

**Address by
Chairman and Managing Director
at 66th Annual General Meeting**



**August 30, 2018
Mumbai**

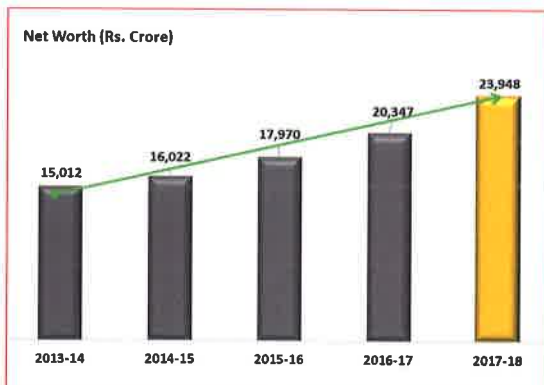
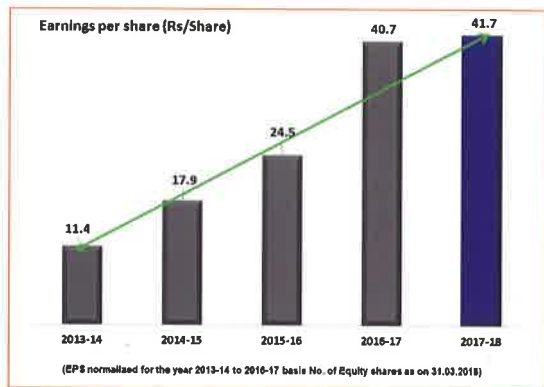
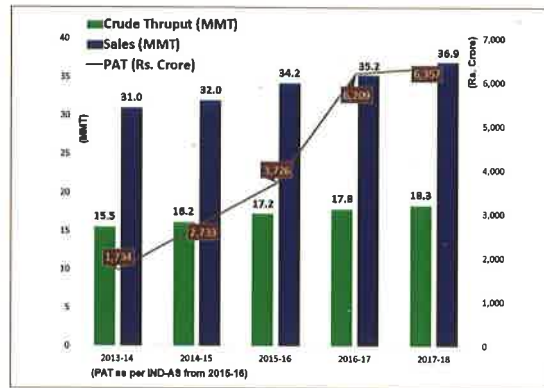


M. K. Surana
Chairman & Managing Director



Hindustan Petroleum Corporation Limited

Highlights 2017-18



Good Morning,

Ladies and Gentlemen.

It is an honour and privilege for me to welcome the esteemed shareholders, on behalf of the Board of Directors, to the 66th Annual General Meeting of Hindustan Petroleum Corporation Limited. Thank you for your gracious presence here today.

I feel extremely delighted to share with you that your company has continued on the growth journey which we have set for ourselves. Financial Year 2017-18 had been the year of the best ever performance in terms of physical and financial parameters. Your company has achieved the highest ever net profit, refining throughput, sales volume and exceeded the stakeholders' expectations by achieving several performance benchmarks across various lines of our business.

For the second consecutive year, the profit after tax crossed ₹ 6,000 crore mark on standalone basis to reach the highest ever level of ₹ 6,357 crore. Profit after tax on consolidated basis is at ₹ 7,219 crore.

The astounding performance of 2017-18 was achieved through individual and collective efforts of all the functions and business units as part of their continuous endeavor to create superior value for all the stakeholders. Your continued trust and confidence in us gives impetus to our commitment & dedication to ceaselessly raise the performance bar.

I am happy to share that your Company's performance has been rated "Excellent" for the 10th consecutive year in terms of the Memorandum of Understanding (MoU) signed with the Government of India for the financial year 2016-17. The achievement is special since this was also the best MOU score amongst all Navratna & Maharatna PSUs under Ministry of Petroleum & Natural Gas in that year.

During the year, Ms. Sushma Taishete (Rath) was appointed as Government Nominee Director effective 5th December, 2017 and Shri Amar Sinha and Shri Siraj Hussain were appointed as Non-Executive Independent Directors effective 21st September, 2017 on the Board of Company. Shri Subhash Kumar, nominated by Government of India as representative of ONGC, joined the Board as part-time Director on 22nd May 2018.

Now, with your permission, I would like to outline the major developments that have taken place in the Indian economy and oil sector during 2017-18 before sharing the details of the performance and future plans of your Company.

Indian Economy

Indian economy continues to be one of the fastest growing major economies in the world with an estimated GDP growth of 6.7 % in 2017-18. The growth is on the back of robust performance of service and industrial sectors and pro-investment initiatives by Government of India. Implementation of Goods and Services Tax (GST) aimed at transforming the existing base of indirect taxation and removal of trade barriers across states promises to deliver positive outcomes as India becomes a single large competitive market.

Sustained and consistent business reforms by Government of India over the past few years have enabled the country to improve its competitiveness ranking and become an attractive investment destination. For the first time, India has entered into the list of top 100 countries in World Bank's ease of doing business rankings 2018, moving thirty (30) positions up.

The growth outlook of the Indian economy remains positive due to its large young population, increase in disposable incomes, upwardly mobile middle class, healthy savings & investment rates and numerous policy initiatives. The structural reforms with thrust on rural and infrastructure sectors are expected to further drive economic growth. The GDP growth rate is projected to be over 7.4%

by various national and international agencies. It is expected that the energy needs and oil consumption will grow in tandem with the upward trajectory of Indian economy.

Developments in Oil Sector

Crude oil prices recovered from the low of US\$ 44 per barrel in June, 2017 to reach a high of US\$ 71 in January, 2018. The steady rise was on the back of coordinated production cut by OPEC and non OPEC countries along with strong global demand. Price for Indian basket of crude oil increased to an average of US\$ 56 per barrel in 2017-18 compared to US\$ 48 per barrel in 2016-17, an increase of about 19%.

Brent crude prices continued to increase in the current financial year also and crossed US\$ 80 per barrel mark in May 2018 to reach the highest level since November 2014. Brent prices retracted to a low of US \$ 70 per barrel after the announcement to increase the production from OPEC and non OPEC members. Currently crude oil prices are hovering around US\$ 74 per barrel and considering the near term supply demand scenario and current geopolitical situation, are expected to remain range bound between US\$ 70 to 80 per barrel in balance part of 2018-19.

Despite increase in crude oil prices, India's petroleum products consumption increased with a healthy growth of 5.3% to reach about 205 million tonnes in 2017-18. Key drivers for demand growth were increase in vehicle population, improved road connectivity across the country, upswing in LPG penetration and industrial & economic growth.

Petrol and Diesel consumption registered growth of 10.1% and 6.6% respectively on the back of robust growth in sales of automobiles along with increased manufacturing and construction activities. LPG consumption recorded strong growth of 8% due to enhanced LPG penetration in the country through effective

implementation of Pradhan Mantri Ujjwala Yojana (PMUY). Kerosene registered the highest ever de-growth of 29% mainly due to substitution by LPG across the country. ATF consumption grew at 8.9% on the back of surge in domestic passenger traffic facilitated by various government initiatives for enhancing aviation infrastructure, air travel affordability and regional connectivity in country.

Government of India has escalated the policy efforts to ensure the access of clean, affordable and sustainable energy to all. To create a clean cooking environment in country, Pradhan Mantri Ujjwala Yojana was launched in May 2016 with an objective of providing 5 crore LPG connections to women from BPL households by December 2018, which has been achieved by Oil Marketing Companies well before the target month. Encouraged by the success, Government of India has revised the target of PMUY to 8 crore LPG connections by year 2020. To promote safe and sustainable usage of LPG, Pradhan Mantri LPG Panchayat has been launched.

Government of India advanced the roll-out of BS-VI standard transportation fuels in Delhi to April 2018 against earlier plan of April 2020 to control the emission levels and improve the air quality in the region.

HPCL Performance

In 2016-17 we as a team, finalized our strategic choices and objectives for the medium term till the year 2020-21 through formulation of a strategic plan named 'T-20' to ensure accelerated Growth, enhanced Profitability and Customer Value propositions. I am happy to share that the commitment and dedicated efforts of all in relentlessly pursuing the strategic objectives has been the nucleus for the excellent results achieved in 2017-18.

With a sense of great satisfaction, I now present to you the details of

the financial and physical performance of your Company for the Financial Year 2017-18, which, as said earlier, is the best ever all round performance of the Company since its formation.

Financial

Your Company recorded highest ever gross sales of ₹ 2,43,227 crore and achieved the highest ever net profit of ₹ 6,357 crore during 2017-18 exceeding the previous high of ₹ 6,209 crore registered last year.

The Gross Refining Margins (GRM) averaged at US \$7.40 per barrel during 2017-18 as against US \$ 6.20 per barrel during the previous year.

The outstanding financial performance led to increase in the earnings per share to ₹ 41.72 in 2017-18 from ₹ 40.74 in 2016-17.

Your company has proposed final dividend of ₹ 2.50 per share in addition to the interim dividend of ₹ 14.50 per share declared in February 2018 resulting in total dividend payout of ₹ 17.00 per share for the year 2017-18.

During 2017-18, your company has issued bonus shares in July 2017 in the ratio of one equity share of ₹ 10/- each for every two equity shares held. This was on the back of earlier bonus share issue in September 2016 in the ratio of two equity shares of ₹ 10/- each for every one share held.

During the year, your company issued a maiden foreign currency bond of US\$ 500 million for a period of 10 years which was oversubscribed by more than 6 times and saw one of the largest price tightening for any investment grade issue from Indian oil and gas sector.

I am happy to share that the International credit agency Moody's has upgraded the long term credit rating of your company from Baa3 to Baa2 equivalent to sovereign rating. The credit rating of your

company from 'Fitch Ratings' is "BBB-" which is also at par with sovereign rating.

The results of 2017-18 made us confident in continuing our journey of growth with greater aspirations. The financial results of the first Quarter of 2018-19 are testimony of our performance momentum and resonates well with the envisioned growth trajectory of your Company.

Physical

The year 2017-18, saw the refineries of your company record yet another remarkable performance. Both the refineries at Mumbai and Visakh recorded their individual best ever thruput which helped HPCL achieve the highest ever combined refining thruput of 18.3 million tonnes with a capacity utilization of 116%.

Highest ever production of Petrol, Diesel & Lube Oil Base Stock was achieved at the refineries facilitated by robust distillate yields and enhanced reliability of units. The refineries, on a combined basis, also achieved the lowest ever specific energy consumption in 2017-18.

Your Company continued to deliver strong sales performance and achieved the highest ever overall sales volume of 36.9 million tonnes with a growth of 4.7% over previous year.

In Retail sales of motor fuels, your company achieved a total sales volume of 23.76 million tonnes with a growth of 5.8% despite intense competition. This performance has been achieved through sharp focus on customer centric initiatives, strengthening of network capabilities and widespread deployment of information technology.

During the year, with the commissioning of 669 new retail outlets, your Company crossed the milestone mark of 15,000 retail outlets. To enhance customer experience, the network was upgraded by modernizing over 1000 outlets, completing automation at 3,558

retail outlets and digital enablement at all the retail outlets during 2017-18. Sale of 99 Octane rating Petrol 'poWer 99' was scaled to 7 cities and electric vehicle charging stations were launched in the cities of Nagpur and Hyderabad.

Your Company maintained its number two position in LPG Sales with highest ever sales volume of 6.1 million tonnes and consolidated the market leadership position in Non-Domestic Bulk LPG segment with over 48% of market share.

During 2017-18, 77 lakh new LPG customers were enrolled out of which about 42 lakh customers were PMUY beneficiaries taking the total number of PMUY beneficiaries to over 1.3 crore. To ensure safe and sustainable usage of LPG over 85,000 people were sensitized by conducting 886 Pradhan Mantri LPG Panchayats.

In the highly competitive lubricants business, your Company continues to be India's largest lube marketer for the 5th consecutive year with total lubricants sales of 603 TMT. This excellent performance is the result of an aggressive marketing strategy supported by continuous expansion of product portfolio and building customer trust.

The foot print in lubricant marketing has been expanded beyond the nation boundaries with commencement of lube marketing in Myanmar. I am happy to share that your Company has incorporated a wholly owned subsidiary in Dubai by name 'HPCL Middle East FZCO' for marketing of lubricants and other petroleum products across various geographies of Middle East and Africa.

Strategic focus on maximizing volumes has helped your company cross milestone sales of 1 MMT in each of Fuel Oil, Consumer Diesel and Bitumen for the 3rd consecutive year and helped achieve highest ever Industrial & Consumer sales of 5.71 million tonnes during the year with a growth of 3.6%.

In the fast growing aviation fuel segment, your Company

recorded a sales volume of 729 TMT with a robust growth of 5.4%. Your Company continues to be a supplier of Aviation Turbine Fuel to majority of domestic airlines through a nationwide network of Aviation Service Facilities.

Highest ever thruput of 50.32 million tonnes in liquid fuels was achieved by efficiently managing the supply network of Terminals, Pipelines and Depots which ensured timely and adequate product availability across demand centers. After roll out of BS IV standard transportation fuels across the country effective April 2017, your Company has commenced supply of BS VI standard transportation fuels in National Capital Territory (NCT) region from April 2018 onwards.

Your company is effectively leveraging its pipeline network to increase cost efficiency & safety and reduce carbon footprints in transportation of petroleum products. Highest ever pipeline thruput of 20.4 million tonnes was achieved during the year through innovative low cost debottlenecking which helped in significant reduction of logistics cost.

In downstream Natural Gas business, your company enhanced its presence by setting up CGD networks and commencement of CNG and PNG sales in East Godavari and West Godavari districts of Andhra Pradesh and further expanded its business in other 9 geographies through its JVs. PNGRB authorization to the consortium of HPCL and OIL India Limited was also received for setting up of CGD network in Ambala-Kurukshetra and Kolhapur geographical areas.

In the area of renewable energy, your Company has generated 169 million units of electricity from its wind farms in Maharashtra and Rajasthan during 2017-18.

To foster a conducive environment of development and growth through innovation, your Company has set up HP Start-Up scheme

and has collaborated with six technology-based startups during 2017-18.

To build industry relevant skills, your company has established a Skill Development Institute at Visakhapatnam along with other Oil PSUs and has been an anchor industry for development of Indian Institute of Petroleum & Energy at Visakhapatnam.

All operating Joint Ventures and Subsidiaries of your company performed well during 2017-18 which saw the company achieve consolidated net profit of ₹ 7,219 crore.

Projects Completed during the year

Your Company is continuously expanding the production and infrastructure capacities across various segments of energy value chain to cater to increasing fuel demand and expand market reach. With the highest ever capital expenditure of ₹ 7210 crore, a number of projects were completed during the year 2017-18 and others are in progress.

Refining infrastructure was upgraded with completion of a number of projects for enhancing yield, profitability, energy efficiency, reliability and reducing the environmental impact. A Tail Gas Treating Unit (TGTU) was commissioned at Mumbai Refinery which will help in reducing the Sulphur emissions. Visakh refinery installed a Sewage Treatment Plant based on Constructed Wet Land Technology.

Your Company augmented its pipeline network by expanding capacity of Ramanandi Bathinda pipeline from 1.13 MMTPA to 2.1 MMTPA during the year.

Supply network for liquid products was further strengthened with commissioning of new depot at Nalagarh in Himachal Pradesh and augmentation of facilities at Jabalpur, Loni, Akola, Manmad, Visakh, Chennai, Sagar, Gwalior & Bahadurgarh locations. In addition,

facilities to store and handle 8600 KL of Petroleum products was commissioned for Indian Army at Leh, which is at one of the highest altitudes in the world.

To cater to the growing LPG demand, a new 250 TMTPA LPG plant at Panagargh in West Bengal was commissioned which is one of the largest LPG Plants in India with capacity to fill 4200 LPG cylinders per hour on a single carousel. LPG bottling capacity was further augmented with commissioning of 60 TMTPA bottling projects at Unnao and Purnea LPG plants.

Aviation fuel infrastructure was augmented by setting up new fixed facilities at Tirupati, Srinagar and Patna airports. In addition, new Aviation Service Facilities were commissioned at Vidyanagar, Jalgaon & Mundra airports where flight operations were commenced under Regional Connectivity Scheme (RCS) of Government of India.

To reduce the carbon footprint across the value chain, a 750 kWp grid connected captive Solar Photovoltaic power plant was commissioned at Bahadurgarh Terminal in Haryana. In addition, solar power panels were installed at 464 retail outlets during the year taking the total number of solarised retail outlets to 1,711 as of 31st March, 2018.

Research & Development (R&D)

Your Company is focused on developing innovative and new technologies through continued investment in Research & Development. HPCL Corporate R&D center at Bengaluru has so far developed and demonstrated 14 technologies & products and has filed 78 national & international patents. During 2017-18, 4 US patents were granted to your Company signaling global recognition of the efforts in Research & Development. Focus is on further leveraging the R&D initiatives by commercialization of new technologies and products.

HSE and Sustainability

Safety remains integral part of all activities in the Company and is accorded the highest priority in all spheres of business operations. Your Company remains committed to sustainable development and environmental stewardship. A number of sustainability development projects like Green belt development, recycling of waste water, rain water harvesting, LED lighting, wind mills, Solar PV Power generation at marketing locations & retails outlets and various energy conservation schemes at refineries were completed during the year.

Your Company is actively supporting blending of Ethanol in Petrol and Bio-Diesel in HSD to help in conservation of environment by reduced emissions.

Your Company is reporting its social and environmental performance through publication of Annual Sustainability Reports since the financial year 2011-12. The 7th Sustainability Report for the year 2017-18 based on GRI standards and duly assured on AA1000 assurance standard has been published.

Corporate Social Responsibility

Your Company continues to work responsibly for the development of the under-privileged communities and empowerment of marginalized sections of the society towards inclusive growth. Your Company has undertaken various CSR initiatives during the year to bring smiles to over 52000 people across the country supporting them through programs related to Childcare, Healthcare, Education and Skill Development with an overall CSR spend of Rs 157 crore during FY 2017-18.

Under Swachh Bharat Abhiyan, during 2017-18, 361 school toilets were constructed across the country taking the total number of toilets constructed at schools to over 1,700 as of 31st March, 2018. In addition, a number of Swachh Bharat activities including Shram

Daan, Walkathons, Cleanliness drives, Tree Plantation, Swachhta Pakhwada and Community Awareness Campaigns, etc. were undertaken at various locations across the country to foster behavioral change towards cleanliness.

Internal Control and Risk Management

Your Company has a comprehensive and well defined Risk Management Framework with robust internal control processes for conducting the business in a smooth manner. Risks including crude supply disruption, crude price volatility, foreign exchange exposure, intensity of competition, etc. are regularly reviewed for suitable risk mitigation plans and interventions.

Corporate Governance

Your Company lays special emphasis to maintain high standards of Corporate Governance and has developed a culture of transparent, fair and accountable governance practices to conduct the affairs within the framework of policies. Thrust is on sustained value creation for all stakeholders and strengthening the bond of trust and confidence in stakeholder relations.

All the mandatory provisions stipulated in the Listing regulations of SEBI relating to the Corporate Governance requirements have been complied with.

People

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. To keep ourselves ahead of the performance curve, enhance competency of workforce and build robust leadership pipeline, your Company has taken number of initiatives. Your Company is consistently working towards providing equal opportunities to women in all areas of its business across the organisation structure.

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 and Recognitions

Your Company's excellent performance across all spheres of business has been recognized at various national and international forums with a number of awards and accolades during the year including 'Responsibly Growing Corporate of the Year 2016' award and 'Oil and Gas Marketing company of the Year' award for the 2nd consecutive year by FIPI (Federation of Petroleum Industry) and SCOPE Meritorious awards for 'Best Women Empowered Company' & for 'Environmental Excellence and Sustainable Development'.

Strategy & Business 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 centered on accelerating the business growth profitably.

Your Company is focused on enhancing the Refinery foot print to increase self-sufficiency, diversify into the profitable segment of Petrochemicals, strengthen and expand the core business of Refining and Marketing in new geographies and create presence in the future business line of Natural Gas for achieving growth and superior financial performance.

Visakh Refinery Modernization Project (VRMP) has been undertaken for enhancing the refinery capacity from 8.33 MMTPA to 15 MMTPA at a cost of ₹ 20,928 crore. The project includes bottom upgradation facilities and will make refinery capable of producing BS VI compliant motor fuels. It will enhance complexity of the refinery and enhance profitability. Capacity of Mumbai Refinery is

being enhanced from 7.5 MMTPA to 9.5 MMTPA with capabilities to produce BS VI fuels at a cost of ₹ 5060 crore. Implementation is progressing well for both the projects.

To cater to the growing demand of petrochemicals, your Company is setting up a 9 MMTPA greenfield Refinery cum Petrochemical Complex in Barmer district of Rajasthan at a cost of ₹ 43,129 crore in partnership with Government of Rajasthan. This will be the first integrated grassroots Refinery cum Petrochemical complex being set up in the country capable to cater to BS VI specifications fuels right from inception. The work commencement ceremony of the 9 MMTPA Rajasthan Refinery was carried out at the hands of Honourable Prime Minister of India on 16th January, 2018 and project activities are in progress.

Your Company is also participating in the 60 MMTPA Integrated Refinery-cum-Petrochemical complex at Ratnagiri in Maharashtra in consortium with other partners and a Joint Venture company 'Ratnagiri Refinery and Petrochemicals Ltd' has been formed with IOCL and BPCL.

To prepare for marketing of Petrochemical products and to explore opportunities of marketing and trading of other Petrochemical products, your company is developing a robust 'Route to Market' process for creating market presence in petrochemicals.

Cross country pipelines are the most environmental friendly and safe mode for transporting petroleum products. A number of pipeline expansion projects are underway with a planned capital expenditure of ₹ 5,555 crore. This includes capacity expansion of Mundra Delhi Pipeline (MDPL), Visakh Vijayawada Secunderabad Pipeline (VVSPL), Ramanmandi Bahadurgarh Pipeline (RBPL) and new extension pipelines from Palanpur to Vadodara and Vijayawada to Dharmapuri. Uran Chakan Shikrapur LPG Pipeline (UCSPL) project is also under progress.

To further strengthen the supply network, a number of marketing projects including 6 new LPG plants and 3 new Depots have been undertaken along with augmentation of existing infrastructure.

To strengthen the presence in Natural Gas business, your Company is investing through Joint Venture companies in 3 Natural Gas pipelines and a 5 MMTPA LNG Regasification terminal at Chhara in Gujarat. Your Company is also expanding its CGD network through participation in CGD biddings and through Joint Venture companies to cater to the growing gas demand.

Your Company is also pursuing opportunities in Bio Fuels space including setting up second generation (2G) ethanol plants.

A capital expenditure of about ₹ 75,000 crore over the next 5 years is envisaged for various projects.

Your Company will continue to innovate and focus on the Integrated Margin Management approach for improving profitability. To address the business and process challenges, the thrust will be on generating a 'value pool' of ideas which have potential to generate additional revenues and maximize the Net Corporate Realization.

As India is moving to the centre stage of global energy market, there is a huge demand potential for energy. India's energy system offers a substantial growth space for both conventional and non-conventional forms of energy. Your company is well positioned to adapt to the changing trends through judicious expansion of its portfolio, infrastructure capabilities, strong customer focus, innovation centric culture and talented pool of employees.

Your company will continue to actively pursue current and future opportunities in the areas of Refineries, Petrochemicals, Infrastructure, Natural Gas, Bio fuels, renewable energy and new age technologies to create further value for our stakeholders.

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 unwavering commitment and tireless efforts.

I wish to acknowledge the contribution made by the previous Government nominee Directors Ms. Urvashi Sadhwani and Ms. Sushma Taishete (Rath).

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

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,

Place : Mumbai
Dated : August 30, 2018

Mukesh Kumar Surana
Chairman & Managing Director



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