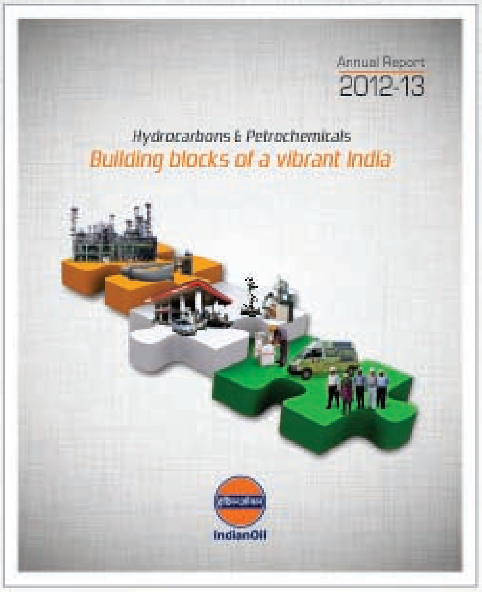
Annual Report
2012-13

Hydrocarbons & Petrochemicals

Building blocks of a vibrant India

IndianOil



Hydrocarbons & Petrochemicals

Building blocks of a vibrant India

IndianOil, harnessing frontier technologies... pledging resources as building blocks of India... touching a billion lives with its spectrum of Petroleum and Petrochemical products... caring for the environment and community...striving for energy assurance and independence... setting standards of excellence, in its commitment to serve the nation.

Contents

Indian Oil Corporation Limited

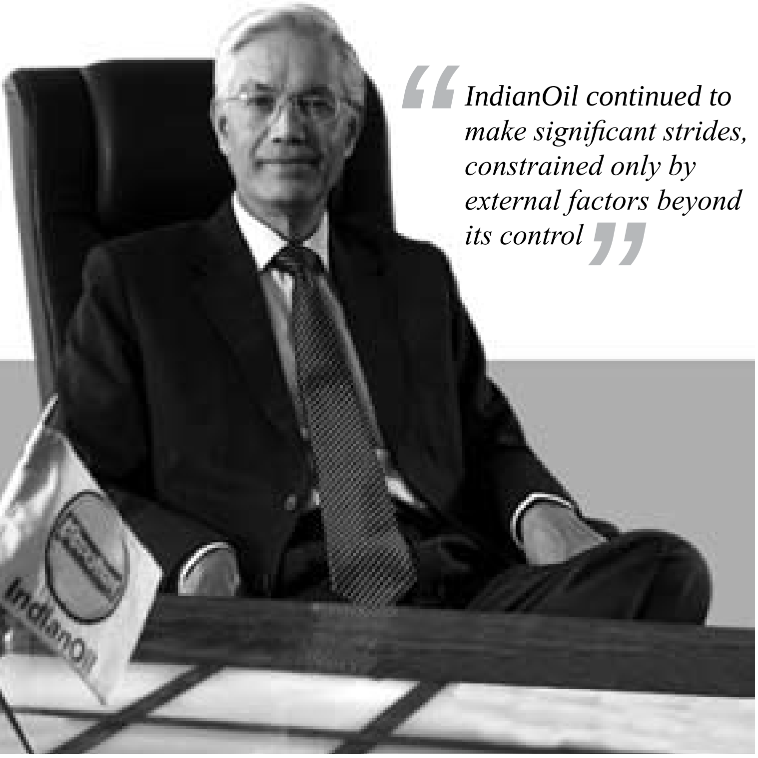
Registered Office: IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East), Mumbai - 400 051

In this Report, one lakh corresponds to 0.1 million and one crore to ten million.

CHAIRMAN'S MESSAGE

Dear Members,

The year 2012-13 was marked by challenging global economic environment. US showed signs of growth but continued to struggle with a low growth rate. European Union remained under the grip of the Sovereign debt crisis. Growth rate in advanced economies on the whole, slipped from 1.7 percent in 2011 to 1.2 percent in 2012. Emerging economies, which so far had shown resistance to the slide down, experienced broad based deceleration caused by weak external demand and domestic issues such as infrastructural bottlenecks and capacity constraints. Growth in emerging economies, as a whole, slowed down from 6.2 percent in 2011 to 4.9 percent in 2012. At home, our GDP growth fell to a decade low of 5 percent. The year was mired by concerns on macro-economic stability due to elevated Current Account Deficit, high fiscal deficit, and high inflation despite some decline. The slide in rupee further added to the concerns. Despite the all round drop in growth, it is expected that 2013 will see some consolidation in global growth. India's growth rate is also likely to improve before stepping up further in the later years.



"IndianOil continued to make significant strides, constrained only by external factors beyond its control"

On the global oil and gas sector front, while moderation in crude oil prices brought in some respite, they remained above the US$100/bbl mark and geo-political tensions continued to pose risks. During the year, significant gas discoveries were announced in East Africa. The unconventional oil and gas story that unfolded in US made steady progress. All these developments have opened up new vistas for the global energy sector. At home, while domestic crude oil production declined, refinery throughput and product consumption recorded strong growth of 7 percent and 4.9 percent respectively, leading to continued high oil imports. The benefit of lower crude oil prices was frittered away by the depreciating rupee. As regards gas, the declining domestic production constrained consumption, led to a fall in domestic gas consumption despite LNG imports. However, on the policy front, the year was marked by some decisive policy changes. Introduction of dual pricing policy for bulk and retail diesel in January 2013 and capping of subsidized LPG cylinders in September 2012 are likely to have their impact on the consumption pattern of these products. For marketing companies like us, these changes are symptomatic of increase in competition levels in the Indian petroleum products market.

Energising India

In the backdrop of a mixed economic landscape, IndianOil continued to make significant strides, constrained only by external factors beyond its control. The Corporation recorded highest turnover of ₹ 414,909 crore growing by 11 percent on year-on-year basis. At 88th position in the Global *Fortune* 500 list of the world's biggest corporations, it continued to be the highest ranking company from India. Net Profit rose to ₹ 5005 crore, registering a growth of 26.6 percent over the previous year. Refineries exceeded 100 percent capacity utilization for sixth consecutive year in a row, improved distillate yield to a record 78.1 percent and achieved the best levels of energy efficiency so far by recording the lowest MBN of 56.3 during the year. Domestic product sales scaled up to a record level of 68.76 MMT. A record level of 1910 new retail outlets were commissioned during the year with continued rural thrust in the form of the Kisan Seva Kendras (KSK). The total number of KSKs surpassed the 5000 mark. Product Pipeline throughput rose to 28.09 MMT. In the relatively new businesses, viz. petrochemicals and gas, the Corporation recorded highest ever sales and strong growth rates. The Corporation strengthened its market presence in the segment and emerged as the second largest petrochemicals player in the country. Its position in the gas market was further fortified with an eye on future growth. The E&P segment of the Corporation also showed progress with Niobrara Shale assets in the US, returning small but positive revenues and the Carabobo asset in Venezuela also showing first oil from first of its two wells.

"The Corporation strengthened its market presence in the segment and emerged as the second largest petrochemicals player in the country."

The healthy financials achieved by the Corporation demonstrated the commitment of the Corporation to manage its challenges and stride forward on the path of growth. During the year, the Corporation reeled under the burden of over ₹ 85,000 crore of gross under-recoveries, which caused significant dent on its profitability in the form of borrowing cost. On top of this, the Corporation was also saddled with unmet under-recoveries of over ₹ 1000 crore (inclusive of uncompensated losses on MS sales). Despite the challenge of financing such high level of under-recoveries, the Corporation achieved excellent results in tying up competitive funding and became the first Indian Corporate to successfully price long-term bonds denominated in Singapore dollars (SGD), thereby opening a new window for Indian Corporates. Through this deal, the Corporation raised 400 million Singapore dollar loan at very competitive rates and was also felicitated by IFR Asia with the Indian Market Capital Deal of the Year 2012 award. Such efforts are a testimony of the Corporation's commitment to emerge stronger from these challenging times.

The Corporation continues to be influenced by a host of external factors ranging from global economic and geo-political upheavals, inherently uncertain energy markets and closer home the uncertain compensation mechanism and interventions in the product pricing schedules. The Corporation has managed these challenges well during the year and is committed to deliver growth with sharp focus on

IndianOil Refinery, Koyali

IndianOil Retail Outlet, Diu

operational efficiency and cost optimization. Some steps such as the commissioning of Integrated Crude Oil Handling Facilities at Paradip were taken during the year. This facility has enabled the Corporation to receive the entire crude oil requirement of Barauni, Haldia, Bongaingaon Refineries and the upcoming Paradip Refinery through Very Large Crude Carriers (VLCCs) and thereby reduce the supply chain input costs. An important lever in the pursuit of cost optimization is achieving reduction in cost of sourcing crude oil, the single largest component of cost. The Corporation has strategized to source and process cheaper and opportunity crude oil varieties. The endeavours so far have resulted in processing 53.3 percent of high sulphur crude oil in 2012-13 compared to 49.2 percent in 2011-12, as also enlargement of the crude oil basket to include high TAN and heavy crudes with API as low as 21^{0}. Presently, the share of opportunity crudes (Heavy & High TAN) is about 13 percent and includes processing of Maya crude and heavy Rajasthan crude. This is targeted to be doubled to over 26 percent once Paradip Refinery is operational. Further, towards achievement of this objective, besides augmenting the capability of refineries to process such crude oils, investments are also being made for augmenting the capacity of major pipelines to transport heavy crudes.

In the marketing and distribution operations, cost optimization is directly linked to the efficiency of infrastructure. LPG transportation is an area where substantial expansion in the pipeline network is required for bringing cost efficiency. Presently, our Paradip-Haldia-Durgapur and Ennore-Trichy-Madurai LPG pipeline projects are under implementation. A number of other prospective LPG pipelines have also been identified, which are under study. Infrastructure rationalization to use the most efficient option and thrust on technology solutions such as automation to garner productivity gains and cost reduction is the key focus in the marketing segment. Towards this end, 1600 more retail outlets were automated during the year taking the total number of automated retail outlets to 4377. By 2016-17, the automation drive is set to encompass more than 12,500 outlets.

The Corporation already enjoys significant advantage in its present form in the Indian market. Its continued thrust on rural markets, which await shift from traditional to modern fuels presents significant growth opportunities. The Corporation’s low-cost KSK model has emerged as a major strength towards meeting the energy requirements of the rural market. Between 2008-09 to 2012-13 sales through KSKs grew at a CAGR of over 30 percent resulting in almost three fold increase in sales. These developments provide handsome opportunities to the Corporation for continued and healthy growth.

With enhanced & intense focus on efficiency improvement and cost optimization, coupled with country wide reach of its refining and marketing network, the Corporation is set to emerge significantly stronger by harnessing hitherto untapped resplendent opportunities offered by growing Indian market.

The investment programme of the Corporation during the XII Plan period, captures some of these opportunities and envisages to undertake projects worth over ₹ 56,000 crore across the energy value chain. The currently under implementation 15 MMTPA refinery in Paradip has reached an advanced stage of completion. In addition, a number of other major projects such as Paradip-Raipur-Ranchi product pipeline, augmentation of Paradip-Haldia-Barauni pipeline, Paradip-Haldia-Durgapur pipeline, new marketing terminal at Paradip, LPG facilities at Paradip, debottlenecking of Salaya-Mathura Pipeline and FCC revamp at Mathura are at various stages of implementation.

IndianOil Paradip-Haldia-Barauni Pipeline

Indian Petrochemicals market has high growth potential and has been growing at impressive rates. Consumption of Polyethylene (PE) is projected to scale up from 3kg/per person presently to 8kg/person in 2035 and Polypropylene consumption is projected more than triple from 2.2kg/person presently to 7kg/person in 2035. This presents significant opportunities in the Petrochemicals segment. The Corporation's Butadiene Extraction Unit and Butene-1 project at Panipat are under steady progress. The Corporation is also setting up country's first Styrene Butadiene Rubber (SBR) unit in Panipat, which has reached advanced stages of completion.

The increased global gas supplies and India's large energy appetite present sizeable growth opportunities in the Indian gas market as well. Gas demand in India is projected to grow at a CAGR of 4.2 percent (2010-2035) way above 1.6 percent CAGR for the world. The Corporation envisages tapping these opportunities. Work in regard to the upcoming LNG import terminal at Ennore is progressing steadily. Further, the Corporation is part of a consortium that has been awarded construction and operations of three cross-country natural gas pipelines. These gas pipelines would open windows for expansion of gas markets in the Country.

Bagging of PROPEL products

"The Corporation is set to emerge significantly stronger by harnessing hitherto untapped resplendent opportunities offered by growing Indian market."

The recent breakthroughs in the global E&P sector are expected to boost the Corporation's aspirations in the E&P space. The Corporation has been aggressively scouting for suitable investment opportunities.

IndianOil R&D Centre, Faridabad

IndianOil is amongst the pioneers in recognizing the importance of innovation as a key differentiator. The Corporation's long held thrust on innovation through a concerted Research & Development effort is a major source of competitive advantage. IndianOil R&D has been expanding its scope to petrochemicals, solar energy and bio-energy as well. During the year, IndianOil R&D Centre commissioned India's first Integrated lignocellulosic biomass to ethanol pilot plant with the technological support from National Renewable Energy Laboratory of USA.

At IndianOil, we are committed to nurturing and developing our human resource asset, which we believe is a major source of value creation. In pursuit of this, a number of initiatives such as introduction of Leadership Centres/multi-rater feedback mechanism for measurement of performance in succession management and leadership management; employee engagement surveys etc. were implemented during the year. Going ahead, the challenge is to hone our human capital to meet the challenges of higher market competition levels and to develop skill sets for our new businesses.

Last but not the least, I would like to reassure all our shareholders that the Corporation is working relentlessly to tide over the various challenges that it is confronted with. Your continued support is a major driver for us and I would like to express our gratitude to each one of you for the trust you have reposed in your Corporation and promise you Corporation's enhanced performance.

R S Butola
Chairman

INDIAN OIL CORPORATION LIMITED
Regd. Office: IndianOil Bhavan,
G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai-400 051

NOTICE

NOTICE is hereby given that the **54th Annual General Meeting** of the Members of **INDIAN OIL CORPORATION LIMITED** will be held at **Nehru Centre Auditorium, Dr. Annie Besant Road, Worli, Mumbai - 400018** on **Tuesday,** the **3rd September, 2013** at **1030 hrs.** to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Statement of Profit and Loss for the year ended March 31, 2013 and the Balance Sheet as on that date together with Reports of the Directors and the Auditors thereon.

2. To declare dividend on equity shares for the year 2012-13.

3. To appoint a Director in place of Shri A. M. K. Sinha, who retires by rotation and is eligible for reappointment.

4. To appoint a Director in place of Shri P. K. Goyal, who retires by rotation and is eligible for reappointment.

5. To appoint a Director in place of Dr. Sudhakar Rao, who retires by rotation and is eligible for reappointment.

6. To appoint a Director in place of Shri Rajkumar Ghosh, who retires by rotation and is eligible for reappointment.

SPECIAL BUSINESS

7. Appointment of Prof. Devang Khakhar as a Director of the Company.

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT Prof. Devang Khakhar, who was appointed as an Additional Director by the Board of Directors effective 14.09.2012 (afternoon) and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956, and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. Appointment of Shri Rajive Kumar as a Director of the Company.

To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Shri Rajive Kumar, who was appointed as an Additional Director by the Board of Directors effective 02.07.2013 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956, and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office:
IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East),
Mumbai - 400 051

16th July, 2013

By Order of the Board of Directors
For Indian Oil Corporation Limited

(Raju Ranganathan)
Company Secretary

NOTES

(a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE VALID AND EFFECTIVE, MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY DULY FILLED, STAMPED & SIGNED NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

(b) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.

(c) Members / Proxies should bring the attendance slip duly filled and signed for attending the meeting.

(d) Members are requested to bring their copy of Annual Report to the Meeting.

(e) Relevant documents referred to in the accompanying notice are open for inspection by the members at the Registered Office of the Company on all working days i.e. Monday to Friday, between 10:30 a.m. and 12:30 p.m. upto the date of the Annual General Meeting.

(f) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 26th August, 2013 to Tuesday, the 3rd September, 2013 (both days inclusive) for the purpose of ascertaining the eligibility of members for payment of dividend.

(g) The dividend payable on Equity Shares, if approved by the members, will be paid to those members whose names appear on the Company's Register of members and as per beneficial owners position received from NSDL & CDSL as at the close of working hours on Friday, 23rd August 2013.

(h) Share transfer documents and all correspondence relating thereto, should be addressed to the Registrar and Transfer Agent (RTA), M/s Karvy Computershare Pvt. Ltd., 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500081; Phone No.: 040-44655000; Fax No.: 040-44655024; Email: einward.ris@karvy.com.

(i) **Reserve Bank of India has initiated NECS (National Electronic Clearing System) facility for credit of dividend directly to the bank account of the members. Hence, members are requested to register their Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR code & 11 digit IFSC code), in respect of shares held in dematerialized form with their respective Depository Participant i.e. the agency where the demat account has been opened and in respect of shares held in physical form with the RTA or at the registered office of the Company.**

(j) Members may send their requests for change / updation of Address, Bank A/c details, ECS mandate, Email address, Nominations:

i) **For shares held in dematerialised form -** to their respective Depository Participant

ii) **For shares held in physical form -** to the RTA, M/s Karvy Computershare Private Limited, Hyderabad or at the registered office of the Company.

(k) Non-Resident Indian Members are requested to inform the RTA, M/s Karvy Computershare Private Limited, Hyderabad immediately about:

i) Change in their residential status on return to India for permanent settlement.

ii) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.

(l) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market failing which the demat account / folio no. would be suspended for trading. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or its RTA.

(m) Pursuant to the provisions of section 205A & 205C of the Companies Act, 1956, the Company has transferred all unpaid dividend declared upto the financial year 2004-05 to Investor Education & Protection Fund (IEPF) established by the Central Government. Upon completion of 7 years, the Company would transfer the unclaimed / unpaid dividend for the financial year 2005-06 in October, 2013. The dividend for the financial year 2006-07 and thereafter, which remains unpaid or unclaimed for a period of 7 years would be transferred to the IEPF. Hence the members, who have not encashed their dividend warrant so far for the financial years 2006-07 to 2011-12, are requested to write to the RTA, M/s. Karvy Computershare Private Limited, Hyderabad or at the registered office of the Company for claiming the unpaid dividend. It may also be noted that once the unclaimed dividend is transferred to the IEPF, no claim shall lie in respect thereof.

Similarly, the dividend declared by erstwhile IBP Co. Ltd. and Bongaigaon Refinery & Petrochemicals Ltd. (BRPL) (since merged with IndianOil) remaining unclaimed / unpaid, will be transferred to IEPF on expiry of 7 year period. The members of erstwhile IBP and BRPL who have not encashed their dividend warrants so far are requested to write to the RTA, M/s Karvy Computershare Private Limited, Hyderabad or at the registered office of the Company.