



2016
Year of
Core Values



Adding Values, Multiplying Benefits



Annual Report 2015-16





Adding Values, Multiplying Benefits

IndianOil has been exploring new frontiers of energy to serve over a billion people. While fuelling the nation's growth, the Corporation has always kept its core values of *Care, Innovation, Passion* and *Trust* at the heart of its business. The Corporation believes that these core values are a key enabler in expanding business and being the most preferred oil company of the nation. The theme of this year's Annual Report conveys the importance of IndianOil's core values as the driving force in providing multiple benefits to its stakeholders, customers, associates, partners and employees.

Contents

15 Board of Directors

Directors' Report **23**

68 Management's Discussion & Analysis

Business Responsibility Report **81**

96 Report on Corporate Governance

Standalone Financial Statements **111**

175 Consolidated Financial Statements

Notice **241**



Indian Oil Corporation Limited

Registered Office: IndianOil Bhavan,
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In this Report, one lakh corresponds to 0.1 million
and one crore to ten million.

□ From the Chairman's Desk	3
□ IndianOil: The Energy of India	10
□ Vision with Values	12
□ Objectives and Obligations	13
□ Board of Directors	15
□ Core Team	17
□ Senior Management Team	18
□ Main Offices & Major Units	19
□ Auditors, Registrar & Transfer Agent, Stock Exchanges, Bankers and Debenture Trustee	19
□ Group Companies & Joint Ventures	20
□ Performance at a Glance	21
□ Directors' Report	23
□ Awards & Recognitions	38
□ Annexures to Directors' Report	41
• Annexures I - SC/ST/OBC Report	41
• Annexures II - Highlights of CSR activities	42
• Annexures III- Secretarial Audit Report	48
• Annexures IV- Report on Energy Conservation etc.	50
• Annexures V- Extract of Annual Return	55
□ Management's Discussion & Analysis	68
□ Business Responsibility Report	81
□ Report on Corporate Governance	96
□ Standalone Financial Statements	111
• Independent Auditors' Report	112
• Balance Sheet	118
• Statement of Profit & Loss	120
• Cash Flow Statement	122
• Notes	124
□ Income & Expenditure Account - Township etc.	173
□ Consolidated Financial Statements	175
□ Statement of Salient features of the Financial Statement of Subsidiaries, JVs and Associates	231
□ Comments of the Comptroller and Auditor General of India	238
□ Notice	241
□ Attendance Slip & Proxy Form	249

IndianOil@Work

Values in action

Care

*Caring for the
environment
and community*



Innovation

*Pioneering the spirit
of creativity
& innovation*



Trust

*Fostering
relationships
for a lifetime*



Passion

*Leading with
passion to excel*



2016
*Year of
Core Values*



FROM THE CHAIRMAN'S DESK

Dear Shareowners,

Heartiest greetings from IndianOil!

On behalf of IndianOilPeople and the Board, it is indeed an honour and a privilege to share my thoughts with you through the Annual Report 2015-16.

Today, as India emerges as a major driver of global growth and is hailed as the 'brightest spot' on the world economic horizon, it is indeed an exciting time for IndianOil to fuel one of the fastest growing economies of the world.

Vibrant India

The unprecedented economic boom in India is being driven by an increasingly aspirational billion-plus population, a large and diversified industrial base, rapid urbanisation, the auto sector boom and the huge demand for energy in households. This process is being catalysed by the Government's thrust on holistic development and inclusive growth.

Programmes such as *Make in India*, *Digital India*, *Skill India*, *Smart Cities* and *Start-up India* are being undertaken in mission mode to accelerate the transformation of the Indian economy.

“IndianOil, which defines itself as *The Energy of India*, has since inception aligned its corporate strategies with the greater good of the country and its people. Using its strong presence in every segment of the downstream hydrocarbons business, IndianOil is enthusiastically implementing the Government's developmental schemes with sustained vigour.”

The oil & gas sector too, under the Ministry of Petroleum & Natural Gas, is deeply committed to making energy available, accessible and affordable across the socio-economic divides, especially to the marginalised sections of the population.

IndianOil, which defines itself as *The Energy of India*, has since inception aligned its corporate strategies with the greater good of the country and its people. Using its strong presence in every segment of the downstream hydrocarbons business, IndianOil is enthusiastically implementing the Government's developmental schemes with sustained vigour.

With IndianOil in the lead, the national oil companies have already won appreciation for their contribution to initiatives like the *PaHaL* scheme for direct benefit transfer for LPG consumers (recognised by the Guinness Book of World Records as the largest cash transfer programme for households in the world) and the *GiveltUp* campaign where over a crore affluent households voluntarily gave up their LPG subsidy.

Pradhan Mantri Ujjwala Yojana (PMUY) is now being launched in a big way across the country to provide free LPG cooking gas connections to



Clarity of Vision.....an IndianOil tradition.

BPL families, utilising the enormous resources freed through *PaHaL* and *GiveltUp* schemes.

Energy is the driver of economic growth and a rising India is taking all necessary steps to ensure energy sufficiency. To bolster energy security, the Government of India is actively pursuing a policy to attract foreign direct investment in the upstream sector. It has set an ambitious target of 10 per cent reduction in crude oil imports by the year 2022 that will act as a stimulus for intensifying domestic production.

The Government is also encouraging the Indian companies to acquire foreign oil & gas assets as a consortium. Simultaneously, oil diplomacy has been intensified through meaningful engagements with hydrocarbon-rich countries, mostly in Africa and the Gulf region.

All this presents a great opportunity for IndianOil to deploy its multiple strengths in ensuring the energy security of the nation.

Vibrant IndianOil: Exceeding Expectations

IndianOil had an excellent financial year 2015-16 and, despite inventory losses in Q4, posted its highest profit of ₹ 10,399 crore (US\$ 1.59 billion).

The long-awaited greenfield Paradip Refinery was dedicated to the nation by Hon'ble Prime Minister Shri Narendra Modi in a grand ceremony on 7th February, 2016.

With the commissioning of Paradip, IndianOil's leadership position in the refining sector has further strengthened. Now its combined 80 million metric tonnes per annum (MMTPA) capacity is 35% of the national refining capacity. This is also in tandem with our annual sales volume and pipelines throughput as well.

IndianOil's Refineries Division encompasses a diverse clutch of refineries, of different capacities and complexities; from the oldest refinery in the



Hon'ble Prime Minister, Shri Narendra Modi, and other dignitaries at the dedication ceremony of IndianOil's Paradip Refinery to the nation.

world at Digboi in Assam to the country's most modern refinery at Paradip in Odisha. During the year 2015-16, the Division did exceedingly well in terms of all its performance parameters.

The Pipelines Division is another jewel in the crown of IndianOil. The pipelines efficiently manage a hi-tech network of nearly 12,000 kilometres that feeds the refineries with crude oil and moves the finished products to high-consumption centres. They too performed with great distinction in the year 2015-16.

The Marketing Division, the face of the Corporation, efficiently manages the complex logistics of reaching petroleum products across the nation, right up to the remotest village and hamlet. This is done through over 45,000+ customer touch points that make IndianOil one of the business entities with the largest customer interface in the world.



Hon'ble Minister of State (Independent Charge), Petroleum & Natural Gas, Shri Dharmendra Pradhan, launched '1906' - round-the-clock LPG Emergency Helpline for enhanced customer safety and convenience.

Marketing Division's performance in the year 2015-16 is a matter of pride, as it sold the highest volume ever.

Currently, IndianOil is in the process of further expanding its marketing network in a big way in the underserved areas of rural and urban India. It already has 6,700+ *Kisan Seva Kendra* outlets that are a lifeline to the

“Our new business lines of Petrochemicals and Natural Gas are fast emerging as profitable verticals in their own right and IndianOil is tapping emerging opportunities by building LNG terminals and expanding capacities in its petrochemical units to create infrastructure well ahead of demand.”

farmers, supplying them fuels and other daily essentials from their multi-purpose stores.

Indane currently has about 10 crore customers and this figure will see a steep rise in the coming years on account of the *PMUY* scheme as well as IndianOil's popular 'Smokeless Villages' campaign, besides issue of regular connections.

SERVO lubricants are also doing extremely well and are now exported to 27 overseas markets.

IndianOil Aviation Service, which completed 50 golden years in 2015, is another business vertical that is all set for a major take-off in view of the new aviation policy announced by the Government of India, which focusses on regional air connectivity.

Our new business lines of Petrochemicals and Natural Gas are fast emerging as profitable verticals in their own right and IndianOil is tapping emerging opportunities by building LNG terminals and expanding capacities

in its petrochemical units to create infrastructure well ahead of demand. Our E&P footprint has expanded across continents through strategic acquisition of hydrocarbon assets, both conventional and unconventional, in partnership with leading oil & gas operators.

The Corporation's cutting-edge R&D has blossomed into a bouquet of world-class refining processes that are being implemented full-scale in various IndianOil refineries for yield maximisation.

As a responsible corporate citizen, IndianOil is deeply committed to creating a low-carbon economy. Its wind and solar power projects are projected to generate 260 MW of renewable power by the year 2022.

Our assets are of strategic importance, and hence their security. The Corporation is taking additional necessary steps to further strengthen the security of its installations.

Safety is of utmost importance in our industry and we are ensuring that safety ethics is an integral part of the behavioural profile of employees through regular training, mock fire-drills and state-of-the-art safety systems to make our operating locations safe and incident-free.

Sensitivity to the environment is now a global imperative. Each new project proposal, therefore, is being looked at both from the perspective of commercial viability and sustainability.

The overall outstanding physical performance of IndianOil in during the year 2015-16 is obviously attributable to IndianOilPeople.

Every successful enterprise has a DNA that is intrinsically its own. Our corporate DNA is our core values of *CARE, INNOVATION, PASSION & TRUST*. Over the years, IndianOilPeople have come to imbibe these and demonstrate them in their daily life.

As a tribute to the intrepid IndianOilPeople, the year 2016 is being observed as the *Year of Core Values* across the organisation.

IndianOil's Six-fold Path to Excellence

Equipped with core values, IndianOilPeople are now pursuing a six-fold path in their common quest for excellence. This model, designed about two years ago, has proved to be an effective template for corporate excellence.

Sustaining leadership in core businesses

Our core business is liquid fuels, LPG, lubes, petrochemicals and natural gas. With the prognosis that fossil fuels will continue to dominate the energy mix till the year 2040, we have a fairly large window of opportunity to profitably expand in our core business while at the same time getting ready for the low-carbon economy of the future.

IndianOil is self-sufficient in the refining segment, but keeping in view the rising demand for petroleum products in the short-term, we are aiming at a refining capacity of about 100-110 MMTPA by the year 2022 and progressively scale it up to least 150 MMTPA by the year 2030.

Again, our pipelines grid is growing proportionately to connect with principal consumption centres in almost all major States for a balanced development of the country.

The marketing infrastructure is also being expanded in tandem with our growing refining capacity. We have 45,000+ customer touch points as of now and this number will go up further in the next five years, especially in rural and virgin markets in order to secure the first-mover advantage.



Hon'ble Prime Minister and Hon'ble Minister of State (I/c), Petroleum & Natural Gas, with the INDMAX team at Paradip Refinery.

Our leadership in the lube segment is assured as we have launched an innovative cost-reduction-cum-value-addition programme.

“The objective of our entire business is to optimise end-to-end logistics, ensuring ready availability of petroleum products across the retail-bulk-industrial-defence-transport-household sectors in a safe and efficient manner.”

Winning with operational excellence

The objective of our entire business is to optimise end-to-end logistics, ensuring ready availability of petroleum products across the retail-bulk-

Elimination of unplanned shutdowns through preventive and predictive maintenance schedules, distillate yield enhancement through in-house processes, reducing fuel losses, and a culture of built-in energy conservation technologies are being undertaken in refineries.

Investing in people

IndianOil, with a clear human resource budgeting process, has an enduring tradition to recruit the best talent for a full career cycle employment. Through right fitment, mentoring, job rotations, regular training and challenging assignments with focus on skill development, their repertoire of conceptual, human and leadership skills are continuously honed and enriched.

The organisation has 22 fully equipped training centres across its Divisions and major units, which coach both executives and non-executives in functional and behavioural areas. The apex corporate learning institute, IndianOil Institute of Petroleum Management (IIPM) in NCR, organises strategic and niche training programmes for senior management. It is also the venue for the Corporate Induction module for newly-recruited officers at the entry level.





Every woman will get her due respect and dignity.

"You are women who happened to be women's leaders in their homes and now the children will be breathing with all their mother's - Narendra Modi"

With the Prasthan Mantri Ujwala Yojana, that will benefit 5 crore women belonging to below-poverty-line households.



**Prasthan Mantri
UJWALA
Yojana**
Swachh Indras, Swachh Jeevan





Clean Fuel. Better Life.

The Ujwala Yojana will be launched by the Hon'ble Prime Minister,
Shri Narendra Modi

Shri Kishan Mishra
Minister, Government of Madhya Pradesh
Minister, Government of Chhattisgarh

Shri Ram Naidu
Minister, Government of Andhra Pradesh

Shri Manoj Sinha
Minister, Government of Assam
Minister, Government of Arunachal Pradesh

At Madhya Pradesh, Bhopal, Uttar Pradesh, on 1st May, 2016 at 10 AM.



Ministry of Petroleum & Natural Gas
Government of India

IndianOil - Proud to partner the Government's mammoth schemes for mainstreaming use of LPG cooking gas across the country.



As part of Auto Fuels policy, IndianOil refineries are gearing up to roll out green fuels conforming to BS-VI norms by the year 2020.

liPM is now a talent crucible, a centre for excellence that will create the leadership of the future. Under Project *Saksham*, the competency mapping instrument *Leadership Centre* identifies the competency profile of executives; thereafter, the competency gaps, if any, are filled through appropriate developmental interventions.

Mainstreaming financial prudence

IndianOil has a glorious tradition of always making reasonable profits in its operations. It is also one of the largest contributors to the Central and States exchequer.

As a public sector *Maharatna* enterprise, IndianOil deals with public money and is, therefore, extraordinarily careful with its financial resources. As a result, it has a very high credit rating among bankers – both in India and abroad.

In order to make financial prudence an IndianOil way, cost reduction and simplification and automation of work processes are being encouraged across the organisation.

Measures such as reduction in the share of term contract in crude oil procurement, widening the crude oil basket as also inclusion of opportunity/difficult grades, while minimising tendering time, have ensured significant savings in raw material costs.

Efficient working capital management helped lower borrowing costs. Optimisation of secondary distribution and import logistics and centralisation of insurance also brought in substantial savings.

Consolidation and centralisation of certain regulatory transactions, compliance activities and establishment areas have resulted in process simplification and savings. The financial and management control information system has been made more structured and analytics is being used to identify opportunity areas.

Leveraging assets

IndianOil has a rich legacy of corporate milestones in its journey of over five decades. During this journey, the Corporation has emerged as a pan-India entity with an unparalleled network of physical assets.

IndianOil's asset base of USD 26 billion comprises refineries and petrochemical plants, cross-country pipelines, a world-class R&D Centre, bulk storage terminals, depots, aviation fuel stations, LPG bottling plants and over 45,000 customer touch points, besides E&P assets and gas infrastructure. These assets, spanning the entire spectrum of the hydrocarbons value chain, are an indication of our emergence as an integrated energy major.

“IndianOil has a rich legacy of corporate milestones in its journey of over five decades. During this journey, the Corporation has emerged as a pan-India entity with an unparalleled network of physical assets.”

It is with this background that ‘*Leveraging our Assets*’ has been earmarked as one of the six focus areas. This project has the potential to be a transformational financial strategy within the organisation.

The first stepping stone towards realising better value from the assets has already been laid. To optimally leverage the Corporation's pan-India network of physical assets and unlock their full potential, a rolling plan structure was launched in January 2016, with projects, both major and minor, chosen for implementation in Phase-I. The projects cover capacity utilisation and yields, petrochemical and other value-additions, and new pipeline projects as well as measures to achieve flexibility to adapt to new trends and new demands.



Kisan Seva Kendra outlets – lifelines to the farmers.

Enhancing corporate reputation and brand value

IndianOil, with a brand value of USD 3.2 billion, is a respected, trusted and admired business group by all its stakeholders, employees, shareholders, business associates, vendors and, of course, its customers.

IndianOil was created in the spirit of a national trust for economic prosperity and our predecessors have assiduously built a formidable reputation and brand value. This is a great inheritance on which we intend to build an even grander edifice.

IndianOil's Superbrands like *SERVO* & *Indane* are among the most trusted in the country. The ubiquitous 25,000+ chain of IndianOil fuel stations have also been repeatedly conferred the *Reader's Digest* Award under the most trusted brand category.

Our world-class R&D Centre's prolific and innovative output of over 450 patents, applied technologies, yield-enhancing refinery processes like *INDMAX*, *OCTAMAX*, *IndAdept*[®], etc., are the other achievements that add sheen to our brand value.

Similarly, the service brand *IndianOil Aviation* serves the Indian Air Force and scores of national and private airlines through its network of 101 aviation fuel stations spread across the country, living up to its tagline "Our groundwork takes you sky high."

During natural calamities, time and again, IndianOil has gone beyond the call of duty and not only maintained the supply line but also helped in the rescue missions of the army and the air force.

IndianOil's corporate communications strategy focusses on highlighting our unique contributions to the growth of the economy.

Today, besides the conventional media platforms, IndianOil is increasingly using new media to connect with its stakeholders. With a view to enhance the Corporation's reputation and brand value, steps have been taken to boost its social media presence (Facebook, Twitter, YouTube and Instagram) and through regular one-to-one interactions of the Chairman and Directors with eminent journalists from print and electronic media.

Co-creating a Great Future for IndianOil

The greatest challenge before any successful leader is to sustain leadership. The current dynamic environment poses many challenges to IndianOil. But at the same time, it presents a great opportunity for us to demonstrate our formidable calibre.

The energy market of the future will see a lot of competition to fuel India's growth and development. Competition ultimately benefits the customer and helps in raising the standards within an industry. The expectations and aspirations of the Indian customers are changing and they are becoming increasingly assertive in demanding the best of products and services. With the entry of competitors, both domestic and foreign, growth prospects look tough. But, in reality, it is an opportunity to bring out the best in us in sync with our proven core values and the six-fold path model of excellence, discussed earlier.

In the new competitive scenario, we have to be observant, agile and responsive to quickly take advantage of the emerging market trends and convert them to customer-gaining and retaining opportunities. Here, a robust customer relationship management strategy backed by innovative technology will play a crucial role. Another point that I would like to underscore is that we should learn from other new-age industries in our constant endeavour to upgrade our customer service standards.

The demand for petroleum products is showing high growth and, as per current projections, this trend will continue. As a market leader, we have to further build capabilities and expand capacities in refining, pipeline grids and marketing infrastructure. We are geared to fully utilise our nationwide reach and infrastructure to optimise product movements in the safest and most cost-effective manner.

Since the share of natural gas in the primary energy basket is going up, we are building gas import terminals and pipelines, taking up piped natural gas distribution in cities and expanding capacities in advance, for garnering a substantial share of the emerging gas market. In petrochemicals, we are already the second biggest domestic player and are working towards increasing our market share further.



An IndianOil XTRAPOWERR SARAI large-format fuel station on National Highway-48 at Bawal in Haryana – exclusively developed for the benefit of truck fleets.