



हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड
वार्षिक रिपोर्ट 2019-20

Hindustan Petroleum Corporation Limited
Annual Report 2019-20



A Maharatna Company

Happiness in the times of adversity

Past few months have brought about a new realisation of the things that truly matter to all of us. In these times of adversity, we were able to discover moments of happiness.

Happiness was in seeing our near & dear ones returning home safely. It was in the eyes of parents at the sight of their children in far off cities taking flights back home. It was also in the smiles of families on seeing the LPG deliveryman arrive with the refill in time or finding a Petrol Pump open on a desolate highway.

The aftermath of the pandemic brought to us the sight of those who cared. We saw the efforts taken for the safety of those who are not known but still cared for. We saw the Warriors going beyond the call of duty for the happiness of others.

Recent times brought us moments when ordinary people became heroes. The adversities were in plenty and so was the spirit to fight for ourselves and the people around us. The times that brought us challenges also taught us to value the things that bring happiness.

While we might have been apart and distant but our hearts were still together. We salute to all the Warriors and are happy to be part of creating few such moments of happiness in the lives of millions in these challenging times.



Contents

CORPORATE OVERVIEW

01	Maharatna
02	Chairman's Message
08	Board of Directors
10	Senior Management Team
13	Key Performance Indicators
14	Offices, Auditors & Bankers

STATUTORY REPORTS

15	Notice of Annual General Meeting
31	Performance Profile
37	Directors' Report
51	Annexures to Directors' Report
83	Management Discussion & Analysis Report
112	Business Responsibility Report
314	Corporate Governance Report

FINANCIAL STATEMENTS

127	Auditors' Report
142	Balance Sheet
143	Statement of Profit & Loss
146	Cash Flow Statement
148	Notes to Financial Statements
209	C&AG's Comments
210	Consolidated Financial Statements
234	Notes to Consolidated Financial Statements
305	Financial Details of Subsidiaries
310	Human Resource Accounting
311	Joint Venture Companies



In the history of a Company, there are some defining moments. Being conferred with Maharatna status is one such moment.

We have come a long way from where we had started many decades ago. As we look ahead, there is still a long winding road merging with the distant horizon, the sight of which is limitless, just like our dreams.

As we continue on this memorable journey, we cross the paths of millions of people, our customers who trust us to deliver the best products & services, our stakeholders who put their faith in us to perform beyond expectations, our committed employees who go beyond the call of duty to find new opportunities and face challenges.

We are grateful to everyone for driving and inspiring us to reach this milestone of being recognised as Maharatna. The journey to earn this honour has been momentous and we promise to continue our endeavours to shine bright & deliver happiness.



Chairman's Message



The year was historical for HPCL, as Government of India has conferred the coveted 'Maharatna' status to your Company, which entails greater operational and financial autonomy to the Corporation.

DEAR SHAREHOLDER,

It gives me immense pleasure to present the 68th Annual Report on the performance of your Company for the year 2019-20. The year was historical for HPCL, as Government of India has conferred the coveted 'Maharatna' status to your Company, which entails greater operational and financial autonomy to the Corporation. I wish to thank all our shareholders for their continued trust, all the employees and our business partners for their commitment and resilience and all our stakeholders for their continued support to make HPCL reach this position.

For the Global Oil and Gas Industry, the year gone by was challenging and unprecedented. Brent Crude oil prices have witnessed high volatility in 2019-20 with price ranging from over US\$ 70 per barrel to below US\$ 20 per barrel. The crude prices witnessed an upward trend in the beginning of the financial year due to concerns about supplies as Iranian export waivers were due to end and an OPEC+ production cut agreement took effect. Even though there was a downward trend in middle of 2019 due to fears about oil demand growth, prices strengthened at end of 2019 due to positive sentiments on economy and reaching of long disputed trade agreement between US and China. However, crude prices softened significantly since January 2020, largely driven by the economic contraction caused by COVID-19 coupled with the sudden increase in crude oil supply following the suspension of previously agreed upon production cuts among OPEC and partner countries.

Indian economy grew by 4.2% in FY 2019-20 and remains to be one of the fastest growing major economies in the world. Spread of COVID-19 and lockdowns imposed to contain the epidemic dampened the growth momentum in the last month of the financial year. However, agriculture sector recorded a higher growth in 2019-20 as compared to previous year.

In later part of the financial year, the pandemic COVID-19 adversely affected several service sectors such as trade, tourism, airlines and hospitality which has its impact in petroleum products demand also. India's annual fuel demand grew 0.2 percent



in 2019-20, its lowest growth rate in over two decades, largely dragged down by a substantial 17.8 percent decline in consumption in March 2020.

It gives me immense pride to inform that notwithstanding these developments and its business impacts, your Company delivered a robust performance in 2019-20 with highest ever sales of 39.6 MMT. The Company achieved Gross Sales of ₹ 2,86,250 crore during the year. Profit after Taxes (PAT) was ₹ 2,637 crore on standalone basis. Board of Directors of your Company has proposed payment of a final dividend of ₹ 9.75 per share for the financial year 2019-20.

During the challenging period of lockdowns to contain the pandemic, HPCL continued its operations without any disruption to ensure availability of LPG, Petrol, Diesel and other products for essential services and public while ensuring the safety and wellbeing of its stakeholders and the workforce.

During 2019-20, both HPCL refineries at Mumbai and Visakh maintained robust physical performance with combined capacity utilisation of 108.7% and thrupt of

17.18 MMT. The upgradation of Refineries to produce BS-VI compliant transportation fuels has been completed during the year. Refineries completed the rollout of BS-VI Grade MS and HSD before the timelines stipulated by Government of India. Mumbai Refinery achieved highest ever LOBS (Lube Oil Base Stock) production with 478.1 TMT. Visakh Refinery started the production of VLSFO (Very Low Sulphur Fuel Oil with Sulphur content less than 0.5%) to meet the regulatory requirement of MARPOL. Maximising asset utilisation and reliability improvement of refineries continues to be the key focus areas for your Company.

Your Company delivered an excellent marketing performance in 2019-20 and exceeded various milestones achieved during previous years including registering the highest ever sales of 39.6 MMT. The sales were achieved in the backdrop of intense competition and subdued demand growth for petroleum products. In LPG and Petrol sales, the Corporation has crossed 7 MMT mark with growth of 7.3% and 4.7% respectively. In B2B segment, the strategy of maximising volumes in the focus products helped the Corporation to cross 1 MMT sales volume in Fuel Oil (FO), Diesel and Bitumen individually



Hon'ble Home Minister of India, Shri Amit Shah, presenting Rajbhasha Kirti Award to C&MD, Shri M. K. Surana



for the fifth consecutive year. The Corporation is the second largest LPG marketer in the country. In the highly competitive lubricant markets, sales volume of 650 TMT has been achieved making the Corporation the number one lube marketer in India for seventh consecutive year. In overseas marketing of lubes, your Corporation is the largest exporter among Indian OMCs with highest ever export of 16.7 TMT in 2019-20.

Your Company continues to lay strong emphasis on operational efficiency & cost optimisation with continuous implementation of measures for productivity enhancement with effective usage of technology. Implementation of Central Optimized Logistics Assistant (COLA) has ensured in supply chain optimisation by planning the Tank Truck scheduling from a central place for movement of product across India. During the year, 20 strategic locations were declared as 'SMART' terminals with automation and seamless integration of various processes. Mobile App 'HP Buddy' provides a common interface with dealers and transporters thus improving stakeholder's engagement, convenience and productivity in operations. Significant gains in overall throughput performance and productivity across the network of operating plants has been achieved in 2019-20. Your Company achieved highest ever bottling of cylinders in LPG plants and thruput in POL operations during the year.

Multipronged actions have been undertaken by the Corporation to enhance safety in all facets of operations with provision of SOPs, continual training of operating manpower and technology enabled monitoring practices and alarm systems. Mumbai Refinery recorded the best ever safety performance by achieving 27.52 safe million man-hours of safe operation as of 31st March, 2020.

HPCL recognises the importance of developing countrywide infrastructure & customer touch points to cater to the demand growth, minimise the mismatch between regional supply & demand and seamless & cost efficient distribution of 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 ₹ 16,000 crore during 2019-20. The Uran-Chakan LPG pipeline project was commissioned during the year, which will reduce LPG tanker movement on Mumbai-Pune route substantially. Palanpur-Vadodara product pipeline project was completed 6 months ahead of schedule and at 90% of the approved cost. In addition, capacity of existing



Your Corporation is committed to the triple bottom line framework wherein equal focus is thrust on financial, social and environmental capitals to create greater business values.

pipelines were enhanced by over 6 MMT. The Corporation commissioned its 50th LPG plant during the year and the capacity of existing plants were augmented by 360 TMTA. Last-mile delivery capability of the Corporation was further enhanced with commissioning of 1,194 new retail outlets and 245 new LPG distributorships during the year taking the number of total retail outlets to 16,476 and number of total LPG distributors to 6,110 as of 31st March, 2020.

Your Company is continuously expanding the business portfolio with greater presence in clean energy verticals of Natural Gas & Renewables. HPCL along with its Joint Ventures has the authorisation for CGD presence in 34 districts covering 9 states in the country. CNG sales have commenced in Sonipat Geographical Area (GA) in 2019-20 where HPCL is setting up the CGD network on standalone basis. During the year, CNG facilities were provided at 166 Retail Outlets taking the total number of retail outlets with CNG facilities to 471 ensuring availability of cleaner fuels and more choices to customers. I am happy to inform that the construction of the 5 MMTPA JV LNG regasification terminal at Chhara port in Gujarat is progressing well. HPCL is actively participating in Government of India's SATAT (Sustainable Alternative towards Affordable Transportation) initiative for promotion of Compressed Bio Gas. As of 31st March, 2020, HPCL has issued 51 LOIs for setting up of CBG plants with total estimated production capacity of 76 TMTA.

Thrust on Research & Development remains to be of paramount importance for the Corporation reinforcing the focus in developing, demonstrating and deploying novel & innovative products & technologies with persistent emphasis on rendering technical support to its divisions. 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.

Your Company is adopting emerging & innovative technologies to enhance customer value and ensure safe operations. In retail outlets, 100% automation has



Hon'ble Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman, presenting the National CSR Award to C&MD, Shri M. K. Surana

been achieved. Creation of real-time dashboards with the online data from the automated outlets with suitable monitoring mechanism has enhanced the operational efficiencies. Entire retail outlet network of your Company has been enabled with digital payment facilities. The integrated payment system (IPS) solution with integration of multiple payment systems with Dispensing Units at retail outlet ensures in delivering smart, easy, quick and multiple payment options to the customers. Your Company launched 'HP PAY' App during the year which is an Industry first unified payment solution for customers for various HPCL products viz., Motors Fuels, Domestic LPG and Lubricating oils. Implementation of Customer Relationship Management (CRM) tool is ensuring enhanced customer orientation & superior service standards.

Your Corporation is committed to the triple bottom line framework wherein equal focus is thrust on financial, social and environmental capitals to create greater business values. 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, renewable energy etc. Towards reduction of carbon intensity in transportation sector, both

refineries of your Company have been upgraded to produce BS-VI compliant transportation fuel in 2019-20. Your Company has achieved supply & marketing of BS-VI fuels across the country by 31st March, 2020. The Ethanol Blending program has recorded overall Ethanol Blending Percentage (EBP) of 4.9% in Petrol during 2019-20. In addition, HPCL recorded the blending of highest ever quantity (5 crore litre) of Biodiesel during 2019-20.

Your Company is continuing its contribution towards nation building through effective implementation of various socio economic development programmes initiated by Government of India. To address the challenge of energy poverty, your Company has enabled clean energy access for over 2.1 crore low-income households by providing new LPG connections under PMUY as of 31st March, 2020. To take forward Government of India's flagship programme of Swachh Bharat Abhiyan, around 1,000 toilets were constructed/renovated during 2019-20. As part of Corporate Social Responsibility (CSR) plan, your Corporation has undertaken various activities during the year under the focus areas of childcare, education, health care, skill development, sports and environment & community development, positively influencing the lives of less privileged with overall CSR spend of ₹ 182 crore during the year.



To address the challenge of energy poverty, your Company has enabled clean energy access for over 2.1 crore low-income households by providing new LPG connections under PMUY as of 31st March, 2020.

Guided by the well-crafted, 5-year strategic plan christened as T20, HPCL is continuously enhancing its ability to navigate the future challenges by strengthening the existing businesses of refining and marketing and incorporation of new business lines including petrochemicals & natural gas. The R&D capabilities of the Corporation are continuously scaled up towards development of new technologies and products. Focus is on building a diversified and flexible business portfolio aligned with the needs of changing market coupled with expansion of business footprints in overseas geographies. To keep pace with the transition in the technology and customer preferences, the Company is focussing on value creation by leveraging the emerging digital technologies for transformation and enhancing IT capabilities.

Your Corporation continues to derive value from its Collaborations, Joint Ventures and Subsidiaries. During 2019-20, Joint Ventures and Subsidiaries of your Company have recorded robust growth in their respective areas of business, which helped HPCL to record a strong consolidated performance. To enhance the overseas footprint, HPCL has tied up with State Trade Corporation

of Bhutan Limited (STCBL) in 2019-20 for setting up retail outlets and supply of motor fuels in Bhutan. The first retail outlet in Bhutan was commissioned during March 2020.

The committed and competent human capital remains to be the backbone of your Company. The Corporation has about 10,000 employees, who run its countrywide operations. Armed with a number of millennials, the Corporation's workforce has strengths of both experience and youthful energy. The Corporation has a strong culture of learning and development, which is further enriched through initiatives such as E-Learning, partnerships with academia, learning through virtual reality centre, learning through 'HP Academy' etc. 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 future growth, enhance efficiencies and improve competitiveness. Visakh Refinery Modernisation Project and Mumbai Refinery Expansion Project are progressing well. The 9 MMTPA greenfield refinery cum petrochemical complex project of HPCL Rajasthan Refinery Limited (HRRL) is advancing well with construction in progress at site. Marketing supply infrastructure is being augmented with pipeline network length of over 1500 km and capacity addition of over 7 MMTPA. In addition, a number of new POL depots/terminals, LPG Plants, Aviation Service Facilities, CGD network are under different stages of development along with upgradation of existing facilities at supply locations.



Launch of range of Lubricants & Specialty Fluids for BS-VI, Electric and Hybrid vehicles



Hon'ble Minister for Petroleum & Natural Gas and Steel, Shri Dharmendra Pradhan, presenting the FIPI Company of the Year Award for Excellence in Human Resource Management to C&MD, Shri M. K. Surana and Director - HR, Shri Pushp Kumar Joshi

Global economic activity is likely to contract in 2020 followed by growth in 2021. As regards Indian economy, it is expected that the combination of fiscal, monetary and administrative measures currently undertaken by Government of India, would create conditions for gradual revival in the economic activity. India is the third largest consumer of oil in the world and about one third of the total primary energy demand is met by oil. India's fuel demand is on recovery path after the low witnessed in April 2020 as economic activity is gradually picking up on easing of lockdown restrictions. With regulatory thrust on increasing penetration of low carbon energy, domestic consumption of natural gas and other clean fuel is expected to increase. Your Company remain focussed on delivering consistent, competitive, profitable and responsible growth through sustainable business models.

We are in a rapidly changing world where digital connectivity and abundance of data is reshaping value creation models across verticals. We continue to improve and evolve consistently to meet the future demand by expansion of infrastructure, portfolio expansions, expansion to overseas geographies, improving operational

efficiencies & competitiveness, capability enhancements with effective and efficient usage of technology.

I am thankful to Government of India, Ministry of Petroleum & Natural Gas, State Governments, various statutory and local authorities for their guidance and support in all our efforts. We look forward to their continued support in future as well.

I would like to thank the customers, shareholders, business associates, employees and other stakeholders for their unflinching commitment and support. I would like to convey my sincere appreciation to the Board of Directors for their guidance and wise counsel.

I look forward to your continued support for our shared vision to create value for all our stakeholders and deliver happiness.

Thank you,

Mukesh Kumar Surana

Board of Directors

WHOLE-TIME DIRECTORS



Centre

Shri Mukesh Kumar Surana

Chairman and Managing Director

Left to Right

Shri Rakesh Misri

Director - Marketing
(From 17-10-2019)

Shri Pushp Kumar Joshi

Director - Human Resources

Shri Vinod S. Shenoy

Director - Refineries

Shri R. Kesavan

Director - Finance
(From 05-09-2019)