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Leadership through partnerships



Indian Oil Corporation Limited



At IndianOil, India's largest corporate, every customer, every shareholder, every employee and every stakeholder is a partner. It is a partnership that endures across geographical boundaries and cultural divides. And like most fruitful partnerships, we learn from each other, gain from each other's experiences and share our growth, prosperity and success. And as we grow together, every day we build a new partnership along the way in our continuous quest for global leadership.

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Indian Oil Corporation Limited

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

44th Annual Report

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

Indian Oil Corporation Limited

Indian Oil Corporation Limited (IndianOil) is the country's largest commercial enterprise, with a sales turnover of Rs. 1,19,848 crore (US \$ 25.22 billion) and profits of Rs. 6,115 crore (US \$ 1,287 million) for fiscal 2002.

IndianOil is India's sole representative in *Fortune's* prestigious listing of the world's 500 largest corporations, ranked 191 for the year 2003 based on fiscal 2002 performance. It is also the 17th largest petroleum company in the world. IndianOil has been adjudged Second in petroleum trading among the 15 national oil companies in the Asia-Pacific region, and is ranked 325th in the latest *Forbes'* "Global 500" listing of the largest public companies.

India's Flagship National Oil Company

Beginning in 1959 as Indian Oil Company Ltd., Indian Oil Corporation Ltd. was formed in 1964 with merger of Indian Refineries Ltd. (Estd. 1958).

As India's flagship national oil company, IndianOil accounts for 56% petroleum products market share, 42% national refining capacity and 67% downstream pipeline throughput capacity.

IndianOil controls 10 of India's 18 refineries with a current combined rated capacity of 49.30 million metric tonnes per annum (MMTPA) or 990 thousand barrels per day (bpd). These include subsidiaries Chennai Petroleum Corporation Ltd and Bongaigaon Petroleum Corporation Limited. It owns and operates the country's largest network of cross-country crude oil and product pipelines of 7,170 km, with a combined capacity of 52.75 MMTPA.

IndianOil's countrywide network of about 21,000 sales points is backed for supplies by its extensive, well spread out marketing infrastructure comprising 169 bulk storage terminals, installations and depots, 93 aviation fuel stations and 79 LPG bottling plants. Its subsidiary, IBP Co. Ltd, is a stand-alone marketing company with a nationwide retail network of over 2,000 sales points.

IndianOil reaches Indane cooking gas to the doorsteps of 35 million households in over 2,000 markets through the country's largest network of over 4,100 distributors. The country's leading *SERVO* brand lubricants from IndianOil, with over 42% market share and 450 grades, are sold through 8,000 retail outlets, besides a countrywide network of *bazaar* traders.

IndianOil's ISO:9002 certified Aviation Service, with 68% market share, meets the fuel and lubricants needs of domestic and international flag carriers, Defence Services and private aircraft operators.

To maintain strategic edge in the market place, IndianOil has planned investments to the tune of Rs. 24,400 crore during the X Plan period (2002-07), mainly in refining and pipeline capacity expansions, product quality upgradation, retail operations and diversification projects.

IndianOil is an "academy" company with a score of full-fledged training centers across the country building competency, confidence and capability to face the challenges of the market place. Among



these, the IndianOil Institute of Petroleum Management at Gurgaon, the IndianOil Management Centre for Learning at Mumbai, and the IndianOil Management Academy at Haldia have emerged as world-class training and management academies.

R&D

IndianOil's world-class R&D Centre has won recognition for its pioneering work in lubricants formulation, refinery processes, pipeline transportation and bio-fuels. It has developed over 2,100 formulations of *SERVO* brand lubricants and greases for virtually all conceivable applications – automotive, railroad, industrial and marine – meeting stringent international standards and bearing the stamp of approval of all major original equipment manufacturers. The Centre has to its credit over 90 national and international patents. The Centre has recently incorporated a subsidiary company for commercialising its innovations and technologies.

Expanding Horizons

IndianOil is metamorphosing from a pure sectoral company with dominance in downstream in India to a vertically integrated, transnational energy behemoth. The Corporation is making investments in E&P and import/marketing ventures for oil and gas in India and abroad, and is implementing a master plan to emerge as a major player in petrochemicals by integrating its core refining business with petrochemical activities.

Besides this, IndianOil is strengthening its existing overseas marketing ventures and simultaneously scouting new opportunities for marketing and export of petroleum products in foreign markets. Two wholly-owned subsidiaries are already operational in Sri Lanka and Mauritius, and regional offices at Dubai and Kuala Lumpur are coordinating expansion of business activities in Middle East and South East Asia regions.

The Corporation has launched eleven joint ventures in partnership with some of the most respected corporates from India and abroad – Lubrizol, Nyco SA, Elf, Petronas, Oiltanking GmbH, Marubeni, Mitsubishi, to name a few. *SERVO* lubricants are being exported to Dubai, Nepal, Bhutan, Kuwait, Malaysia, Bahrain, Indonesia, Sri Lanka, Kyrgyzstan, Mauritius, Bangladesh, etc.

IndianOil has been lending its expertise for nearly two decades to various countries in several areas of refining, marketing, transportation, training and research & development. These include Sri Lanka, Kuwait, Bahrain, Iraq, Abu Dhabi, Tanzania, Ethiopia, Algeria, Nigeria, Nepal, Bhutan, Maldives, Malaysia and Zambia.

IndianOil's sincere commitment to Quality, Safety, Health and Environment is reflected in the series of national and international certifications and awards (current ones listed separately) earned over the years.

The 17th largest petroleum company in the world, IndianOil, is well on its way to becoming an integrated, transnational Energy Corporate.

IndianOil. Bringing Energy to Life.



IndianOil

VISION

A major, diversified, transnational, integrated energy company, with national leadership and a strong environment conscience, playing a national role in oil security & public distribution.

MISSION

- ▶ To achieve international standards of excellence in all aspects of energy and diversified business with focus on customer delight through value of products and services, and cost reduction.
- ▶ To maximise creation of wealth, value and satisfaction for the stakeholders.
- ▶ To attain leadership in developing, adopting and assimilating state-of-the-art technology for competitive advantage.
- ▶ To provide technology and services through sustained Research and Development.
- ▶ To foster a culture of participation and innovation for employee growth and contribution.
- ▶ To cultivate high standards of business ethics and Total Quality Management for a strong corporate identity and brand equity.
- ▶ To help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience.

Objectives and Obligations

Objectives

To serve the national interests in the oil and related sectors in accordance and consistent with Government policies.

To ensure and maintain continuous and smooth supplies of petroleum products by way of crude refining, transportation and marketing activities and to provide appropriate assistance to the consumer to conserve and use petroleum products efficiently.

To earn a reasonable rate of interest on investment.

To work towards the achievement of self-sufficiency in the field of oil refining by setting up adequate capacity and to build up expertise in laying of crude and petroleum product pipelines.

To create a strong research and development base in the field of oil refining and stimulate the development of new product formulations with a view to minimise/eliminate their imports and to have next generation products.

To maximise utilisation of the existing facilities in order to improve efficiency and increase productivity.

To optimise utilisation of its refining capacity and maximise distillate yield from refining of crude to minimise foreign exchange outgo.

To minimise fuel consumption in refineries and stock losses in marketing operations to effect energy conservation.

To further enhance distribution network for providing assured service to customers throughout the country through expansion of reseller network as per Marketing Plan/Government approval.

To avail of all viable opportunities, both national and global, arising out of the liberalisation policies being pursued by the Government of India.

To achieve higher growth through integration, mergers, acquisitions and diversification by harnessing new business opportunities like petrochemicals, power, lube business, consultancy abroad and exploration & production.

Obligations

Towards customers and dealers

To provide prompt, courteous and efficient service and quality products at fair and reasonable prices.

Towards suppliers

To ensure prompt dealings with integrity, impartiality and courtesy and promote ancillary industries.

Towards employees

Develop their capability and advancement through appropriate training and career planning.

Expeditious redressal of grievances

Fair dealings with recognised representatives of employees in pursuance of healthy trade union practice and sound personnel policies.

Towards community

To develop techno-economically viable and environment-friendly products for the benefit of the people.

To encourage progressive indigenous manufacture of products and materials so as to substitute imports.

To ensure safety in operations and highest standards of environment protection in its manufacturing plants and townships by taking suitable and effective measures.

Towards Defence Services

To maintain adequate supplies to Defence Services during normal and emergency situations as per their requirement at different locations.

Financial Objectives

To ensure adequate return on the capital employed and maintain a reasonable annual Dividend on its equity capital.

To ensure maximum economy in expenditure.

To manage and operate the facilities in an efficient manner so as to generate adequate internal resources to meet revenue cost and requirements for project investment, without budgetary support.

To develop long-term corporate plans to provide for adequate growth of the activities of the Corporation.

To endeavour to reduce the cost of production of petroleum products by means of systematic cost control measures.

To endeavour to complete all planned projects within the stipulated time and cost estimates.

Board of Directors

Shri M.S. Ramachandran	Chairman
Shri P. Sugavanam	Director (Finance)
Shri A.K. Arora	Director (Refineries) (up to 31.03.2003)
Shri Jaspal Singh	Director (Refineries) (w.e.f. 01.04.2003)
Shri A.M. Uplenchwar	Director (Pipelines)
Shri P.K. Agarwal	Director (Marketing)
Shri A.K. Mitra	Director (Human Resources)
Dr. A.K. Bhatnagar	Director (R&D) (up to 31.12.2002)
Shri N.R. Raje	Director (R&D) (w.e.f. 01.01.2003)
Shri N.K. Nayyar	Director (Planning & Business Development) (w.e.f. 10.10.2002)
Shri Naresh Narad	Director (up to 11.11.2002)
Shri M.S. Srinivasan	Director (w.e.f. 20.12.2002)
Shri Shivraj Singh	Director (up to 14.03.2003)
Shri Prabh Das	Director (w.e.f. 24.04.2003)
Dr. Surajit Mitra	Director
Dr. R.K. Pachauri	Director
Shri M. Kalyanasundaram	Director
Prof. S.K. Barua	Director
Shri Vineet Nayyar	Director
Shri L. Sabaretnam	Director
Shri R.S. Sharma	Director
Shri R. Narayanan	Company Secretary



Principal Executives

S/Shri

Anjan Ghosh, IPS	Advisor (Security)	Narayan Prasad	Executive Director (Projects and M&I), Marketing HO
Shankar Aggarwal, IAS	Chief Vigilance Officer		
M B L Agarwal	Executive Director (Internal Audit), Corporate Office	R P Verma (Dr.)	Executive Director (Chemical Technology), R&D Centre
J K Verma	Executive Director (Projects), Refineries HQ	V P Sharma	Executive Director (Finance), Pipelines HO
P K Biswas	Executive Director, Haldia Refinery	V C Agarwal	Executive Director (Human Resources), Refineries HQ
P S Govindarajan	Executive Director, (IndianOil Institute of Petroleum Management)	B M Bansal	Executive Director, Mathura Refinery
Sobhan Ghosh (Dr.)	Executive Director (Refining Technology), R&D Centre	P S Ahluwalia	Executive Director (Lubes), Marketing HO
Rajendra Prasad	Executive Director (Safety, Health & Env.), Corporate Office	N G Kannan (Dr.)	Executive Director (Human Resources), Corporate Office
K M Bansal	Executive Director (Operations), Pipelines HO	T L Jain	Executive Director (Retail Sales), Marketing HO
K P Shahi	Executive Director, Special Assignment		
P S Rao	Executive Director (Operations), Refineries HQ	G C Daga	Executive Director (Consumer Sales), Marketing HO
B K Mittal	Executive Director (Human Resources), Pipelines HO	C K Raja	Executive Director (Technical), Mathura Refinery
V K Chawla (Capt.)	Executive Director (Shipping), Refineries HQ	P K Choudhary	Executive Director, Barauni Refinery
V K Chaudhri	Executive Director, (Marketing Coordination)	N Biswas	Executive Director (Finance), Refineries HQ
B K Mukherjee	Executive Director, Gujarat Refinery	C P Joshi	Executive Director (Human Resources), Marketing HO
S C Aggarwal (Maj.)	Executive Director (Projects), Pipelines HO	P K Atreya	Executive Director (Supplies & ID), Marketing HO
J K Nobis	Executive Director, Assam Oil Division		
R Shah	Executive Director (M&I), Refineries HQ	J K Puri	Executive Director (Optimisation), Corporate Office
S K Swaminathan	Executive Director (Retail Development), Marketing HO	Rohit Bhardwaj	Executive Director, Panipat Refinery

Performance at a Glance

	2002-03 US \$ Million	2002-03	2001-02 (Rs. in Crore)	2000-01	1999-00	1998-99
I FINANCIAL						
Turnover	25,226	1,19,848	1,14,864	1,17,371	94,141	69,430
Gross Profit *	2,281	10,837	7,533	5,860	5,971	4,993
Profit Before Interest & Tax	1,931	9,176	6,141	4,636	3,976	3,936
Profit Before Tax	1,771	8,414	4,599	2,962	2,970	2,733
Profit After Tax	1,287	6,115	2,885	2,720	2,443	2,214
Dividend	475	2,258	857	740	584	506
Dividend Tax	51	240	0	75	64	56
Retained Earnings	761	3,617	2,028	1,905	1,795	1,652
Value Added	3,728	17,714	14,706	12,989	12,210	10,864
Contribution to Central Exchequer	4,352	20,676	16,561	16,118	15,138	10,728
Cumulative Dividend	1,262	5,995	3,737	2,880	2,140	1,556

* Profit before Depreciation, Interest Expenditure and Tax.

What Corporation Owns

Gross Fixed Assets	7,199	34,204	29,741	27,144	23,107	17,226
Depreciation	2,649	12,584	10,961	9,634	8,431	6,480
Net Fixed Assets	4,550	21,620	18,780	17,510	14,676	10,746
Capital Work in Progress	760	3,609	5,200	4,527	3,517	4,420
Investments	1,129	5,363	9,722	3,444	3,149	5,568
Finance Lease Receivables	30	141	161	-	-	-
Working Capital	1,360	6,464	3,778	10,959	7,440	1,597
Misc. Expenditure	21	99	145	167	-	-
Total	7,850	37,296	37,786	36,607	28,782	22,331

What Corporation Owes

Net Worth						
- Share Capital	164	779	779	779	779	389
- Reserves	3,820	18,149	14,532	15,192	13,286	11,880
- Total	3,984	18,928	15,311	15,971	14,065	12,269
Borrowings	3,051	14,495	19,070	20,636	14,717	10,062
Deferred Tax Liability	815	3,873	3,405	-	-	-
Total	7,850	37,296	37,786	36,607	28,782	22,331

Note: Figures for the previous year have been regrouped, wherever necessary.

