

## **Minutes of Communication Meeting held on 12<sup>th</sup> April 2010**

The Communication Meeting was held at the Corporate Office on the 12<sup>th</sup> April 2010 and was attended by Chairman, Functional Directors, heads of departments, locations and state offices.

**The excerpts of the meeting are placed below:**

### **Chairman:**

- Speaking at the first Communication Meeting after assuming additional charge as Chairman, he shared the situation in terms of under-recoveries.
- Expressing satisfaction with the organization wide physical performance, he said that the MS Quality upgradation projects at Barauni, Guwahati, Digboi and Bongaigaon refineries were in advanced stages of completion. He also shared that the Euro-IV compliant fuels were launched recently in 13 cities as mandated by the Hon'ble Supreme Court.
- He informed that the revenue from the Business Development vertical has risen from Rs. 6042 crore last year to Rs. 6731 crore this year. Sales of PTA has grown by 30%, 1.89 MMTPA and 126 TMT of Natural Gas and LAB were sold respectively during the year.
- He also shared that with the approval of the Cabinet Committee of Economic Affairs, IndianOil is set to invest USD 434 million in Venezuela, its largest investment in any overseas project so far. Gas Sales Agreements have been signed with NTPC and GSPC. He also informed the house that a joint venture agreement has been signed with TSRC, Taiwan and Marubeni, Japan to set up a Styrene Butadiene Rubber unit at Panipat.
- He advised that in order to utilize resources optimally and increase operational efficiencies, substantial cost reduction at the operational level is a major thrust area of the MoU signed recently with the Government for the year 2010-11

### ***Area of concern:***

- Work at height is one of the major areas of concern to ensure safe work places.
- Unsafe handling of products.
- Non-reporting of all cases of near-misses and negligence.
- A few cases of unethical dealings have been reported.

## **Director (Finance)**

- Sharing the financial performance of the period, Director (F) said that April 2010 onwards, the oil price has been moving upwards to USD 80 per barrel and the approximate under recovery is expected to be between Rs. 85,000-90,000 crore. There is also no provision in the Union Budget announced and the situation is precarious.
- We have been taking various measures to decrease the interest burden substantially, he said.
- IndianOil has received bonds worth Rs. 7,100 crore and Rs. 11,000 crore still remains uncovered. IndianOil has written to the Government for more bonds to post good profits.
- Recently, the Kirit Parikh committee has submitted its recommendations for petroleum pricing and we hope they would be accepted. However, no decision has been taken yet.
- He commended the IS group for implementation of ERP for Lanka IOC.
- He informed about the financial closure in respect of PDRP.
- He was happy to share that IndianOil has won the prestigious Euromoney Award for the best Project Finance Indian Downstream Oil and Gas Deal of the year 2009. This was for the long term loan facility for the Paradip refinery project.

## **Director (HR)**

- All pending issues related to Officers' Pay Revision have been concluded except Hardship location allowance. Pay Scales of officers in Grade A, B, F & G, which were on ad hoc basis have now been fixed in regular DPE scales of E3, E4/E8 and E8 respectively. Decision has also been taken for conversion of Special Pay into Basic Pay to the extent that the officer was losing his Basic Pay due to presence of Special Pay during the period between 1.1.1997 to 31-12-2006
- Discussion on Pay Revision for workmen is in progress. Unions who were initially insisting for 5 years periodicity have now agreed for 10 years periodicity in their meeting on 17.3.2010. Next meeting at Divisional level is scheduled for 16.4.2010.
- Yearly exercise of promotions and placements was completed by 31<sup>st</sup> March 2010 as per schedule. Approval for additional positions at the level of officers in Grades G, H & I is pending with MOPNG.
- We would be recruiting 200 engineers in 6 different disciplines through open recruitment during the year 2010. First time, we would be using GATE (Graduate Aptitude Test in Engineering)-2010 score for this purpose. 62,000 applications have been received on-line against our advertisement for Open Recruitment of 200 Engineers. 405 candidates, who were empanelled through Campus Recruitment during 2009 would be

- Rental ceiling for Company Leased Accommodation has been fixed at HRA plus 10% of middle of the Scale. There is a special provision on case-to-case basis to fix rental ceiling for Company Leased Accommodation at maximum of the scale with the approval of Chairman. This has already been approved for Panipat and Karnal city.
- Post Retirement Medical Attendance Scheme (PRMAS), which is revised after every 4 years has now been revised w.e.f. 1<sup>st</sup> April 2010. This has been the Company funded Scheme so far. Now, as per DPE Guidelines, it would be funded by serving employees out of their 30% of Basic Pay + DA meant for Retiral Benefit Schemes.
- ePMS was first time introduced in 2005-06. We have already experienced the new system for 4 years. We have also received DPE Guidelines of May 2009 regarding total openness of confidential reports to the employees. Taking into consideration, the experience of operation of ePMS during last 4 years and DPE Guidelines of May 2009, certain changes were proposed and EC has approved the same on 8<sup>th</sup> April 2010. These changes in ePMS are under implementation.
- IBP and Bongaigaon Refinery SABF Trust already approved the merger of respective Pension Fund with IOC SABF Trust. IOC SABF Trust has now approved merger of IBP and Bongaigaon Refinery Pension Fund with that of IOC on 29.1.2010 and 7.4.2010 respectively. With this, all activities of integration of these two subsidiary Companies have been completed.
- As a part of Golden Jubilee celebrations, IOC Board approved the Chair Professor at IIT-Kanpur at a cost of Rs.40 lac in the area of Petroleum Technology. MoU was signed with Director, IIT-Kanpur on 3<sup>rd</sup> February 2010 at R&D Centre, Faridabad.
- Corporate Social Responsibility (CSR) budget has been enhanced from 0.75% of net profit to 2% of retained profit during the year 2009-10. CSR parameters are also now part of the MoU with Govt. of India. Board has constituted a Committee on CSR consisting of 3 independent Directors, 1 Govt. nominee Director, Director (Mktg.) and Director(HR).
- Coffee Table Book namely “IndianOil 50 – the Story in Pictures” has been printed. One copy of the book is to be given to each employee. Deluxe version of the book is meant for giving to business contacts.
- IIPM has received the prestigious Golden Peacock Training Award in recognition of its innovative practices during 2009-10. IIPM was also re-certified to the Quality Management System as per ISO 9001:2008. IIPM has signed a 5 year MoU with MDI, Gurgaon for Industry Academia collaboration. A new 4 week Programme on “Fraud Investigation & Prevention: a Systems Based Approach” was designed and conducted at IIPM in association with M/s. Kingdom Management, UK. IIPM also conducted 3 Summer Schools for Industry Academia interaction on various subjects during 2009.

- IndianOil was conferred the Prestigious “Innovative HR Practices Award 2009-10 at World HRD Congress at Mumbai during February 11-13, 2010.
- Anti Adulteration cell inspected 4788 ROs during 2009-10 as compared to 4594 during 2008-09. 9 samples failure were detected during 2009-10 as compared to 4 during 2008-09. 677 short deliveries cases were found during 2009-10 as compared to 526 in 2008-09. 8 ROs were terminated during the year.
- Explosives business of IBP Division recorded a sale of 57,642 Metric Tonne of Bulk explosives during 2009-10 showing growth of 12.6%.

**Director (Marketing):**

- Sharing the good operational performance, Director (Marketing) said that sales during the year 2009-10 had grown by 3.3%. Retail business grew by 10.2% consumer business by 1.7% (excluding Naphtha and LSHS). In the LPG business, Auto sales rose by 31%, NDNE by 28% and bulk LPG by 35%. Aviation business grew by 2% as compared to the last year.
- Reiterating IndianOil’s commitment to green fuels, he said that w.e.f 1<sup>st</sup> April 2010, BS-IV compliant MS and HSD were introduced in the stipulated 13 cities and BS-III compliant fuel in Goa.
- He also informed the house that IndianOil’s first round-the-clock C-store – ‘Top-UP’ – has been launched in New Delhi in collaboration with M/s. Godfrey Philips. In order to boost customer service and motivate forecourt staff, over one lakh pump attendants across over 11,000 ROs have been insured.
- Speaking about infrastructure enhancement, he said that with the commissioning of 240 regular ROs and 412 KSKs during the year 2009-10, the total network strength has gone up to 18,662 including 2947 ROs. 40 new AutoGas LPG Dispensing Stations (ALDS), 40 lakh new LPG connections, 90 new LPG distributorships and 258 new consumer pumps were commissioned during the year.
- He also shared information about tying up new business with industrial and lube consumers and airlines. SERVO Lubes have also been introduced in Qatar taking the tally of overseas lube distributors to 16. Pre-monsoon topping in the Northeast has also been completed by the end of March 2010, he added.
- As a special initiative to extend the reach of LPG to rural customers, the Rajiv Gandhi *Grameen LPG Vitarak Yojana* was launched under the aegis of the MOP&NG.
- IOML: During the year, overall sales grew by 11% and market share stood at 24.4%. By offering third party sample testing services, the IOML lab earned revenue of Rs. 13 lakh.
- IOSL: Maintaining the reputation of providing fast service, IndianOil Skytanking delivered 400,000 KI of ATF and ensured 63% market presence.

- IOME: Finished lube sales grew by 143% and base oil by 43%. During the year, SERVO product line available in Oman was upgraded by launching API SL level engine oils.

### **Director (Refineries)**

- Director(Refineries) shared the performance of the refineries group and said that year 2009-10 was a year of commissioning and the two important projects were the Panipat Naphtha Cracker Plant and Hydrocracker at Haldia.
- Over Rs 20,000 crore worth of projects were commissioned which was creditable, he said.
- The Naphtha Cracker at Panipat which is the country's largest and IndianOil's first was commissioned in 46 months which is comparable to global standards and much better than Indian plants.
- The propylene was routed to storage in 22 days and is totally stabilized.
- Haldia hydrocracker set a new benchmark in India with commissioning in 57 days after mechanical completion which is the shortest possible time.
- In terms of physical performance it was the third consecutive year in which we crossed 100% capacity utilization which was despite large number of M&I shutdowns.
- We also recorded the highest distillate yield and the energy consumption is not only lowest ever but also lower than the industry average for the year.
- Stream sharing ensured optimization due to combined efforts of marketing and refinery groups. The intermediate streams were shared to saturate the unutilized spare capacity of secondary treating facilities and operation of Mathura Refinery at normal crude throughput despite the shutdown of major secondary unit (OHCU) was a clear illustration of stream sharing benefit.
- Crude from Cairn Energy is proposed to be introduced through pipeline at Radhanpura anytime now.
- Our Panipat, Mathura and Haldia refineries started supplying Euro-IV Fuel from Jan,2010. This was followed by supplies of Euro-III Grade fuel by these Refineries as well as Gujarat, and other Refineries will be ready for all India rollout of Euro III compliant fuel by October,2010.
- GRMs during the period April-March 2010 have been recorded at USD 4.55 compared to USD 3.69 last year.
- We have also embarked upon TPM to improve reliability of Plant & Machinery. Our Barauni, Panipat and Guwahati refineries have won TPM excellence award. The TPM has helped the synergizing of production, maintenance and service functions. Director(R) also urged other divisions to look at TPM for implementation.

- Two CDM projects have been registered during the year with potential of more than CERs. There is an urgent need to move forward on this in the future.
- In a significant development, IndianOil has won the case against Trafigura.

### **Director (R&D) and Incharge S,H&E**

- Director (R&D) reiterated the commitment of R&D centre to innovate to add value to IndianOil's operations.
- Stressing on the importance of sharing experiences, Director (R&D) said that each near miss event that need root cause analysis must be shared with S,H&E department so that the entire Corporation benefits from the learnings. Over 8000 near miss were reported during the execution of massive PNCP project leading to excellent safety record. He further emphasised that marketing and Pipeline division should also start reporting near misses, for which training to be conducted for each employee and incentive may also be given for reporting near misses.
- The last decade has been an important decade for research and development in IndianOil and several landmarks & milestones were achieved. Demonstration of Indmax, DHDSA, IndeTreat/IndeSweet technologies, DHDS Catalyst, IndVi additive, and Marine Oil technology, besides pioneering work on 1<sup>st</sup> generation biofuels, H-CNG research and starting research in petrochemicals/polymers was the hallmark of the decade just gone by.
- The next decade starting this year shall be the decade of IndianOil technologies going global.
- The R&D centre continued to provide effective technical support to IndianOil's refining & petrochemical business and several innovations have enhanced value in the production process.
- The R&D has developed 181 lubricant formulations in the last year, of which 75% were commercialised. 65 OEM/Customer approvals and defence re-certifications were also obtained.
- R&D centre also entered into 11 collaborative agreements, significant of these are; NREL, USA on Biofuels, Pratt & Whittney, Canada, Deakin University, Australia, NORNER, Norway, TERI, NTPC, IISc, Bangalore etc.
- Several seminars and conferences were also organized that will not only further research efforts but also foster effective industry-academia interface. The R&D organised a programme on Corrosion Control in Refining Industry and one summer school on Tribology for the academia.

## **Director (Pipelines)**

- Chennai-Bangalore Pipeline operationalized three months ahead of the schedule. Product delivery has commenced to Marketing Division at Bangalore Terminal on 6<sup>th</sup> April 2010
- Pipelines Division registered an excellent performance with ever ever-highest operational throughput of 63.98 million tonnes of crude oil and petroleum products during the financial year 2009-10.
- Our offshore crude oil terminal at Vadinar, Mundra and Paradip handled 141,35 and 42 tankers respectively during the year
- Intelligent Pig Survey of Koyali-Viramgam Section of Koyali-Sanganer Pipeline, Guwahati-Siliguri Pipeline & Haldia-Mourigram-Rajbandh has been completed and Haldia-Barauni Pipeline and Koyali-Ahmedabad Pipeline is in progress.
- Proposed amendments in P&MP Act were introduced in the Lok Sabha on 16th March 2010, which envisages tough punishment on pilferer and onus of proof lies on accused.
- Bijwasan-Panipat Naphtha Pipeline has been completed in all respects and commissioning is awaited pending the readiness of Panipat Refinery for receipt of product.
- Dadri-Panipat RLNG Pipeline: Stiff resistance is being faced in completing this pipeline. Farmers are demanding high compensation apart from other demands. Continuous meetings are being held with the farmers to resolve the issue with the help of District Admn and Ministry of MoP&NG. Negotiations with the villagers are still going on.
- Mathura-Bharatpur product pipeline and Branch pipeline from KDPL to Hazira are anticipated to be mechanically completed shortly.
- The cadastral survey is nearing completing for Paradip-Raipur-Ranchi Pipeline. Tender for procurement of mainline pipes is being floated.
- All statutory clearances have been received for the additional tanks and blending facility at Vadinar and other field works are going on as per the schedule.
- The process of design & engineering of Integrated Offshore Crude handling facilities at Paradip have been completed and procurement process is on and hope we will meet the target.
- Mundra-Panipat Pipeline: Restoration work of Sanganer Pump Station is under progress. Detailed engineering done. Daily follow up is maintained with the State Govt. authorities for early clearance.
- Gujarat High Court has issued a judgement in favour of IOCL regarding levy of stamp duty on imported goods delivered in the State of Gujarat which has an annual impact of approximately Rs.75 crore to the Corporation.
- For the first time, Pipelines Division has initiated Total Productivity Maintenance (TPM) in Mathura-Delhi Pipelines.
- Pipelines Division organized HR Conclave – 2010 in which eminent dignitaries participated to share HR practices.

