

अध्यक्ष एवं प्रबंध निदेशक का अभिभाषण
Address by Chairman and Managing Director



68^{वीं} वार्षिक साधारण सभा

सितम्बर 16, 2020
September 16, 2020



M. K. Surana
Chairman & Managing Director

हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड
Hindustan Petroleum Corporation Limited

C&MD Speech at AGM

September 16, 2020

Good Morning,

Ladies and Gentlemen.

It is a great honour and privilege for me to welcome all the shareholders, on behalf of the Board of Directors, to the 68th Annual General Meeting of Hindustan Petroleum Corporation Limited.

This is the first time since the inception of the Company that we are not able to meet in person for the AGM in view of COVID -19 pandemic. I sincerely hope that you and your families are safe and pray for the well being of all. We chose to have this meeting on Digital platform through virtual medium to avoid any potential threat to our esteemed share holders. I thank you all for your continued faith in the company and for sparing the time to join this AGM from wherever you are.

As I speak, the COVID -19 pandemic continues in several parts of the country. However, we are learning to live and work in the changed circumstances. Advancements made in finding medical solutions to COVID -19 provide us hope for return of normalcy soon. I take this opportunity to salute the spirit of the Corona warriors in fighting the pandemic.

Your Company, as a responsible corporate, have actively participated in the fight against the pandemic. During the challenging period of lockdowns, HPCL continued its operations without any disruption to ensure availability of LPG, Petrol, Diesel and other products for essential services and public. I must acknowledge the understanding and support extended by our valuable customers during these difficult times. I would also like to convey my appreciation to the dealers, distributors, business associates, vendors, employees and other stakeholders for their laudable efforts in raising to the occasion in service of the nation.

During this challenging times of lockdown our refineries, LPG bottling Plants, pipelines, terminals, depots, Aviation stations, Lube plants etc were operational to meet the energy needs of the country.

As of today, all our locations are fully operational and the work at project sites resumed with necessary safety precautions.

Last year was special, when your company was conferred with 'Maharatna' status by Government of India. Maharatna status entails greater operational and financial autonomy. The coveted status is the result of the relentless efforts of employees, continued trust of customers and deep confidence of all stakeholders. I take this opportunity to thank all who have contributed to make your company to reach to this stage.

It gives me pleasure to share that your Company's performance has been rated as 'Excellent' for the 12th consecutive year in terms of the Memorandum of Understanding (MoU) for the financial year 2018-19. You would also be happy to note that your Company also secured the highest MOU score among Oil Marketing Companies.

During the year, Shri R Kesavan, Executive Director – Corporate Finance and Shri Rakesh Misri, Executive Director - Marketing Co-ordination have joined the Board as Director-Finance and Director-Marketing respectively.

Now, with your permission, I would like to outline the major developments that have taken place in the Indian economy and hydrocarbon sector during 2019-20

Indian Economy

Indian economy grew by 4.2% in FY 2019-20. Spread of COVID-19 and lockdowns imposed to contain the pandemic dampened the growth momentum in the last month of the financial year.

In 2020-21, Government of India announced a series of measures comprising fiscal support, liquidity infusion, credit guarantee schemes and structural reforms to tide over the impact of COVID-19 crisis on the economy. To make the country self-reliant Government of India also announced 'Aatmanirbhar Bharat Abhiyaan'.

It is expected that the combination of fiscal, monetary and administrative measures will help in expeditious revival of economic activities.

Developments in Oil Sector

For the Global Oil and Gas Industry, the year gone by was challenging and unprecedented. Brent Crude oil prices fluctuated in a wide range seeing a high of about US\$ 74 per barrel in late April 2019 and a low of about US\$ 18 per barrel at the end of March'2020, which was the lowest price in the last 2 decades. The upward trend in the beginning of the financial year owing to supply concerns in view of production cuts by OPEC+ countries was dampened in middle of 2019 due to fears about growth in oil demand.

Oil prices strengthened at end of 2019 due to positive sentiments on economy and optimism on trade agreement between US and China. However crude prices softened significantly since Jan'2020 largely driven by economic contraction caused by COVID-19 coupled with sudden increase in crude oil supply following the suspension of previously agreed upon production cuts among OPEC and partner countries.

India's annual fuel demand grew by 0.2 per cent in 2019-20 to reach 214 million tonnes. This was the lowest growth rate in over two decades, mainly due to substantial 17.8 per cent decline in consumption in March 2020 following commencement of lockdown and travel restrictions due to COVID-19.

Among major products, Petrol grew by 6% on the back of improved mobility and narrowing down of price difference compared to Diesel, which declined by 1.1% after growing for five consecutive years. LPG continued to grow at 5.9% on the back of implementation of Pradhan Mantri Ujjwala Yojana (PMUY). SKO saw the largest decline of 30.7% in view of policy push for replacement of SKO with LPG. Aviation fuel sales declined by 3.6% due to curtailed operations by various airlines.

Government of India has pursued a series of initiatives towards ensuring universal access to energy and nudging energy mix towards cleaner fuels while strengthening energy security of India. Pradhan Mantri Ujjwala Yojana (PMUY) to provide clean cooking fuel to poor households, expansion of city gas distribution network across the country to enhance the natural gas usage, accelerated use of alternative fuels through focused Ethanol and Biodiesel blending programmes and adoption of CBG are major steps in this direction. Pan India roll out of BS-VI was a leap towards environmental friendly transportation fuels.

HPCL Performance

In a challenging and demanding business environment, your company delivered a robust performance in 2019-20.

Financial

During 2019-20, your Company recorded gross sales of ₹ 2, 86,250 Crore. Net profit for the year 2019-20 stood at ₹ 2,637 Crore.

The financial performance resulted in earnings per share of ₹ 17.31 for the year 2019-20. Your Company has recommended dividend of ₹ 9.75 per share with total dividend payout of ₹ 1,485.73 Crore. Net worth of your Company increased during the year from ₹ 28,175 crore as of 31st March, 2019 to reach ₹ 28,962 crore as of 31st March, 2020.

Credit ratings of your Company by various reputed international and national credit rating agencies continue to be at par with sovereign rating of India. The credit rating of your Company from 'Moody's Investors Service' is "Baa3" and from 'Fitch Ratings' is "BBB-".

I am pleased to share that your company started the new financial year on a positive note. Your Company recorded Profit after Tax of ₹ 2,814 crore during April–June'2020 compared to ₹ 811 crore during April-June'2019. The results of the first Quarter of 2020-21 have made us confident of continuing the performance momentum and resonates well with the envisioned growth trajectory of your Company.

Physical

The year 2019-20, saw the refineries of your Company register sound physical performance and continued the thrust on workplace safety, operational excellence and energy conservation measures. During the year, your Company achieved combined refining thruput of 17.18 million tonnes with a capacity utilization of 108.7%. It is commendable that the throughput and capacity utilization has been achieved despite the planned shutdowns of refineries for upgrading to BS-VI fuel norms. I am happy to mention that both the refineries started producing BS-VI Grade MS and HSD well before the timeframe stipulated by Government of India.

Mumbai Refinery achieved highest ever Lube Oil Base Stock production of 478.13 TMT and best ever safety performance of 27.52 safe million man-hours as of 31st March, 2020.

Visakh refinery has commenced production of VLSFO (Very Low Sulphur Fuel Oil with Sulphur content less than 0.5 %) to meet the regulatory requirement of IMO 2020 regulations for ocean going vessels.

Your Company continued to deliver strong sales performance and achieved the highest ever sales of 39.6 million tonnes with a growth of 2.3% over previous year.

In Retail business, your Company achieved total motor fuel sales volume of 23.7 million tonnes. The performance has been achieved through effective implementation of various customer centric initiatives, provision of more customer choices, strengthening of network capabilities and effective deployment of technology.

During the year, 1194 retail outlets were commissioned expanding the total network to 16,476 retail outlets.

HP PAY mobile application, an industry first unified payment solution for various products such as motors fuels, domestic LPG and lubricating oils was launched giving wider choices of payments to customers.

Door-to-Door delivery of diesel has now been expanded to 18 cities/towns towards enhanced customer convenience.

In LPG sales, your Company continued its position as the second largest LPG marketer in India with customer base of over 8.5 Crore. During the year, your Company achieved the highest ever LPG sales volume of 7 million tonnes with growth of 7.3% focusing on initiatives in enhancing customer satisfaction, strengthening of infrastructure and improving rural reach.

I am happy to share that your Company along with other OMCs successfully accomplished the target of providing 8 Crore LPG connections to women from BPL (Below Poverty Line) families under PMUY well before the target date specified by GoI. As of 31st March, 2020, your Company has enrolled 2.15 Crore beneficiaries under the scheme.

During the year, your Company has launched smaller capacity (2kg) cylinder in Free Trade LPG (FTL) category under 'APPU' brand of HPGAS to meet the demand of small vendors and young professionals.

In B2B segment, your Company achieved sales volume of 5 MMT during the year. 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 fifth consecutive year. Implementation of Customer Relationship Management (CRM) tool is ensuring enhanced customer orientation & superior service standards in the segment.

We are also proud to serve Army, Paramilitary forces and Border Roads Organizations by catering to their Fuel & Bitumen requirements in the most-remote locations.

In the highly competitive domestic Lubricants market, your Company continues to be India's largest Lube marketer for the seventh consecutive year. Consistent focus on OEM partnerships, expansion in Bazaar & MSME segments, launching of market activation campaigns and development of new lubricant grades & specialties helped grow total lubricant sales to 650 TMT.

In Aviation fuel segment, your Company recorded a sales volume of 732 TMT in 2019-20. Your Company continues to be a supplier of Aviation Turbine Fuel to majority of domestic airlines through a nationwide network of Aviation Service Facilities. Aviation fuel network was strengthened with commissioning of new ASF's at Nagpur, Ranchi and Vidya Nagar airports during the year.

Expansion of business portfolio with greater presence in the clean energy verticals of Natural Gas remains to be the focus area. HPCL along with its Joint Ventures has the authorization for City Gas Distribution in 20 Geographical Areas covering 9 states. To promote the usage of cleaner fuels and for giving wider choices to customers, CNG facilities were provided at 166 Retail outlets taking the total number of retail outlets with CNG facilities to 471.

Your Company continues to lay strong emphasis on operational efficiency & cost optimization with continuous implementation of measures for productivity enhancement with effective usage of technology. During the year, 20 strategic locations has been declared as 'SMART' terminals with complete automation and seamless integration of various processes. I am happy to mention that your Company has achieved highest ever thruput of 53.5 million tonnes in POL operations during the year.

Your Company is effectively leveraging its petroleum product pipeline network to increase cost efficiency, safety and to reduce carbon footprints in transportation of petroleum products. Pipeline thruput of 21.2 million tonnes was achieved during the year.

All operating Joint Ventures and Subsidiaries of your Company performed well during 2019-20 and helped your company register a stable consolidated performance.

Overseas Operation

Your Company continues to expand its footprint in various overseas markets. It is my pleasure to share that your Company is currently exporting petroleum products to 14 countries. HPCL Middle East FZCO, a wholly owned subsidiary set up in Dubai is being leveraged to capture opportunities in Middle east and African markets. The Lubricant export volume of 16.7 TMT during the year was the highest among Oil Marketing Companies. Your Company has tied up with State Trading Corporation of Bhutan Limited (STCBL) for setting up of retail outlets and supply of motor fuels in Bhutan. I am delighted to state that your Company commissioned its first retail outlet in Bhutan during 2019-20 under this partnership. The plans are to expand the overseas operation to 20 countries.

Projects Completed during the year

Your Company is continuously expanding the production and infrastructure capacities and customer touchpoints across various segments of energy value chain to cater to the increasing fuel demand and expand market reach. With the highest ever capital expenditure of ₹15,386 Crore, a number of projects were completed during the year 2019-20 and others are in progress.

The revamping of existing MS block and Diesel Hydrotreating Unit at Visakh Refinery has been completed and commissioned.

The pipeline network of your Company has been increased to 3,775 Km with commissioning of two cross-country pipelines during the year. Uran-Chakan LPG pipeline commissioned during the year will reduce LPG tanker movement on Mumbai-Pune route substantially. It is a matter of pride to state that Palanpur-Vadodara Pipeline project has been completed and commissioned 6 months ahead of schedule and at 90% of the approved cost, which corroborates Company's project execution capabilities. In addition, capacity of existing pipelines were enhanced by over 6 million tonnes.

I am happy to share that your Company commissioned its 50th LPG bottling plant during the year. In addition, the capacity of the existing plants were augmented by 360 TMTA to meet the future demand. Supply network of depots and terminals were further strengthened with a number of revamp projects.

Research & Development (R&D)

Your Company lay strong thrust on innovation and R&D to enhance its competitive strength .Continued focus in research and innovation across various areas in energy sector enabled your Company to receive 30 patents during the year including 10 international patents. Thrust is on effectively leveraging R&D strengths in developing, demonstrating and deploying novel & innovative products and technologies with persistent emphasis on rendering technical support to various divisions of the Company.

Sustainability

Your Company is reporting its performance on Environmental, Social and economic aspects through publication of Annual Sustainability Reports for last 8 years. The ninth Sustainability Report for the year 2019-20 based on GRI standards and duly assured on AA1000 assurance standard has been published.

Your Company is committed to the triple bottom line framework wherein equal focus is laid on financial, social and environmental capitals to create greater business values. A number of sustainability development projects like Green belt development, recycling of waste water, rain water harvesting, LED lighting, Solar PV Power generation at marketing locations & retail outlets and various energy conservation schemes at refineries were completed during the year.

Safety remains integral part of all activities in the Company and is accorded the highest priority in all spheres of business operations.

Your Company continues to give emphasis on environment protection, sustainability measures and steps for reduction in Greenhouse Gas (GHG) emissions with promotion of bio fuels in transportation and promotion of electricity from renewable sources.

Active participation in National Biofuels Program has resulted in achieving 4.9% Ethanol blending in Petrol in 2019-20. For promotion of advanced Bio Fuels in transportation, your Company is supporting Government of India's Sustainable Alternative Towards Affordable Transportation (SATAT) program by encouraging entrepreneurs to set up Compressed Bio-Gas (CBG) plants. The CBG produced from these plants will be marketed through retail outlets of your Company. During 2019-20, your Company released Letter of Intents (LOIs) for setting up 40 CBG plants with total estimated production capacity of 55 TMTPA taking total LOIs to 51 numbers with capacity of 76 TMTPA.

To reduce carbon footprints from electricity generation, captive solar power projects with capacity of 10 MWp were commissioned at various locations taking the total Solar power capacity to 32.6 MWp. About 18.6 Crore units of electricity were generated from 100.9 MW wind farms in Rajasthan and Maharashtra.

Corporate Social Responsibility

Your Company continues to work responsibly for the development of the underprivileged communities and empowerment of marginalized sections of the society towards inclusive growth and augmenting the social capital of the Nation. Your Company has undertaken various CSR initiatives touching the lives of underprivileged people through programs related to Childcare, Healthcare, Education and Skill Development with an overall CSR spend of ₹ 182 Crore during FY 2019-20. Under Swachh Bharat Abhiyan, about 900 toilets were constructed in schools during the year.

As a responsible corporate citizen, HPCL contributed Rs. 120 crore to PM-CARES Fund to help fight COVID-19 pandemic out of 2020-21 CSR Budget. HPCL employees also voluntarily contributed Rs 6.31 crore to PM-CARES Fund out of their salary.

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.

Corporate Governance

Your Company lays special emphasis to operate with highest standards of Corporate Governance. All business activities are conducted with strict adherence to regulatory framework and under the core values of ethics, accountability, transparency, integrity and professionalism. Focus is on further nurturing the trust and confidence in stakeholder relations and ensuring sustained value creation for all stakeholders.

People

The committed and competent human capital of over 9,800 employees remain to be the backbone of your Company. Armed with a number of millennials, your Company's work force has strengths of both experience and youthful energy. With the enterprise getting increasingly younger, new and innovative learning models including e-Learning, learning through virtual reality center and advanced operation simulator are being deployed. Focus is also on fostering the talent and capabilities of the employees by creating a work environment conducive to innovation and growth.

Awards and Recognitions

For its all-round excellence, your Company has been recognized at various forums with a number of prestigious awards and accolades during the year including 'Best Navratna' award in 'Manufacturing Sector' category by M/s. Dun & Bradstreet, 'Jury's Award - Company of the Year' by Indian Chamber of Commerce (ICC) and 'Company of the Year for 'Excellence in Human Resource Management' award by Federation of Indian Petroleum Industry (FIPI).

It gives me pleasure to share that your Company is recognized as the 3rd strongest Brand in India 100 climbing up by 9 places in the 2020 report published by Brand Finance.

Strategy & Business Plans

The performance during the year gone by is testimony to the faith and loyalty reposed by the customers and the firm support of all the stakeholders. The plans of your Company are centered on accelerating the business growth profitably with due importance to sustainable development.

Your Company is focused on strengthening the core business of refining and marketing through expansion of refining capacities, supply chain capabilities and customer reach. Thrust is also on diversification into petrochemicals, scaling up footprints in Natural Gas business, development of new products and technologies by leveraging the R&D capabilities and expanding presence in overseas geographies. The endeavor is to remain on the trajectory of sustained profitable growth and continue to maximize value for shareholders and customers.

To support the growth and expansion, your company has planned an investment of over ₹ 60,000 crore for developing infrastructure during the next 5 years.

The refinery expansion and augmentation projects to increase capacity of Mumbai Refinery to 9.5 MMTPA and Visakh Refinery to 15 MMTPA along with residue upgradation facilities are progressing well. These projects will improve the complexity of the refineries and add to the overall Gross Refining Margins.

The project for setting up of 9 MMTPA capacity Greenfield Refinery-cum-Petrochemical Complex at Barmer, Rajasthan has made significant progress. EPC contracts have been placed for 5 of the major process units out of total 13 process units. Construction of off-sites, utility, facilities and fabrication of major long lead items are under progress.

Rajasthan Refinery Project will help your company to diversify into the niche segment of Petrochemicals. To establish market presence in petrochemicals, organisational capabilities have been enhanced for marketing even before commencement of production from Rajasthan Refinery for implementing a route to market petrochemical strategy.

Pipeline network length and capacities are under augmentation with work under progress in three cross-country pipelines with an estimated project cost of about ₹ 5,600 Crore. These are Vijayawada to Dharmapuri Pipeline, Hassan Cherlapally LPG Pipeline and Barmer Palanpur Pipeline. To further enhance the supply chain strength, a number of marketing projects are under execution in addition to augmentation of existing infrastructure. Your Company is setting up a new LPG cavern of 80 TMT storage at Mangaluru 5 new LPG plants, 2 new Terminals for increasing the storage, bottling & filling capacity. Continuous expansion of retail outlet network, LPG distribution points and CNG Stations are also in progress towards enhancement of customer touch points.

Your Company is investing in downstream gas infrastructure facilities including three Natural Gas pipelines and a 5 MMTPA LNG Regasification terminal at Chhara in Gujarat through Joint Ventures. Focus is also on setting up of CGD networks to increase the footprint in natural gas vertical. I am happy to share that the work is progressing in all Geographical Area's (GAs) of HPCL and its Joint Ventures including the GAs allotted to us in the latest bidding round by PNGRB.

Towards enhancement of R&D capabilities, the existing R&D infrastructure at HP Green R&D Centre at Bengaluru is being augmented and 3 new labs are under development including for research on petrochemicals, Biofuels, Batteries, Hydrogen and Solar energy.

Your Company is also planning to increase the presence in Bio-fuels segment by building production facilities for second-generation (2G) ethanol and Compressed Bio-Gas.

To keep pace with the transition in the technology and customer preferences, your Company is focusing on value creation by leveraging the emerging digital technologies for transformation and enhancing IT capabilities. To strive towards digital agility, your company has embarked on the ERP modernization initiative, which includes re-engineering of business processes mapped to the new platform.

To leverage technological advances and support innovation, your Company has commenced incubation of 23 startups under 'HPCL Startup India' scheme.

Business processes of your company from Source to Customer are aligned with an objective of maximizing customer value and Net Corporate Realization, ensuring safety, Integrity and sustainability through the Integrated Margin Management process.

To create competitive advantage and move beyond technology & product innovation, your company has implemented a structured process of Idea Management for capturing innovative ideas from employees to address business challenges, continuous improvement and imbibing innovation which helped in 16% of employees contributing to more than 2100 ideas.

The energy landscape is passing through an interesting phase with changes in customer preferences, availability of new alternate energy solutions, focus on environment, regulatory reforms, change in supply demand dynamics and preferred energy mix to balance economic development, affordability and sustainability.

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, adoption of latest technologies and talented pool of employees.

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 M/s Oil and Natural Gas Corporation Limited (ONGC) and all the esteemed 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 also thank our employee unions and associations for their continued involvement and support for the growth of the company.

I wish to acknowledge the contributions made by Shri Ram Niwas Jain, Shri G V Krishna, Ms. Asifa Khan and Dr. T N Singh who have completed their tenure during the year as Independent Directors of your Company. 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: September 16, 2020

Mukesh Kumar Surana

Chairman & Managing Director



हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड
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