



हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड
वार्षिक रिपोर्ट 2018-19

Hindustan Petroleum Corporation Limited
Annual Report 2018-19



Delivering Happiness...

Life is a bouquet of cherished moments and treasured memories which stay with us forever. These are also the moments that give us true happiness.

Happiness is the fragrance that emanates from the wet earth on the onset of rains. Happiness is the blooming of flowers, the return of foliage, the change in weather and the rush of the wind.

It is in the joy of a mother seeing her child finishing the meals, in the pride of a father on return of his daughter after graduating and in the pleasure of driving with friends to explore new destinations.

Over the years, we at HPCL, have strived to be an integral part of these moments.

Best journeys have no destinations, only milestones. The only thing that is more joyful than being happy is the ability to make others happy along the way. As you cover more milestones on your journey, we promise to keep **Delivering Happiness.**



2018-19 Highlights



Turnover
₹ 2,95,713
Crore



Profit After Tax
₹ 6,029
Crore



Market Sales
38.71
MMT



Refining Thruput
18.44
MMT



Pipeline Thruput
21.53
MMT

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Chairman's Message

The outstanding performance of 2018-19 is testimony of your Company's ability to adapt to the changing business environment and deliver superior results amidst challenges

Dear Shareholder,

It gives me great pleasure to present the 67th Annual Report on the performance of your Company for the year 2018-19. Your company continues to "Deliver Happiness" by fuelling the nation's energy needs and enriching the lives of millions. Our sustained efforts during the year have seen your Company ascend new peaks of success & register several 'best ever' milestones and significant achievements across all facets of business. It gives me immense pride to convey that your Company recorded highest ever Refining throughput and Market sales during 2018-19 and exceeded ₹ 6,000 Crore mark in Net Profit for the third consecutive year.

The excellent performance of 2018-19 was wide-ranging, encompassing stellar physical and financial performance across all functions. During 2018-19, your Company registered the highest ever gross sales of ₹ 2,95,713 Crore with an impressive growth of about 22% over historical. HPCL's refineries at Mumbai and Visakhapatnam achieved the highest ever combined refining throughput of 18.44 Million Metric Tonnes (MMT) with a capacity utilization of 117% and recorded the lowest ever combined specific energy consumption during the year. Your Company continued the fast-paced growth in downstream marketing and recorded an excellent performance with highest ever sales volume of 38.7 MMT achieving a growth of 4.9%. The Profit after Tax (PAT) was ₹ 6029 Crore on standalone basis. The superior performance of your Company was widely recognized through several prestigious awards including 'Oil Marketing Company of the Year' award by Federation of Indian Petroleum Industry (FIPI) for the third consecutive year. Your Company achieved 'Excellent' rating for the 11th consecutive year with a score of 96.95 in terms of the Memorandum of Understanding (MOU) for the year 2017-18.

Your company continued to command strong and stable credit ratings both from international agencies like Moody's, Fitch and national agencies like CRISIL, ICRA and India Rating and Research Limited. Continued strengthening of balance sheet and cash flows has enabled your Company to return greater value to its shareholders consistently.

M. K. SURANA
Chairman and Managing Director



The Board of your Company has proposed the payment of a final dividend of ₹ 9.40 per share in addition to an interim dividend of ₹ 6.50 per share paid in February 2019, which would result in a total dividend payout of ₹ 15.90 per share for the financial year 2018-19.

The outstanding performance of 2018-19 is testimony of your Company's ability to adapt to the changing business environment and deliver superior results amidst challenges. Volatility in crude oil prices, lower product cracks for all major products (except Diesel and Fuel Oil) and depreciation of Indian rupee were major challenges faced by downstream Oil industry during the year. Oil Marketing Companies witnessed inventory losses and exchange rate variation losses during substantial part of the year. Various factors including economic sanctions on Iran, political instability in Venezuela & Libya, production cuts by major OPEC & Non-OPEC countries, trade tensions between USA and China and signals of slowdown in global economic growth have significantly impacted the supply demand scenario resulting in substantial volatility in crude oil prices ranging from US\$ 50/bbl. to US\$ 86/bbl. during the year. In addition to the externalities of global market, Oil Industry in India witnessed increased competition in downstream marketing.

Various policy initiatives were undertaken by Government of India to strengthen the growth of hydrocarbon sector and enable shift towards a low carbon economy. To enhance the penetration of Natural Gas in urban areas, two CGD bidding rounds were launched by PNGRB during the year for development of CGD networks in 136 geographical areas of the country. National Policy on Biofuels-2018 was notified by Government of India to give boost to the Biofuel program. Sustainable Alternative Towards Affordable Transportation (SATAT) program was initiated by Government of India to promote Compressed Bio Gas (CBG) production and use. To address environmental concerns, supply of BS VI grade auto fuels was already commenced in National Capital Territory (NCT) of Delhi and will be rolled out on pan India basis effective 1st April 2020. Large scale implementation of Pradhan Mantri Ujjwala Yojana (PMUY) and other LPG programs were continued during the year which helped in increasing the LPG coverage in the country to over 94%. To increase reach and ensure supply of motor fuels across the country, PSU Oil Marketing Companies have advertised for setting up several new retail outlets spread across 35 states & union territories.

Petroleum product consumption in the country increased by over 5 MMT to reach about 212 MMT during 2018-19 registering a growth of 2.7%. Petroleum products excluding Kerosene and Fuel Oil (FO) registered positive growth during 2018-19. Strong demand growth of petroleum products was driven by increasing consumer demand, infrastructure growth and rising per capita income of Indian population. Transport and residential sectors continued to lead the incremental demand of petroleum products with transportation fuels



Hon'ble Vice President, Shri Venkaiah Naidu, presenting Rajbhasha Kirti Award to C&MD, Shri M. K. Surana

Our sustained efforts during the year have seen your Company ascend new peaks of success & register several 'best ever' milestones and significant achievements across all facets of business

and cooking fuels (Petrol, Diesel, ATF & LPG) recording largest share in total incremental demand during 2018-19 over previous year. Diesel consumption continued to increase with a growth of 3% on account of increase in commercial vehicle sales and infrastructure sector growth. Petrol consumption increased with a growth rate of 8.1% over previous year on the back of preference for petrol driven vehicles and increased movement by road due to improved road connectivity. LPG consumption recorded a growth of 6.8% over 2017-18 on account of increased LPG penetration in country due to implementation of PMUY and other

LPG programs initiated by Government of India. Aviation Turbine Fuel (ATF) consumption registered a strong growth of 9.1% which was spurred by strong growth in air passenger traffic and expansion of aviation infrastructure & regional connectivity. Kerosene consumption continued to decline with a degrowth of 10.1% over 2017-18 mainly due to increased substitution with LPG, leading to low household consumption of Kerosene. Fuel Oil consumption recorded a degrowth of over 3% mainly due to reduced demand from fertilizer, steel and general trade sector and regulatory restriction on FO consumption in some states. After witnessing a marginal growth during last 2 years, Bitumen consumption increased with a strong growth of 8.7% on the back of accelerated expansion and enhancements of road & highway network in the country. Naphtha consumption which recorded degrowth during last 2 years, increased with an impressive growth of 9.1% mainly due to increased demand from petrochemical sector. India is the world's third-largest oil consumer and is poised to be the major contributor to future growth of global oil demand.

To meet the growing demand of petroleum products, your company maximized crude processing and recorded highest ever crude throughput at Mumbai and Visakhapatnam refineries with highest ever combined production of LPG, Bitumen & Lube Oil Base Stock during the year. Specific thrust on energy efficiency helped both refineries to achieve significant reduction in Energy Intensity Index (EII).



Committee of Functional Directors and CVO-HPCL at 'HP ICON Award' ceremony

Your Company recorded robust growth in sales across all business lines during 2018-19 on the back of a wide array of customer centric initiatives supported by strong supply chain network. In motor fuel sales (Petrol & Diesel), your Company recorded a growth of 3.6% and achieved market share gain of 0.17% amongst PSU OMCs. In LPG sales, your Company continued to be the second largest marketer in India with a strong sales growth of 7.1% over previous year. Strong focus on key accounts and SME sector helped your Company to register sales volume of over 1 MMT in Bulk-Diesel, Fuel Oil and Bitumen product lines for the fourth consecutive year. In the highly competitive lubricants business, your Company continued to be India's largest lube marketer for 6th consecutive year with an impressive growth of about 8% in total lubricant sales. Your Company continued to excel in Aviation fuel sales by registering an excellent growth of 20% on the back of expansion of business footprints to new airports and addition of new airline customers. Your Company has also expanded global footprints by marketing lubricants in 11 countries.

Your Company continues to lay strong emphasis on operational efficiency of marketing operations and recorded significant gains in overall throughput performance and productivity across the network of depots & terminals, LPG bottling plants and petroleum product pipelines. Highest ever pipeline throughput of 21.5 MMTPA was recorded during the year.

To ensure seamless and cost efficient delivery of petroleum products across the country, your Company has significantly invested in expansion and upgradation of refineries and supply chain infrastructure with highest ever capital expenditure of over ₹ 12,000 Crore during 2018-19. Project for capacity expansion of Ramanandi Bahadurgarh Pipeline (RBPL) from 4.71 MMTPA to 7.11 MMTPA was completed during the year. POL supply network was strengthened with commissioning of new railway tank wagon gantry at Visakh black oil terminal, revamp of the existing tank wagon facility at Jabalpur depot and commissioning of new aviation service facilities at Amritsar, Bhubaneshwar, Raipur and Kolhapur airports. LPG supply infrastructure was augmented with commissioning of a new LPG bottling plant at Warangal (Telangana) with bottling capacity of 60 TMTA and additional bottling capacity augmentation of 330 TMTA at existing LPG plants. Last mile delivery to customers was enhanced with commissioning of 478 new retail outlets and 1,018 new LPG distributorships during 2018-19 taking the number of total retail outlets to

15,440 and number of total LPG distributors to 5,866 as of 31st March, 2019.

The business portfolio is being expanded by enhancing presence in natural gas. During 2018-19, a joint venture company, HPOIL Gas Pvt. Ltd. was formed to set up CGD networks in geographical areas of Kolhapur (Maharashtra) & Ambala-Kurukshetra (Haryana). In addition, PNGRB authorization was received for setting up CGD networks on standalone basis in geographical areas of Jind & Sonipat (excluding areas already authorized) districts in Haryana. I am happy to share that in the 10th CGD bidding round by PNGRB, HPCL has been authorized for development of CGD networks in 9 new geographical areas which is one of the highest number of geographical areas allotted to a single entity in the bidding round. Your Company now has authorization for CGD networks in 20 geographical areas across 9 states on its own and through its JV companies. Environmental clearance for development of 5 MMTPA JV LNG regasification terminal at Chhara port in Gujarat was received. To harness renewable energy both for power generation and consumption, captive solar power plants were installed at various locations during the year, taking the total renewable power capacity to over 123 MW which includes wind power farms of 101 MW capacity.

Continued focus in enhancing R&D capabilities for development of new products, processes and technologies in energy sector enabled your Company receive 12 patents during the year including 6 international patents.

Your Company is extensively leveraging various technologies to create customer value and improve operational efficiencies. Enabling digital payment facilities at customer touch points, implementation of 'SMART' terminals for ensuring seamless automation at supply locations were key focus areas. Your Company is also promoting 15 startups under 'HPCL Startup India' scheme to implement technology centric projects across various business areas.

HPCL has always been at the forefront of environmental sustainability through implementation of various initiatives in the area of carbon footprint reduction, energy efficiency, water conservation, waste management and renewable energy etc. Towards reduction of carbon intensity in transportation sector, your Company is actively participating in Ethanol Blending program and has recorded the highest ever overall Ethanol Blending Percentage (EBP) of 5.5% in Petrol during 2018-19. Your Company has built a safety-oriented culture in operations and continues to strengthen its safety performance through sustained efforts.

Your Company is continuing its contribution towards nation building through effective implementation of various socio economic development programmes initiated by Government of India. Your Company has enabled clean energy access to about 2 Crore low income households by providing new LPG connections under PMUY. To facilitate safe and sustained usage of LPG, your Company has conducted over 27,000 LPG panchayats across the country. To achieve the vision of 'Clean India', HPCL has constructed over 2,300 new school toilets under Swachh Bharat Abhiyaan and has provided toilet facilities at all the active retail outlets. During 2018-19, HPCL has enriched lives of thousands of less privileged people through various CSR initiatives with an overall CSR spend of about ₹ 160 Crore.

The outstanding overall performance of 2018-19 is built on the edifice of your Company's vision and well-crafted strategy. The 5-year strategic plan, T20 is being actively implemented to keep your Company ahead of performance curve with focus on creating customer value, achieving cost leadership, technology adoption, infrastructure expansion and strategic foray into new businesses & new geographies. Your Company is leveraging the integrated margin management approach to maximize Net Corporate Realization. To establish Petrochemical business as a new lever for future growth a robust marketing strategy has been formulated. Your Company is also developing a Strategy to leverage new digital technologies across various spheres of business.

During 2018-19, Subsidiaries and Joint ventures of your Company have recorded robust growth in their respective areas of business which helped HPCL record a strong consolidated performance. The wholly owned overseas subsidiary company, 'HPCL Middle East FZCO' has commenced business operations in UAE which is expected to give a fillip to the Corporation's plans in establishing its presence in various markets of Middle East and Africa.

Strong commitment and competence of over 10,000 employees of your Company have been pivotal in delivering the excellent business performance in 2018-19. Focus is on nurturing the talent and capabilities of our people by creating a work environment conducive to innovation and growth.

Your Company has undertaken a number of large scale projects across the hydrocarbon value chain to support the future growth and to cater to the increasing energy demand. Visakh Refinery Modernization Project and Mumbai Refinery Expansion Project are progressing at full swing. Project activities for 9 MMTPA Refinery cum Petrochemical Complex of HPCL Rajasthan Refinery Ltd (HRRL) at Pachpadra in Barmer

are in progress. For Rajasthan Refinery project, Technology selection is completed for all the 13 process units, engineering activities are in progress and the site construction activities have commenced. Financial closure has also been achieved for this project.

Marketing supply infrastructure is being augmented with over 1,000 km of additional cross country pipeline network. In addition, a number of new POL depots/terminals, LPG Plants & aviation service stations are under different stages of development along with upgradation of existing facilities at supply locations.

The global economic growth is estimated to moderate in the near term & then pick up modestly by 2020. Emerging markets and developing economies are likely to be major drivers of global growth. India has become a major economic force in world and is expected to remain the world's fastest-growing large economy in next decade. In tandem with the economic growth, India's hydrocarbon demand is likely to expand rapidly.

However, geopolitical uncertainty and crude price volatility is likely to continue posing a concern for downstream oil economics. With regulatory thrust on increasing the penetration of low carbon energy, domestic consumption of natural gas and other clean fuels is expected to increase. Your company is fully geared to mitigate the risks and leverage the new opportunities.

Your Company has been at the forefront to meet the growing energy demand of the nation and consistently create value for all stakeholders through safe and efficient operations, innovative & customer centric initiatives, adoption of technology and stewardship in social and environmental responsibility. With a proven performance record, Your Company will continue to demonstrate excellence in its core business areas of Refining & Marketing and capitalize on the growth potential in the new business lines of Petrochemicals,

Natural Gas & Renewables. Your Company will further leverage its strengths in expanding its footprints in overseas geographies.

Our employees, customers, business associates and shareholders have always been a source of strength and I thank them for their support. I am also thankful to the Ministry of Petroleum & Natural Gas, for their continuous support and guidance in all our efforts.

We look forward to your continued support in all our endeavors in delivering happiness in the lives of millions of people and continuing towards our journey of shared success.

Thank you

Mukesh Kumar Surana

To ensure seamless and cost efficient delivery of petroleum products across the country, your Company has significantly invested in expansion and upgradation of refineries and supply chain infrastructure with highest ever capital expenditure of over ₹ 12,000 Crore during 2018-19



Hon'ble President, Shri Ram Nath Kovind, presenting Vigilance Excellence Award to C&MD, Shri M. K. Surana and CVO-HPCL, Shri U. Krishna Murty



Board of Directors

WHOLE-TIME DIRECTORS



Centre:

Shri. Mukesh Kumar Surana
Chairman and Managing Director

From Left to Right:

Shri J. Ramaswamy
Director – Finance
(Upto: 28.02.2019)

Shri S. Jeyakrishnan
Director – Marketing
(Upto: 30.06.2019)

Shri Pushp Kumar Joshi
Director – Human Resources

Shri Vinod S. Shenoy
Director – Refineries

GOVERNMENT NOMINEE DIRECTORS



Shri Sunil Kumar
Ex-Officio Director
(From: 30.05.2019)



Shri Subhash Kumar
Part-Time Director
Representative of ONGC
(From: 22.05.2018)



Shri Sandeep Poudrik
Ex-Officio Director
(Upto: 01.05.2019)



Ms. Sushma Taishte
Ex-Officio Director
(Upto: 07.05.2018)

INDEPENDENT DIRECTORS



Shri Ram Niwas Jain



Smt. Asifa Khan



Shri G. V. Krishna



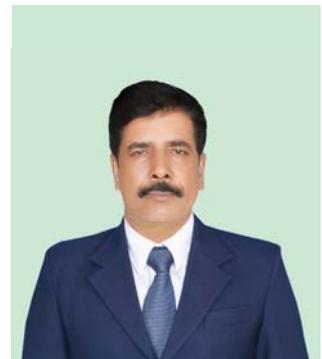
Dr. T. N. Singh



Shri Amar Sinha



Shri Siraj Hussain



Shri G. Rajendran Pillai
(From: 15.07.2019)



Key Performance Indicators

