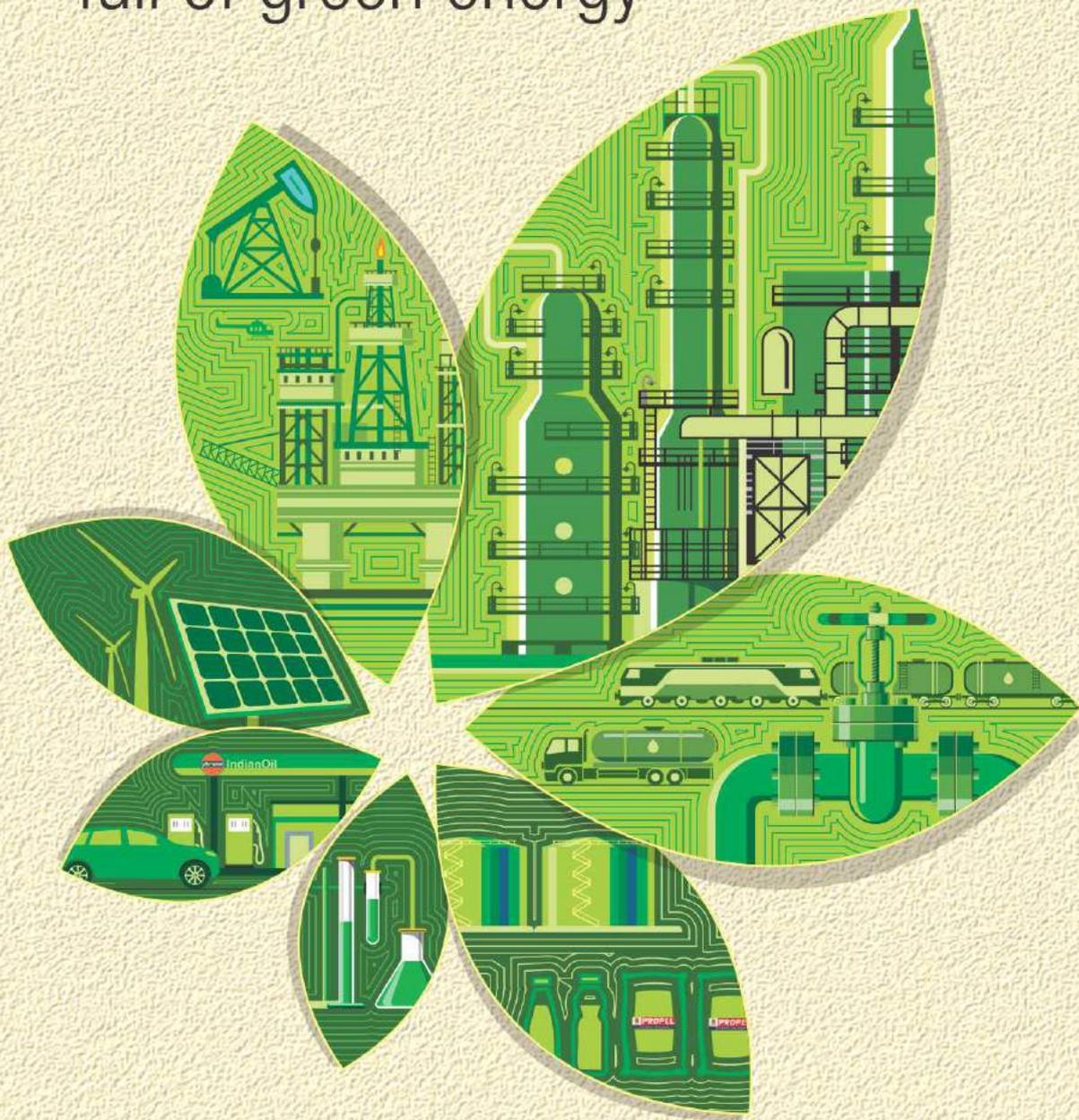


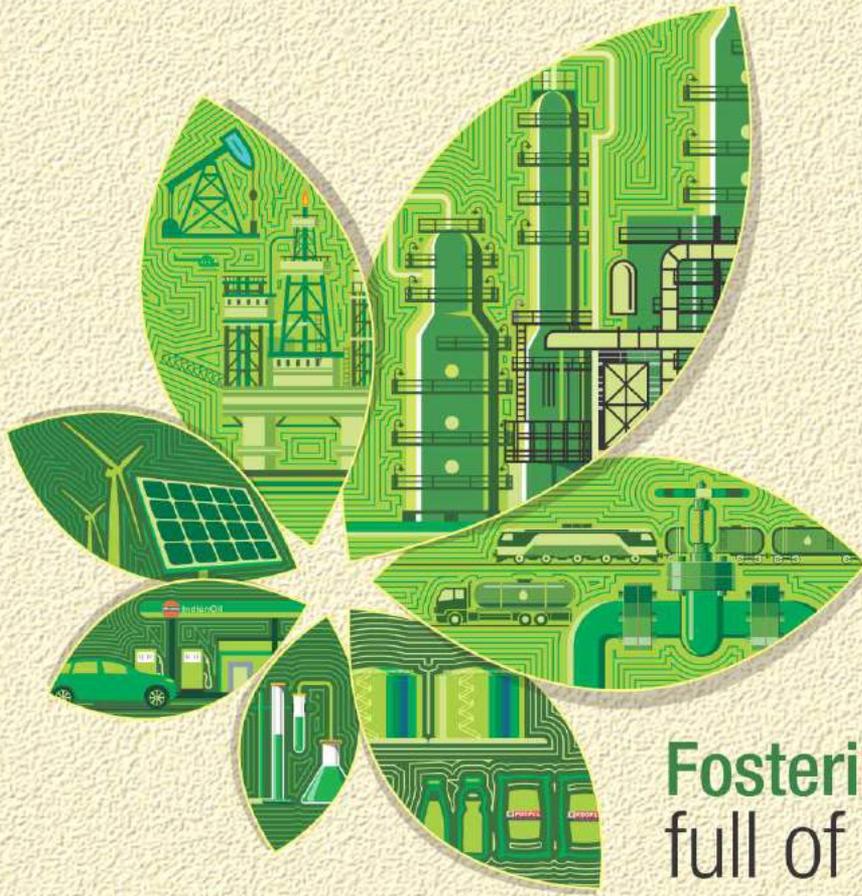


2018
YEAR OF TRUST

Fostering a future full of green energy



Integrated Annual Report 2017-18



Fostering a future full of green energy

As India's flagship energy major, IndianOil is proud to fuel the growth and development of the nation, with presence in almost all business verticals – oil, gas, petrochemicals and alternative energy sources – to realise its vision of being '*The Energy of India.*' Fully committed to ensuring a better future for the coming generations, IndianOil has taken numerous planet-friendly initiatives such as rolling out green auto fuels, deploying energy-efficient technologies, tapping renewable energy sources, etc. With India emerging as the fastest-growing major economy, IndianOil is well-positioned to capitalise on the many opportunities to foster a future full of green energy.

C O N T E N T S

• About the Report	2	• Standalone Financial Statements	155
• From the Chairman's Desk	3	▪ Independent Auditors' Report	156
• Highlights for the year 2017-18	9	▪ Balance Sheet	166
• IndianOil at a Glance	11	▪ Statement of Profit & Loss	168
• Governance	16	▪ Cash Flow Statement	170
• Strategy, Risk and Opportunity	20	▪ Notes	176
• Stakeholder Engagement and Materiality	25	• Income & Expenditure Account-Township etc.	266
• Value Creation Model	26	• Consolidated Financial Statements	268
• Description of Capitals	28	▪ Salient Features of the Financial Statement of Subsidiaries, JVs and Associates	377
▪ Financial Capital	28	• Comments of Comptroller and Auditor General of India	386
▪ Manufactured Capital	29	• Notice	389
▪ Human Capital	32	▪ Attendance Slip & Proxy Form	400
▪ Intellectual Capital	34		
▪ Social and Relationship Capital	37		
▪ Natural Capital	39		
• Leveraging Opportunities to be 'The Energy of India'	41		
• Board of Directors	42		
• Core Team	43		
• Senior Management Team	44		
• Objectives and Obligations	45		
• Main Offices & Major Units	46		
• Auditors, Registrar & Transfer Agent, Stock Exchanges, Bankers and Debenture Trustee	46		
• Group Companies & Joint Ventures	47		
• Performance at a Glance	48		
• Directors' Report	50		
• Awards & Accolades	66		
• Annexures to Directors' Report	69		
▪ Annexure I - Dividend Distribution Policy	69		
▪ Annexure II - SC/ST/OBC Report	70		
▪ Annexure III - CSR Report	71		
▪ Annexure IV - Secretarial Audit Report	79		
▪ Annexure V - Form AOC-2: Related Party Transactions	81		
▪ Annexure VI - Report on Energy Conservation, Technology Absorption and Foreign Exchange Earnings	82		
▪ Annexure VII - MGT-9: Annual Return	89		
• Management's Discussion & Analysis	103		
• Business Responsibility Report	118		
• Report on Corporate Governance	135		



Indian Oil Corporation Limited

Registered Office: IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East), Mumbai - 400051

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



IndianOil

About the Report

Indian Oil Corporation Limited (“IndianOil” or “the Company”) is an integrated energy major and the country’s largest commercial enterprise. As the top-ranked Indian corporate in *Fortune*’s ‘Global 500’ listing, IndianOil has been publishing its annual Sustainability Report since 2005-06, disclosing its performance on economic, environmental and social indices.

Commencing this year, the Company is publishing its first Integrated Annual Report for the year 2017-18 in alignment with the <IR> Framework laid down by the International Integrated Reporting Council. The report outlines IndianOil’s value creation process for stakeholders and its strategic response to various material issues identified, action taken and outcomes achieved with respect to the following six capitals:

- ➔ Financial Capital
- ➔ Manufactured Capital
- ➔ Human Capital
- ➔ Intellectual Capital
- ➔ Social and Relationship Capital
- ➔ Natural Capital

The integrated report also encompasses the key performance indicators as given by GRI (Global Reporting Initiative, an independent international organisation that has pioneered sustainability reporting since 1997) to depict the Company’s performance across six capitals.

The report captures forward-looking statements that go beyond the current reporting period FY 2017-18.

FROM THE CHAIRMAN'S DESK

Dear Valued Shareowners,

Greetings to you on behalf of the 33,000-strong IndianOil team.

It is once again my proud privilege to communicate with you through this Annual Report. This time, we have attempted to publish an Integrated Annual Report that not only details the Company's financial performance but also reflects its commitment towards value creation for its stakeholders. The integrated report makes specific reference to six key capitals, i.e., Financial Capital, Manufactured Capital, Human Capital, Intellectual Capital, Social & Relationship Capital and Natural Capital.

The integrated report emphasises the strong bonds of trust that IndianOil has built with its stakeholders over time and IndianOil's initiatives towards continuous growth in an exciting world of challenges and opportunities.

Industry Trends

The overall global economy continues to be robust and there is a broad consensus on acceleration of global GDP growth in the current year. India's GDP growth in 2018-19 is expected to accelerate to 7.4%, driven by improving global demand, investment revival, rejuvenation of rural demand, and reduction of internal barriers by GST.

For the global oil & gas industry, geo-political uncertainties remain a key factor. After the comparatively lower price regime during 2014-17, crude oil prices began to rise again from July 2017, impacting import-dependent economies like ours. The recent US sanctions on Iran have added further uncertainty to an already volatile market. However, Saudi Arabia and Russia have indicated increased supplies to provide a balance in the interest of both oil-producing as well as oil-importing countries.

Oil-importing countries too are taking necessary steps for energy security. With our plans of 10% reduction in oil imports by the year 2022, IndianOil is expanding its non-oil energy portfolio as well as focussing on energy conservation and efficiency improvement measures.

IndianOil: 360° Excellence

I am delighted to inform you that 2017-18 has been a great year for the Company across divisions and verticals, and we have once again surpassed previous records and posted a remarkable performance, both in physical and fiscal terms.

The net profit of ₹ 21,346 crore is the highest ever earned by your Company and, for the second consecutive year, IndianOil has emerged as the most profitable Central Public Sector Enterprise.

Indeed, our differentiators are our strong financials – our net worth of ₹ 91,664 crore, our debt/equity ratio of 0.53:1 and our comfortable debt level of ₹ 58,030 crore. Our EBITDA of ₹ 43,079 crore is the highest ever; so are our earnings of ₹ 5,06,428 crore. As a national trust for economic prosperity, our contribution to the exchequers is also high at ₹ 1,90,670 crore.

The total Equity (Share Capital and Reserves & Surplus) of the Company crossed Rupees One Lakh crore during the year and stood at ₹ 1,10,171 crore as on 31st March 2018.

Besides an interim dividend of ₹ 19/- per share paid during

Shri Sanjiv Singh



the year, the Board of your Company has recommended a final dividend of ₹ 2/- per share. This is in addition to successive issue of bonus shares in the ratio of 1:1 during the financial years 2016-17 and 2017-18.

Consolidating Core Business

IndianOil energises all sectors of the economy and all sections of society, taking a wide range of products & services closest to the end-users through its countrywide network of customer touch-points. The Company is constantly innovating and deploying technology to align its processes, products and services with the changing aspirations of its customers.

In 2017-18, IndianOil achieved record sales to lead the market, besides expansion of marketing infrastructure and retail network, particularly fuel stations and LPG distributorships. New aviation fuel stations (AFS) commenced operations at Puducherry, Kadapa and Shillong, raising their total to 107. 'Smart terminals' concept was introduced at 21 more locations during the year, taking their cumulative tally to 84.

With rigorous monitoring and in-time execution of projects, IndianOil achieved the capital expenditure target of over ₹ 20,000 crore for the year 2017-18.

IndianOil's LPG sales crossed 10 million tonnes during the fiscal. The Company released more than one crore LPG connections for the third consecutive financial year. For customer convenience, *Indane* refill booking facility was enabled through IndianOil's official Facebook and Twitter pages also.

Daily price revision of automotive fuels, petrol and diesel, was



IndianOil

rolled out across the nation in June 2017 to further streamline the mechanism. The Company's automated fuel stations have now crossed the 13,000 mark, covering 50% of the network, providing more efficiency and transparency. Over 34% of them have also converted their operations to run on solar energy.

IndianOil's *SERVO* brand improved its market share in finished lubricants during the year. Several strategic steps were taken to further improve performance.

With Paradip Refinery achieving 100% capacity utilisation during the year, IndianOil refineries together achieved a record annual throughput of 69 MMTPA, which was 5.8% higher than that of the

With state-of-the-art infrastructure, IndianOil has been serving the nation for six decades.



previous year. The year 2017-18 also witnessed the highest ever production of MS, HSD, ATF, LPG, bitumen, polypropylene and Linear Alkyl Benzene. Mathura & Panipat refineries commenced BS-VI grade auto fuel supplies to the National Capital Territory (NCT) from April 1, 2018 to meet the advanced timeline.

To boost flexibility in crude oil sourcing, the Company's crude oil basket was further expanded with inclusion of 16 new grades, 11 of which were of US origin. IndianOil was also the first among Indian refiners to import and process US crude oil. Enhanced operational efficiency, processing of opportunity crudes (heavy low-sulphur, heavy high-sulphur and high-TAN) and a marked reduction in unplanned shutdowns helped improve gross refining margin for IndianOil refineries.

Several initiatives were taken to minimise crude oil costs in a volatile market scenario. Besides movement of the highest-ever quantity of crude oil by sea, better vessel freight rates and reduction in shipping costs yielded additional savings.

For IndianOil pipelines too, 2017-18 was yet another year of expansion and consolidation, as the network crossed the 13,000-km mark and achieved 3.5% higher combined throughput compared to the previous year. With the commissioning of the 1,073-km Paradip-Raipur-Ranchi pipelines system, finished products are now being pumped to all terminals en route, resulting in significant savings in transportation costs.

In R&D, the year was marked by deployment of major

in-house technologies at the Company's refineries as well as commercialisation of many lubricant formulations. An Octamax

5 kg Indane cylinders being marketed at the Dal Lake Floating Bazar, Srinagar (Photo courtesy: IOCIan Arun Khanna)



unit was commissioned at Mathura Refinery to produce high-octane fuel for BS-VI gasoline pool with technology conceptualised by IndianOil R&D. Over 80 patents were filed during the year and approval was received for 54, taking the total number of active patents beyond 600. A BS-VI emission test facility was commissioned for all types of fuels such as petrol, diesel, ethanol-blended petrol, bio-diesel, CNG, LNG, Hydrogen-CNG and 2G-ethanol blends as per superior BS-VI norms.

A number of indigenously developed technologies by IndianOil R&D are being deployed while upgrading the Company's refineries for production of BS-VI fuels.

Accelerating Extended Businesses

IndianOil's growing business verticals of Petrochemicals, Natural Gas and Exploration & Production have become integral business drivers for the Company.

Riding on a robust consumer demand and patronage, in addition to growing domestic market, IndianOil's *PROPEL* brand petrochemicals have also found acceptance in 75 countries.

With a committed workforce, IndianOil ensures petroleum product supplies to the Nation 24x7x365



'Innovation' being one of its core corporate values, IndianOil has developed several pioneering & path-breaking technologies that have been commercialised



With focus on market expansion, the Company developed a number of polymer grades customised to specific applications during the year.

IndianOil's natural gas sales grew by nearly 2% during the year. To meet growing demand, the Company imported the highest-ever volumes of LNG during the year and also tied up with producers for additional quantities.

The Company's upstream assets registered a 66% growth in annual production and a 99% growth in revenue. Acquisition of stakes in Russian fields has been a major factor in this uptick. During the year, IndianOil acquired participating interest in two more overseas producing assets, Lower Zakum, Abu Dhabi, and Mukhaizna of Oman, as part of a consortium.

Preparing to be Future-Ready

As the leading refiner in the country and a dominant player across a diverse portfolio of offerings in energy, IndianOil is focussing on all emerging opportunities for organic and inorganic growth through vertical integration and strategic diversification, besides

pursuing value-creating research areas.

As part of this, projects costing approx. ₹ 32,000 crore are in various stages of execution and plans are underway for implementing more projects costing about ₹1.43 lakh crore in the next five years.

Driven by the growing demand for POL products, IndianOil has ambitious plans to almost double its current installed group refining capacity of 80.7 MMT per annum (MMTPA) to about 150 MMTPA by the year 2030. This includes greenfield refineries of IndianOil subsidiary Chennai Petroleum Corporation Ltd. (CPCL) and the proposed Ratnagiri Refinery & Petrochemicals Ltd. (RRPCL), apart from numerous brownfield expansions.

RRPCL is proposed to be developed as the world's largest integrated greenfield refinery-cum-petrochemicals complex. It will be built by an Indian consortium consisting of IndianOil, BPCL and HPCL along with Saudi Aramco and ADNOC.

Several pipeline projects with a combined capital expenditure of over ₹ 20,000 crore are under implementation. Upon completion, IndianOil's pipeline network would expand to about 20,000 km in length. A 69-km pipeline is also being laid to transport petroleum products to Nepal.

IndianOil has decided to infuse equity in Paradip Plastic Park Ltd, a JV with Industrial Development Corporation of Odisha to promote downstream plastics-based units near Paradip Refinery. The Company has plans for setting up a Textiles Park in Odisha based on the feedstocks available from Paradip Refinery/Eastern India.

Looking at the future, the Company is strongly focussed on offering a bouquet of eco-friendly energy options other than liquid fuels to its customers. These would include natural gas, LNG, CNG, PNG, autogas, biogas, Hydrogen and electricity.

The 5-MMTPA LNG terminal being set up by IndianOil at Kamarajar Port in Ennore has achieved an overall progress of over 90% till now and would be commissioned by the end of the current year. In line with the growing requirement of gas, the Company is booking capacities in other LNG terminals also, both on the east and west coasts of India.

IndianOil is developing three natural gas pipelines – Mallavaram-

With exports to 75 countries, IndianOil is focussing on strengthening its presence in the domestic petrochemicals sector besides overseas market .





IndianOil

IndianOil Refineries achieved a record crude oil throughput during the year.



Bhopal-Bhilwara-Vijaipur, Mehsana-Bhatinda & Bhatinda-Jammu through its joint venture companies. IndianOil is partnering in the development of a 1,500-km natural gas pipeline grid in the Northeast to connect Guwahati to other major cities of all N.E. States.

IndianOil is currently operating City Gas Distribution (CGD) networks, offering CNG for vehicles and PNG for households, in nine Geographical Areas (GA) through two joint ventures. Considering the growth potential in gas business, the Company is aggressively taking part in the various bidding rounds for Gas.

The Company is also collaborating with fleet owners and automobile manufacturers to promote the use of LNG as transportation fuel.

During the year, the Company's R&D Centre took up demonstration trials on the country's first Hydrogen fuel cell-powered bus in collaboration with Tata Motors. It has also set up a pilot plant to facilitate studies on conversion of carbon-dioxide to high-value lipids.

In sync with the expected demand for electric mobility, IndianOil was the first company to set up a fast-charging station at Nagpur during the year, followed by one each at Delhi and Kolkata and two in Hyderabad.

Comprehensive trials are on with reputed partners to achieve better performance and durability in lead-acid batteries and other energy storage applications as well as solar-to-green fuel technologies through the compressed solar power route.

For demonstration and scaling up of technologies developed in-house and for advanced research on alternative energy options, nanotechnology, etc., a second campus of the R&D Centre is coming up, also at Faridabad. The first phase of technology deployment from the new campus is expected from 2019-20.

Under IndianOil Start-up Fund, 11 projects were selected for funding and incubation. The projects are being mentored by in-house domain experts along with National Research Development Corporation.

Considering the global high-price oil scenario, the Company is also looking at options for part-substitution of transportation fuels with renewables. Petrol-ethanol blends are already being

marketed, and the same can be extended to methanol. Options of vegetable oils, dimethylether and methanol are available for blending with diesel.

The Company is in the process of setting up three plants, in Gujarat, Haryana and UP, for production of 2G-ethanol from lignocellulosic biomass like paddy straw, corn-cobs, etc.

IndianOil is working on a new model to produce bio-CNG from Methane and its application as a transportation fuel. For this, bio-gas produced from waste/bio-mass sources like farm residue, cattle dung, sugarcane press mud, municipal solid waste and sewage treatment plant waste would be utilised. This would also help utilise waste productively, minimise emissions and reduce pollution. The Company has signed MoUs with nine parties to retail Bio-CNG through its marketing network.

IndianOil has tied up with National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) for facilitating the setting up of plants to process bio-mass/bio-waste to produce bio-CNG.

Hindustan Urvarak & Rasayan Ltd. (HURL), incorporated in June 2016 as a joint venture with Coal India Ltd. and NTPC for revival of the fertiliser plants located at Gorakhpur (Uttar Pradesh), Sindri (Jharkhand) & Barauni (Bihar), has awarded LSTK contracts for all

IndianOilPeople: Committed to Excellence



the three projects. This has set the stage for commencement of commercial production of neem-coated urea from all the three plants by the beginning of the year 2021.

Besides overseas subsidiaries already operating in Sri Lanka, Mauritius and UAE, a new subsidiary was incorporated in Singapore, a branch office was opened in Myanmar and a representative office was opened in Bangladesh during the year. The Company has established business ties with corporates operating in Bangladesh and Myanmar for cooperation in marketing and allied services for LPG and ATF respectively.

Corporate with a Conscience

IndianOil has taken many initiatives on the sustainability and CSR fronts also.

IndianOil's portfolio of wind-power and solar energy has crossed

200 MW during the year. The Company has also been focussing on reducing its carbon and water footprints, LED lighting across installations, rainwater harvesting systems and waste-to-energy processes.

IndianOil has commissioned three waste-to-energy plants, each of 5 tonnes per day capacity, in Varanasi under *Swachh Bharat Abhiyan*. The electricity produced from biogas generated by these plants is being used to power street lights in the vicinity.

The Company's Mathura and Gujarat refineries have begun preparations for using treated sewage water from Mathura and Vadodara cities for plant operations in place of fresh water.

IndianOil has always been a corporate with a conscience, focussing on education & skill development of unemployed and under-employed youth; drinking water & sanitation for rural populace in far-flung areas; health & hygiene through hospitals and medical outreach; etc., in its comprehensive CSR programme.

The Company's 200-bed Assam Oil Division Hospital in Digboi, established in 1906, is equipped with modern medical facilities. It caters to a population of 2 lakh, with the catchment area extending to neighbouring Arunachal Pradesh and other nearby areas of the Northeast. The Assam Oil School of Nursing, Digboi, was established in 1986 to provide professional training in the field of nursing & midwifery to unemployed girls. The Assam College of Nursing started functioning in the same premises in 1984 with intake of 30 students in B.Sc. (Nursing) course. A 50-bed *Swarna Jayanti Samudaik* Hospital set up by IndianOil in Mathura, Uttar Pradesh, provides subsidised medical assistance to residents near Mathura Refinery.

IndianOil had set up a Skill Development Institute (SDI) in Bhubaneswar in 2015. The foundation stone for its permanent campus was laid by the Hon'ble President of India in March 2018. Besides regular courses connected with petroleum & petrochemicals sectors, SDI plans to offer skill courses in advanced technology areas such as Artificial Intelligence, Internet of Things, Robotics, Machine Learning, Virtual/Augmented Reality, 3-D Printing, etc., in collaboration with IIT-Kharagpur.

The Hon'ble President of India also inaugurated the Institute of Chemical Technology-Mumbai - IndianOil campus at Bhubaneswar. For this, IndianOil has collaborated with ICTM to offer innovative programmes such as an integrated M.Tech., executive M.Tech. for industrial personnel, as well as Ph.D. programmes.

As a special incentive to unemployed youth, the Company engaged over 3,500 apprentices in technician trades during the year. They are being provided training and industry exposure for one year along with stipend.

The IndianOil Foundation, a non-profit trust fully funded by IndianOil, has developed tourist-friendly infrastructure and associated facilities at Konark Sun Temple in Odisha, which include a state-of-the-art Interpretation Centre that showcases the unique architectural features of the UNESCO world heritage site.

Support to sports is yet another area where the Company has made a mark. Many of its leading sportstars have shone at the Commonwealth Games-2018 in Australia, bringing laurels for India and IndianOil.

As part of *Ujjwala Diwas*, IndianOil conducted 7,453 LPG Panchayat

events pan-India and released 6.15 lakh new LPG connections. Over 1,000 senior officers across divisions participated as facilitators in the day's events that brought together LPG customers to discuss about safe and sustainable use of LPG.

Corporate success in the coming years will depend on understanding, assimilating and using cutting-edge technology efficiently. Accordingly, IndianOil is revamping its IT landscape to create a robust IT infrastructure and a digital Centre of Excellence. Besides pump-locator maps, mobile apps and SMS services for retail customers, an integrated portal, mobile app and MIS system

IndianOil is focussed on expanding the countrywide reach of LPG - a safe and green fuel.



were developed for institutional/bulk consumers.

IndianOil is in the process of setting up an ambitious customer-facing portal designed to deliver next-generation customer experience and offer service/support across any line of its business.

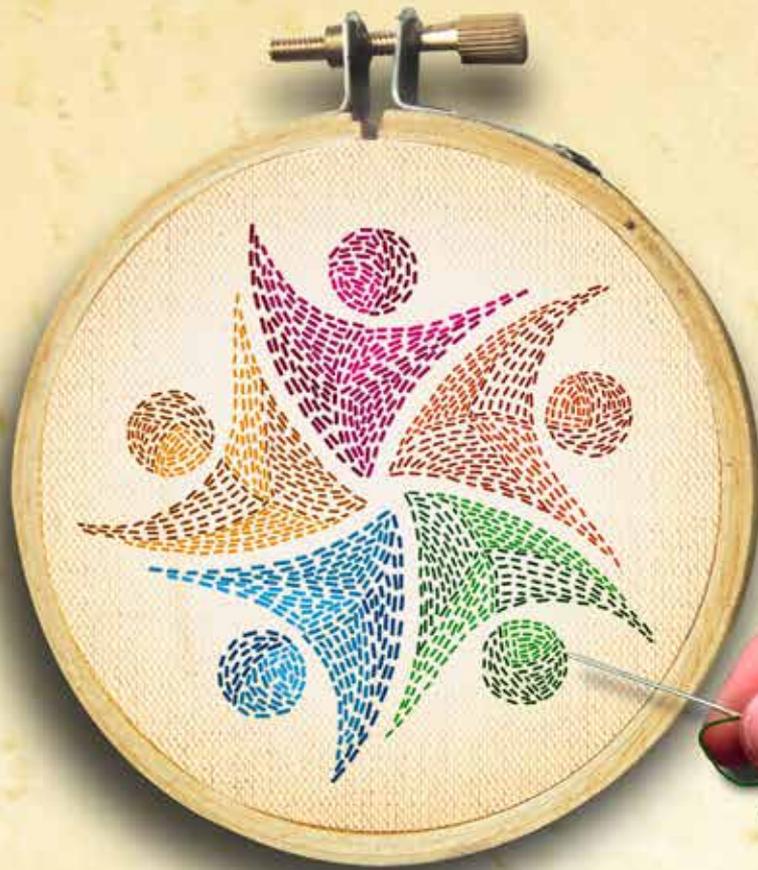
While technology will be a significant enabler in our business strategy, the key differentiator will continue to be our human resource. Thus, it shall be the Company's constant endeavour to address human interactions with care and sensitivity. The Corporation's flagship Leadership Competency Development Programme, *Project Saksham*, is creating new opportunities to make learning an ongoing process in the organisation, besides regular need-based developmental interventions at transition points. I am also happy to report that the Company is building e-learning platforms that will enable IOCIans to become independent learners and enhance their skill-sets and capabilities in order to be future-ready.

Focussing on Trust as the 'one thing that changes everything in business and life', IndianOil is observing 2018 as the *Year of Trust*, and encouraging all IOCIans to not only internalise this core corporate value but also demonstrate it in full measure in all their dealings both within and outside the Company. All our divisions are making synergistic efforts to co-create a flexible and agile corporate focussed on customer convenience and stakeholder value.

I look forward to the continued support and encouragement of all our shareholders in this endeavour.

Sanjiv Singh

Sanjiv Singh
Chairman



IndianOil... *A Tapestry of Trust*

Enduring relationships are like a beautiful tapestry, a joy and inspiration forever....

Generations of IOCIans working in unison have spun the beautiful fabric of IndianOil with loving CARE, unmatched PASSION, constantly leveraging INNOVATION, earning the dividends of TRUST across the stakeholder spectrum. Serving the nation since 1959, we are now entering our Diamond Jubilee Year, proud to be fuelling the world's fastest growing economy.

With an engaging work-culture, IndianOil has always been a *Great Place to Work* that provides ample opportunities for growth across a wide spectrum of challenging assignments.

We 33,125 IOCIans, proud of our glorious legacy and energised by an inspiring leadership, are today aiming for the stars, yet rooted in timeless core values - in our constant quest for 360-degree excellence.

IndianOil. *The Energy of India*

