

## Chairman's Note

### Tony Fountain

Executive Chairman



Dear Shareholders,

While we are reporting on matters for FY2020, it would be bizarre not to talk about the Company in context of the Coronavirus. This pandemic has triggered events that are personally and societally the most significant in our life-time, for the majority of us. Clearly hundreds of thousands have tragically lost their lives across the world from this ghastly virus. But it is the impact of the measures broadly adopted by Governments across the world to prevent much wider loss of life that have a more direct impact on the majority. This has resulted in restrictions on personal liberties not previously experienced, but also triggered the worst global recession in modern economic history.

The oil industry has been one of the most affected sectors. Our normal environment is one in which small single figure changes in supply and demand have a big impact on prices and margins. In this environment, we lost 40 percent of demand during the early mass lockdowns, and globally more than 10 percent across the year. We saw a precipitous drop in oil prices in the first instance, before producers have made huge cuts. Refinery margins have been at the very bottom end of all-time lows.

#### Nayara Energy's Response to the Pandemic

Adversity certainly brings out the best in Nayara team. The focus has been on a few critical areas. Firstly, managing the wellbeing of our people – complying with all the prescriptions and recommendations but also reaching out to ensure everyone is safe and feel the support of the company and colleagues. Secondly, to support our communities and the economy more broadly, we have deployed our CSR funds towards COVID-19 relief measures in our district through distribution of ration kits, procurement of ventilators and fumigation vehicles to the municipality. Over a thousand Nayara Energy retail outlets have been carrying out local

relief activities across the country. We have kept all of retail network open so those who can and need to be mobile can be fueled. Thirdly, we are doing everything we can to protect the company for our owners. Since we can export as well as supply the domestic market, our volume reductions have been lower than for most Indian industry participants. As we are efficient, we continue to produce significant cash from operations even in this very challenging environment. Our finance team has been working endlessly to steer us through this period.

Finally, we continue to look to grow in petrochemical and are progressing this agenda in a disciplined phased manner. Not only do we believe this is a move in the right direction for the business but these projects will also help get Gujarat and India back to work and create material employment and entrepreneurial opportunities.

#### Business Performance

Focusing purely on FY2020, we continued strongly with our transformational agenda while delivering a robust performance against an already challenging environment.

As part of our transformation journey, we continued our focus on driving the digital agenda in key business areas - strengthening digital resilience and IT modernization, which helped us to deliver seamless and secure work-from-home during this unprecedented pandemic. Digitization has been introduced in several processes across the business streams.

Our Vadinar refinery continued to deliver strong operational performance despite challenging market with the throughput remaining above the rated capacity, also processing optimum level of advantageous tough feedstock while maintaining high level of reliability. Even in tough environment, we continue to expand our crude basket processing nine new varieties of crudes during the year.

The marketing division continued its extraordinary performance with a significant growth in retail network as well as our supply & distribution network getting more efficient with Wardha depot operationalization, new hired terminals & hospitality arrangements. On retail front, we continued to expand in the high margin markets, adding more than 550 retail stations, achieving outstanding 18% year-on-year volume growth – far superior to our industry peers. From the environment protection and support perspective, our retail network underwent smooth transition from BSIV to BSVI product specification as well as delivered on other mandated compliance requirements w.r.t vapor recovery system and dispensing unit conversion. As part of the automation initiatives across our retail business, we have achieved automation for over 50% of the existing retail network.

On financial front, the company delivered a 14% growth for year-on-year EBIDTA and also achieved significant interest savings along with the optimization of our liability profile.

In order to maintain high standards of Ethics and integrity, we have significantly strengthened our compliance and governance processes and launched whistle blower program through “speak up” campaign which encourages our employees, associates, partners and other stakeholders to come forward and express their concerns without fear of punishment or unfair treatment.

On behalf of the Board of Directors of Nayara Energy, I want to thank you for your continued trust and support.

**Tony Fountain**  
Executive Chairman

