

## **Minutes of Communication Meeting held on 7<sup>th</sup> April 2011**

The Communication Meeting was held at the Corporate Office in New Delhi on 7<sup>th</sup> April 2011. Mr. RS Butola, Chairman, IndianOil, presided over the meeting. Functional Directors, departmental heads in divisional headquarters, unit heads of Refineries, Marketing, Pipelines and R&D Centre, heads of overseas subsidiaries, and State Office heads of Marketing Division, attended.

While the entire proceedings of the meeting were webcast live across IndianOil locations and the video recording has been placed on the Portal, the highlights are given here below:

### **CHAIRMAN**

Chairman gave his perspective of the national and international oil scenario. He also drew attention to the fact that gas is replacing liquid fuel and we need to keep that fact in mind while drawing our future plans. We must also be ready to take on competition when total deregulation takes place.

Chairman advised specific actions in the following areas -

#### A) Refineries –

- Need for optimizing the crude basket and improving heavy crude processing facility
- Developing plans for improving margins through stream sharing and for managing dynamic demand
- Timely completion of PDRP

#### B) Pipelines –

- Using demand forecasting for planning movement of POL, including ATF, to gain first-movers advantage.
- Unlocking and reducing dead stock of crude oil lying in the pipelines and optimizing operations.
- Enhancing the quantum of products moving through pipelines to match the international benchmark.

#### C) Marketing –

- Exploring the possibility of filling domestic LPG cylinders near demand centres following the auto LPG model
- Developing a customer-centric approach

#### D) Business Development –

- Enhancing cross-functional cooperation to optimize the cost of polymer production.
- Consolidating and building on what has been done in new areas so far, rather than making forays in all areas
- Creating the structure and developing / building skill-sets In E&P
- Consolidating and aiming for leadership status in the gas vertical.

E) R&D –

- Keeping abreast of the latest breakthroughs in technology and striving to be ahead of the curve.
- Using the Polymer research infrastructure to boost the petrochemicals business.

F) HR and Safety –

- Correcting the skew in the age profile of officers identified for leadership roles.
- IIPM to improve its offerings and become the training centre of choice for IOCIans.
- Upgrading safety systems and ensuring compliance with SOPs.

**DIRECTOR (FINANCE)**

- D(F) shared the financial highlights of the period Apr- Dec 2011 and indicated that FY 2011 had closed with an under-recovery of Rs. 43,200 crore.
- SAP version upgraded for enhanced applications. For Workflow applications, SAP payroll has been started, to be implemented in a phased manner.
- B2B transactions have been started with BPC and HPC and e-collections have resulted in savings of Rs. 62 crore.
- The ownership of our partners in the joint venture - Lubrizol India – has changed and has been acquired by Berkshire Hathaway Inc. Our business relations, however, remains unchanged.
- An additional import of 465 TMT HSD has been lined up for taking care of planned refinery shutdown.

**DIRECTOR (Marketing)**

- Dir (Mktg) shared the highlights of the performance and plans to augment the infrastructure
- Sales grew by 5% (3.1 MMT) to touch 66.84 MMT of products and market share increased to 49.6% (industry) and 54.4% (among PSUs). 900 new ROs including 575 KSK stations commissioned during the year. There was also a growth of about 23% in non fuel revenue.
- He informed about the challenges being effectively faced in order to meet the commitment for increasing LPG penetration into the rural market
- Dir (Mktg) shared regarding the new initiatives undertaken for customer satisfaction including LPG booking through SMS and IVRS.
- Need to ensure good maintenance of infrastructure at all marketing locations to prevent accidents and mishaps. Action has been taken to create awareness on disaster management plans and inculcating behavioral safety.
- Since gas is the fuel of the future and is competing with liquid fuels, there is a need to add CNG dispensing stations at our existing ROs wherever possible so as to offer a full bouquet of options to our customers.
- Need to take steps to boost market share in commercial and bulk LPG.

## **DIRECTOR (Pipelines)**

- Pipelines Division recorded the highest ever throughput of 67.3 MMT – an increase of 5.2% over previous year.
- Approval has been obtained for capacity enhancement of Salaya-Mathura Pipeline. Board approval has been obtained to build Paradip-Haldia-Durgapur LPG pipelines as well as for augmentation of Paradip-Haldia-Barauni pipeline.
- Offshore pipelines laid as part of the crude handling facilities at Paradip. Work on SBM is underway. The Sanganer terminal has been restored and commissioned.
- 246 tankers, including 37 VLCCs berthed at Paradip during 2010-11. 123 tankers including 81 VLCCs were handled at Vadinar during the period.

## **Refineries Division**

- Director (Pipelines) also spoke on the Refineries Division in the absence of Director (Refineries). He said that with the capacity enhancement of Haldia to 7.5 MMT and that of Panipat to 15 MMT, IndianOil became the nation's largest refiner at 65.7 MMT.
- Refineries Division achieved a throughput of 53 MMT during 2010-11 surpassing the previous best 51.4 MMT with a capacity utilization of 102%. Specific energy consumption came down to 59.3 MBN.
- The first phase of PRDP is expected to be commissioned by March 2012. The Naphtha Cracker is under stabilization.
- There is a need to increase gas utilization to improve refining margins. Gas supply agreement with GAIL for supply of 0.85 mmscmd of gas to Mathura has been renewed for two years.

## **DIRECTOR (R&D)**

- New refining process technologies were developed that included one based on hydroprocessing for selective Mercaptan removal for ATF production.
- New catalyst and additives were developed such as Indmax catalyst formulation, catalyst system for reducing T-95 point of diesel, i-Max Premium ZSM-5 additive for Guwahati Refinery Indmax unit, bottoms upgrading additive for Gujarat FCC unit, value added E-Cat and Alumina support for hydroprocessing catalysts.
- A new DHDS catalyst, INDICAT-DH-IV, was deployed to make BS-III/BS-IV diesel.
- In Lubricant Technology, 126 product formulations were developed during the financial year 2010-11 catering to entire gamut of Indian Industries out of which more than 85% commercialized. 46 OEM and customer approvals and defence certifications were received along with approvals for industrial lubricant grades.
- A Master plan for pursuing Research & Development in Solar Energy areas such as Solar Photovoltaics, Solar Thermal & Solar Hydrogen has been approved.
- A Retort pilot plant for extraction of oil from oil shale has been commissioned.
- A state of the art Petrochemical and Polymer Research Facilities successfully commissioned.

## **DIRECTOR (HR)**

- D (HR) spoke about making of e-PMS more transparent.
- On recruitments, Director (HR) said a total of 579 officers were recruited in 2009-10. Despite the fact that almost 4800 officers were recruited in the last five years, shortages have still been felt in certain pockets. About 3600 people are anticipated to leave IndianOil in the next five years on account of retirement, attrition etc.
- He informed about the enterprise-wide executive manpower study being conducted and additionally a study on Succession Planning being carried out. There is also an inter-Divisional committee revisiting the career paths and the transfer policy.
- D(HR) shared information on the new benefits and perks
- On CSR he informed that our endeavour would be to make it more project-based. Further a new pan India IndianOil Rural Healthcare project has been linked to the KSKs and will roll out as a pilot project in Assam, Andhra Pradesh and UP.
- He also indicated that Training's focus will be more on quality and transfer of learning rather than quantity
- 3740 ROs and 347 LPG Distributorships were inspected by the Anti-Adulteration Cell and recommendations have been sent to Marketing Division which is taking appropriate action.
- He informed about the SABF scheme as well as IBP's cryogenic business

## **DIRECTOR (P &BD)**

- D (P&BD) spoke on the need to move towards sustainable energy solutions and business practices in the light of the current instability in the oil producing nations and related circumstances.
- The new business verticals have, for the first time, contributed to revenue of over Rs. 10,000 crore during 2010-11 with a gross margin of Rs. 317 crore earned by gas business. However, he expressed concern that on a standalone basis, the petrochemicals business has not yet started adding to the profitability.
- He shared the achievements in sale of PTA , LBA , polymers and gas. Need to tap the western India market that constitutes 40% of petrochemical sales in the country.
- D (P&BD) informed that the Board has approved the 5 MMT LNG terminal at Ennore at a cost of over Rs. 4300 crore. Fiscal incentives for the project have also been announced by the Govt. of Tamil Nadu.
- A JV has been formed with Adani to participate in CGD projects across India. MoU has been signed with Swan Energy to offtake LNG from its facility coming up at Pipavav in Gujarat.
- As part of consortium with ONGC (40%) and OIL (30%), IndianOil (30%) has won two shallow blocks in the Kerala-Konkan basin in the NELP-IX round.
- IndianOil has won the bid to set up a 5 MW solar photovoltaic project at Barmer.
- The capex for this year is expected to be Rs. 9800 crore which is about 68% of the BE.