with the Government of India for the year 2013-14 with an MOU score of 1.257.

We exceeded stakeholder's expectations by undertaking various initiatives to deliver top performance, touching lives of people everyday in every way.

India – Dawn of a New Economy

India with a GDP growth of 7.3% during 2014-15, is one of the world's fastest growing economies. The reforms and initiatives ushered in by Government of India like '**Make in India**', '**Digital India**' and '**Skill Building**' centered towards investment-led growth will further accelerate economic development.

Our country, with a population of over 1.23 billion is witnessing a high growth in demand for energy. The per capita energy consumption is growing at a healthy annual growth rate of 4.5%, which is well above the global average of 2.2%.

Developments in Oil Sector

Crude oil prices fell steeply from June 2014 onwards, dropping by more than half, touching US \$ 45 per barrel in January 2015. The primary reason behind the fall is the oversupplied market, wherein global demand continues to be weak led by a decline in economic growth in China.

Oil and Gas meets 35% of our country's total energy consumption. The **consumption** of petroleum products in India increased by 4.2% to reach **165 million tonnes** in 2014-15.

Government of India launched **PAHAL**, an innovative scheme for direct cash transfer of LPG subsidy to consumers across the Country. This is one of the **largest direct cash-transfer programs in the world** which has been successfully implemented by the Oil Industry.

During the current year, the price of crude oil and cracks have been volatile. Dubai benchmark crude fell from \$ 61.30 per barrel in Q1 of 2015-16 to around US \$47 per barrel in August 2015. Product crude differentials also fell, led by the diesel cracks which decreased from US \$ 14 per barrel to around US \$ 9 per barrel in August 2015. The volatility in prices and the depreciation of the rupee are expected to pose a challenge in the current financial year, as well.

HPCL Performance

It gives me great satisfaction and delight to convey that despite all the challenges, 2014-15 was yet another outstanding year for your Company.

We registered, a **gross sales of Rs. 2,17,061 crore** and recorded the **highest ever net profit of Rs. 2733 crore** which has substantially surpassed the decade's highest net profit of Rs. 1734 crore achieved in the previous year.

The **earnings per share** increased significantly from Rs. 51.20 per share in 2013-14 to **Rs.80.72 per share**. The shareholders wealth has also increased as the market capitalization has increased by Rs. 11,500 crore during the year.

Borrowings were reduced by about Rs.12,000 crore aided by the fall in the crude oil prices and timely receipt of compensation from the Government of India. With effective treasury management we substantially reduced interest costs from Rs.1,336 crore to Rs. 707 crore.

Both refineries at Mumbai and Visakh maximized crude processing and achieved a combined **refining throughput of 16.18 million tonnes** with a capacity utilization of 109%. We achieved the **highest ever distillate yield of 77.5%** and recorded **highest ever production of Petrol and Diesel** at 2.7 and 6.2 million tonnes respectively.

Your Company continued to deliver strong sales performance in a challenging business environment and recorded a **total sales volume of 32 million tonnes**.

We registered yet another **outstanding performance in Retail sales** with a volume of 21.4 million tonnes. In motor fuels segment, we recorded a **market share gain for the 11th consecutive year**. This performance has been achieved by building strong

customer loyalty to our Brand through unrelenting focus on customer centric initiatives, strengthening of network capabilities and deployment of information technology for automation of key processes.

We sustained **leadership in the highly competitive Non-Domestic bulk LPG segment**, and for the first time achieved market share of over 50%. As on date, more than 88.2% of HP GAS customers have been enrolled in the PAHAL scheme. Under the **'#GiveltUp'** campaign, more than 7.6 lakh of our consumers have given up the subsidy on LPG.

In the highly competitive lubricant business, we continue to be **India's largest lube marketer for the second consecutive year**. This excellent performance is the result of an aggressive marketing strategy supported by continuous expansion of product portfolio.

Amidst a challenging business environment, we achieved a volume of 3.97 million tonnes in the Industrial and Consumer business recording a growth of 2.8%.

In Aviation fuels, we recorded a substantial growth of 13% above industry. **We now supply Jet fuel to all the scheduled domestic airlines of the country.**

In a step to realize our aspirations of end to end participation in the natural gas value chain, we have **commenced RLNG sales** in 2014-15.

Operations & Distribution team has effectively managed the supply network of Terminals, Pipelines and Depots to reach products to various demand centers across the country which played a key role in maximizing our sales. The logistics cost was optimized by achieving a **pipeline throughput of 14.9 million tonnes**.

Strategic Initiatives

In the last AGM I had spoken about the **Integrated Margin Management (IMM) initiative** undertaken for maximizing the Net Corporate Realization by integrating end-to-end processes across crude sourcing, refining, storage, distribution and marketing operations.

I am pleased to share with you, that consistent focus on the IMM approach has delivered results by improving cross-functional decision making; iterative fine tuning of refinery operations; leveraging optimization and analytical tools; and streamlining planning & supply chain logistics. In addition, a 'value pool' of ideas have been identified through the IMM process which have potential to generate additional revenues.

A **Central Procurement Cell** has been created for centralizing all procurement activities. This is helping us achieve economy of scale, standardization of processes and effective vendor management.

To expand our horizons and achieve sustained profitable growth, a **road map for the future - UDAAN 2030**, has been developed for your organisation through an inclusive process involving employees across all business units.

Projects Completed during the Year

A major milestone completed in 2014-15 is the **commissioning of two multiproduct pipelines**, a 93 km pipeline from Awa to Salawas and a 14 km pipeline from Bahadurgarh to Tikrikalan taking the total cross country pipeline network to 2572 Kms with a capacity of 23.6 million metric tonnes per annum.

With the stabilization of the **Diesel HydroTreater facilities at Visakh refinery**, both our refineries at Mumbai and Visakh now produce BS IV fuels.

The supply infrastructure was augmented at a capex of about Rs. 1,200 crore with the **commissioning of New depots at Bihta** in Bihar, **Kadapa** in Andhra Pradesh, **Bokaro** in Jharkhand and **Tikrikalan terminal** in Delhi along with **revamp of Salawas, Budge-Budge and Paradeep terminals**, which increased the storage capacity to 3.1 million metric tonnes.

A **new LPG Plant at Yediyur** near Bangalore with world's largest carousel having a 72 head flex speed filling system was commissioned taking the LPG bottling capacity to 3.85 million metric tonnes per annum.

Caring for Health, Safety and Environment

Your company accords **highest priority to safety** at the workplace, health of the workforce and preservation of environment for future generations. All business units have imbibed safety as a culture across all operations and are focused on imparting continuous training and risk mitigation initiatives.

We are committed to ensure environmentally sustainable and responsible operations to achieve highest standards of environmental excellence. In a step to ensure transition to a low carbon economy and support renewables, our wind farms of 50.5 Megawatt capacity generated 54 million units of electricity during 2014-15.

CSR - Bringing Smiles

HPCL has always been an integral part of the society and conducts its operations responsibly with policies in place to manage the broader social impacts of its business activities.

Various projects have been undertaken in partnership with specialized NGOs for bringing **smiles to the lives of about 22,000 people** across the country, through community interventions in areas of Childcare, Healthcare, Education and Skill Development.

Under **Swachh Bharat Abhiyaan**, new toilets were constructed at retail outlets and at various government Schools in the states of Andhra Pradesh, Assam, Bihar, Chhattisgarh and Odisha.

Touching Lives

During 2014-15, our country witnessed two major natural calamities, the floods at Srinagar and Hudhud Cyclone at Vizag. We worked in perfect unison with local administration to restore normalcy and contributed to the relief operations.

Many of our employees, worked round the clock, to restore supply of petroleum products to the affected areas, despite personal setbacks which saw their own families in distress.

R&D - Improving Excellence

The year 2014-15 has been encouraging with some of the research projects advancing towards commercial implementation of technology at our refineries.

In a major step towards indigenous technology development, our R&D developed New Generation '**HP-HiGAS**' **Technology** which will save energy and lower capital costs. A commercial scale HP-HiGAS unit was successfully commissioned at Visakh Refinery which reduced the height of column to one-tenth of the original size and processed Fuel gas with higher H₂S.

In a collaboration project, we also developed **Hydrogen Pressure Swing Adsorption technology** for Hydrogen purification in Refineries and a commercial scale demonstration unit has been set-up in Visakh Refinery.

Corporate Governance

HPCL always laid 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.

Our People

The **strength of your company are its employees who are dedicated, competent, capable and committed** to deliver cutting edge performance. Our human resource management initiatives are aimed at developing a vibrant workforce and a strong commitment to meet the dynamic needs of our valued customers.

To prepare for the challenges ahead and create the next generation of leaders, we have continued Project Akshaypath, the unique leadership development initiative based on experiential learning to develop leaders who will take the organization to the next level of growth.

I take this opportunity to acknowledge the contribution of all our employees, the proactive support by the unions & staff in ensuring safe & efficient operations and maintaining a healthy industrial climate.

Awards & Recognitions

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 international and national forums.

Future Plans - Together Towards Tomorrow

To **increase product self-sufficiency**, the refining capacity of existing refineries at Visakh and Mumbai will be expanded to 15 million tonnes per annum and 10 million tonnes per annum respectively.

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.

In **Marketing**, the **focus is on strengthening of infrastructure, expanding the pipeline network**, operational excellence and delivering superior customer experience.

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

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

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, other Ministries and Departments of the Government of India and the various State Governments for their valuable guidance and counsel, and look forward to their continued support.

My fellow directors and I are thankful to all the shareholders for their 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 commitment, hard work and contribution to the Corporation's excellent performance.

We wish to acknowledge the contributions of Dr S. C. Khuntia and Shri R. K. Singh, who were Directors on the Board as Government of India nominees, and Shri G. K. Pillai, Shri A. C. Mahajan, Dr G. Raghuram and Shri Rohit Khanna who were Part time Non-official Directors on the board.

I would like to place on record, our sincere appreciation for the contribution made by Shri K. V. Rao, Director-Finance, who will be superannuating at the end of this month.

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

With every challenge, we have grown more resilient and determined to succeed and we have established HPCL as a successful corporation that sets standards, exceeds expectations, and continuously delivers growth. We have always collaborated with all our stakeholders and we will continue to work together to keep alive our rich legacy of being a Corporate that cares.

Touching Lives Everyday In Every Way!

Thank You

Place: Mumbai

Dated: September 10, 2015

Nishi Vasudeva

Chairman & Managing Director