



## Directors' Report

### DEAR MEMBERS

On behalf of the Board of Directors, it gives me immense pleasure in presenting to you the sixty-sixth Annual Report on the Performance of the Corporation, together with the Audited Financial Statements for the financial year ended March 31, 2018.

### HIGHLIGHTS

(₹ / Crores)

	Consolidated		Standalone	
	2017-18	2016-17	2017-18	2016-17
<b>FINANCIAL PERFORMANCE</b>				
Sales/Income from Operation	2,43,399.40	2,13,904.15	2,43,226.66	2,13,488.95
Profit before Depreciation, Interest and Tax (PBDIT)	13,562.42	14,583.03	12,521.39	12,091.77
Depreciation & Amortization Expenses	(2,834.40)	(2,776.37)	(2,752.75)	(2,535.28)
Finance Cost	(617.88)	(609.24)	(566.71)	(535.65)
<b>Profit before Tax (PBT)</b>	<b>10,110.14</b>	<b>11,197.42</b>	<b>9,201.93</b>	<b>9,020.84</b>
Tax Expenses	(2,891.86)	(2,961.60)	(2,844.86)	(2,812.04)
<b>Profit after Tax (PAT)</b>	<b>7,218.28</b>	<b>8,235.82</b>	<b>6,357.07</b>	<b>6,208.80</b>
Balance brought forward from previous year	17,415.73	13,382.37	16,747.75	14,740.12
<b>Amount available for Appropriation</b>				
<b>Appropriations\ Others:</b>				
Debenture Redemption Reserve (net)	75.78	-	265.13	-
Dividend	2,321.29	(3,477.70)	2,321.29	(3,477.70)
Tax on distributed profits	472.56	(707.98)	472.56	(707.98)
Other Comprehensive Income that will not be reclassified to profit or loss(Net of tax)	57.06	(16.78)	(56.67)	(15.49)
Other Appropriations	-	-	-	-
<b>Balance carried forward</b>	<b>21,973.01</b>	<b>17,415.73</b>	<b>20,632.77</b>	<b>16,747.75</b>
<b>SHAREHOLDERS' VALUE (₹)</b>				
Earnings per Share	47.37	54.05	41.72	40.74
Cash Earnings per Share	69.03	77.37	62.54	61.51
Book Value per Share	167.56	138.28	157.16	133.53

PHYSICAL PERFORMANCE (MMT)	2017-18	2016-17
Market Sales (Including Exports)#	36.89	35.22
Crude Thruput:		
Mumbai Refinery	8.64	8.51
Visakh Refinery	9.68	9.30
Total Crude Thruput	18.28	17.81

#Market Sales (including exports) as per Ind AS is 36.87 MMT for FY 2017-18 and 35.23 MMT for FY 2016-17.



## SALES/INCOME FROM OPERATIONS

Your Corporation has achieved Sales/Income from operations of ₹ 2,43,226.66 crores in 2017-18 as compared to ₹ 2,13,488.95 crores in 2016-17 on standalone basis.

## PROFIT

Your Corporation has earned Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) of ₹ 12,521.39 crores in 2017-18 as against ₹ 12,091.77 crores in 2016-17 and profit after tax of ₹ 6,357.07 crores in 2017-18 as compared to ₹ 6,208.80 crores in 2016-17 on standalone basis.

## DIVIDEND

The Board, in its meeting held on February 09, 2018 declared an interim dividend of ₹ 14.50 per share.

The Board of Directors, after taking into account the Financial Results of the Corporation during the year, have recommended dividend of ₹ 2.50 per share (2016-17 : ₹ 1.10 per share). The total dividend for the year 2017-18 works out to ₹ 17.00 per share as against ₹ 30.00 per share for the year 2016-17.

The amount of proposed dividend totaling to ₹ 459.26 Crores, inclusive of ₹ 78.31 Crores for Corporate Dividend Tax on distributed profits, shall be dispensed from the profit after tax for the year.

## BONUS SHARES

The Board of Directors in their meeting dated 26th May, 2017 and pursuant to the approval of Shareholders through Postal Ballot, have issued Bonus shares in the ratio of one equity share of ₹ 10 each for two existing equity shares of ₹ 10 each in the month of July 2017.

## INTERNAL RESOURCES GENERATION

The Internal Resources generated during the year were ₹ 6,735.53 Crores as compared to ₹ 5,534.65 Crores in 2016-17 on standalone basis.

## CONTRIBUTION TO EXCHEQUER

Your Corporation has contributed a sum of ₹ 69,751.51 Crores to the exchequer during the year by way of duties and taxes, as compared to ₹ 67,451.87 Crores in 2016-17 on standalone basis.

## MEMORANDUM OF UNDERSTANDING (MOU) WITH GOVERNMENT OF INDIA

Your Corporation has been signing a Memorandum of Understanding (MOU) with the Ministry of Petroleum & Natural Gas. The performance of the Corporation for the year 2017-18 qualifies for "Excellent" rating basis self-evaluation.

## REFINERY PERFORMANCE

FY 2017-18 has carried forward the growth profile for your refineries and shown a remarkable performance for the third consecutive year. This sterling performance has recorded the best ever crude processing with a combined refining throughput of 18.3 MMT surpassing previous year's thruput of 17.8 MMT with a capacity utilization of 115%.

Higher crude processing translated into enhanced production of Petroleum Products with your refineries recording best ever MS, HSD and LOBS production levels. Towards diversification of products Mumbai refinery has also added new grades of Lube product Elasto 710 – R and Elasto Supreme – H (RAE).

For the first time, USA crude "Mars Blend" was purchased by your Corporation and processed at Visakh refinery. Extending the pioneering effort towards usage of Grid power, Mumbai Refinery becomes first amongst PSUs to enter into power purchase agreement for 10 MW Green power from NTPC Vidyut Vyapar Nigam Ltd.

Continuing its focus towards a safe and secure work environment, both refineries have put in place a robust system to bring in safety awareness amongst personnel in their respective assignments on a regular basis. Both refineries have undertaken safety management evaluation by external agencies. In this year, Mumbai refinery has achieved best ever safety record since its inception with 21.54 Million Safe Man Hours.

Refineries have planned capacity enhancement under Mumbai Refinery Expansion Plan (MREP) to 9.5 MMTPA and Visakh Refinery Modernization Plan (VRMP) to 15 MMTPA. Back-end activities like technology and licensor selection, BDEP are completed and orders finalized for Major Process units, utilities and long lead items for both these projects. The project includes Bottoms Upgradation and BS VI fuel production in compliance to GOI guidelines for implementation by 1st April 2020.

The green field refinery cum petrochemical project at Rajasthan has picked stride and "Commencement of work" for Rajasthan Refinery Project was inaugurated by Hon'ble Prime Minister on 16.01.2018. For petrochemical complex PCPIR at Kakinada, pursuant to a MoU between GoAP, GAIL & HPCL, detailed feasibility and financial appraisal study for petrochemical complex at Kakinada was completed.

Your Corporation's R&D Centre (HPGRDC) was conferred as 'R&D Company of the Year' from 'The Energy & Climate Initiatives Society' at 'Global Refining & Petrochemicals Congress'. HPGRDC has worked on number of technologies /products viz. H2 PSA Technology, SprayMax FCC Feed Nozzle, HP-CORMIT, HP DLA, HP DWA, HP-TRAE, HPFurnOKare, HP-ENOCT, HP-DAK and



HP2FCC Catalyst. During 2017-18, 14 Indian and 4 International Patents have been filed by HPGRDC

The particulars with respect to conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo are detailed in **Annexure I**.

The particulars relating to control of Pollution and other initiatives by Refineries are listed in **Annexure II**.

#### Operating Performance of Refineries (Refinery-wise):

Parameter	Unit	Mumbai Refinery	Visakh Refinery
Crude Thruput	TMT	8,641	9,635
Capacity utilization	%	115.2	115.7
Distillate yield	%	77.4	74.5
Fuel & Loss	%	7.2	7.14
Specific Energy Consumption	MBTU/BBL/ NRGF	84.38	77.33
Gross Refinery Margin	\$/Bbl	7.40	6.20

#### MARKETING PERFORMANCE

The year 2017-18 saw your Corporation doing exceedingly well across all business verticals -Retail, LPG, Direct Sales, Aviation, Lubes, Gas and Renewables marketing streams. Your Corporation has reinforced its winning streak, by recording the best ever physical performance during 2017-18, by achieving a sales volume of 36.9 Million Tonnes (including exports), compared to sales of 35.2 Million Tonnes during the previous year 2016-17.

In the Domestic sales segment, your Corporation recorded a growth of 4.4% over previous year volume with market share of 23.66% (excluding Petcoke/ LNG) amongst PSU companies as on 31st March, 2018.

In the Motor-Fuel segment, your Corporation has achieved a sales volume of 23.76 Million Tonnes as against 22.78 Million Tonnes during 2016-17. Your Corporation commissioned 669 new retail outlets, out of which 256 outlets cater to customers in rural area, crossing the magic mark of 15,000 retail outlets and the network totalling to 15,062 outlets. Under Digital India initiative, impressive 96.4% retail outlets were provided with availability of three digital payment modes. Further, your Corporation completed automation at 3,558 retail outlets which is the highest amongst OMCs.

Domestic LPG marketing continued to be a thrust area for your Corporation. An enrolment of 77.20 Lakhs new LPG Gas (Domestic) customers has been completed during the year,

which includes 41.25 Lakhs customers enrolled under Pradhan Mantri Ujjwala Yojana during 2017-18. Your Corporation's domestic LPG customer base now stands at a robust 692.8 Lakhs, wherein the domestic fuel quantity supplied during the financial year 2017-18 stands at 5.28 Million Tonnes. The other government initiative "Give It Up" campaign was also a thrust area for your Corporation, which has helped in a significant way to promote the PMUY programme. Your Corporation was the first Oil Marketing Company to roll out owned LPG rakes under Liberalised Wagon Investment Scheme (LWIS) of the Ministry of Railways. Your Corporation commissioned Panagarh LPG plant with a bottling capacity of 250 TMTPA which is the biggest LPG plant in Asia.

In the Aviation business line, your Corporation achieved a sales volume of 729 TMT with growth of 5.4%. During 2017-18, three new ASFs at Srinagar, Tirupati and Patna were commissioned. Under Regional Connectivity Scheme, 3 new locations were commissioned at Vidyanagar, Jalgaon and Mundra.

Your Corporation continues to cross new milestones in the significantly profitable Lubricants business segment in the Indian market, in which players from the MNC segment, private sector and public sector are very active. Your Corporation achieved a landmark total Lubricants sales of 603 TMT and has retained its No. 1 position for the fifth consecutive year and crossed 600 TMT for the second year in succession. Your Corporation has commenced lube marketing in Myanmar.

In the emerging Natural Gas Business, a consortium of HPCL & OIL has been authorized by PNGRB for setting up of CGD network in Kolhapur and Ambala-Kurukshetra. In the renewable energy front, your Corporation commissioned 750 kW Capacity Solar Captive Plant at Bahadurgarh POL terminal.

Your Corporation continued to focus on enhancing the efficiency and reliability in operations of the Operations, Distribution and Engineering locations, which has helped to register the highest ever throughput of 50 MMT through its POL installations. New depot at Nalagarh was commissioned during the year taking the total of the operating POL installations to 82. Various new initiatives were launched during this year including SMART Terminal concept which would increase efficiency, transparency and safety, leveraging technology to maximize accuracy at supply points by minimizing human error.

Simultaneously, your Corporation has also achieved an all-time high pipeline thrupt of 20.4 MMT during the year, which commensurately aided in minimizing the product placement costs. Commissioning of Ramanmandi Bhatinda Pipeline capacity augmentation and direct pumping facility at Bahadurgarh-Trikrikalan pipeline commenced.



In support of Swachh Bharat Abhiyan (SBA) during the year, your Corporation constructed 1,956 number of clean Toilets in Retail Outlets on SH/NH with separate facilities for men/women.

A detailed discussion of the performance of the Marketing function is given in the Management Discussion & Analysis.

**Goods and Service Tax (GST)** has been successfully rolled out in your Corporation w.e.f. 01st July 2017. This touched a large number of IT systems including ERP. It involved design and development of a number of new processes and applications, enhancement of existing processes to ensure compliance, data migration and generation of output as required by GSTN. All this was implemented with minimum change for end User.

### TREASURY MANAGEMENT

During the year, your Corporation has successfully issued a maiden foreign currency bond of USD 500 Million at semi-annual coupon rate of 4.00 percent p.a. for a period of 10 years. The issue was oversubscribed more than 6 times with a final order book size over USD 3 billion from close to 225 investors accounts. Issue also has achieved a price tightening of 32.5 bps over an initial price guidance which is one of largest tightening seen for any Investment Grade issuer out of India in recent years. The issue eventually priced on the tighter end at UST10 + 167.50 bps.

Leveraging your Corporation's reputation and image in the international market, your Corporation was able to re-finance high cost ECB loans to the tune of US\$ 500 million at a significantly lower cost besides extending their maturity.

Your Corporation effectively used a variety of borrowing instruments to optimize its cost of borrowings. The short term borrowing requirements was met through Collateralized Borrowing and Lending Obligations (CBLO), Commercial Papers (CP), MIBOR Linked Loan and Cash Credit facility from consortium banks. Revolving line of credit in USD was also effectively utilized to manage changes in fund requirement.

Temporary surplus of funds was invested at best rates deriving substantial income on such investment. These funds were invested in term deposit with approved public sector and other scheduled banks (other than Cooperative Banks), debt schemes of public sector mutual funds and Treasury Bills.

Your Corporation has commanded best possible international long term issuer rating of "Baa2" with "Stable" outlook from M/s. Moody's Investors Services and "BBB-" rating from Fitch Ratings with "stable" outlook. Both ratings are at par with sovereign rating. In addition to maintaining highest domestic rating for long term and short term facilities from CRISIL and India Rating and

Research Limited, during the year, your Corporation has obtained from ICRA a long-term rating of "AAA" with "stable" outlook and a short-term rating of "A1+" to the bank facilities, Non-Convertible Debentures and Commercial Papers programme of HPCL.

### INTERNAL FINANCIAL CONTROLS

Your Corporation has adequate Internal Financial Controls for ensuring the orderly and efficient conduct of its business, including adherence to the Corporation's policies; the safeguarding of its assets; the prevention and detection of frauds and errors; the accuracy and completeness of the accounting records; and the timely preparation of reliable information, which is commensurate with the operation of your Corporation. As part of this exercise, the design of internal controls, and its operating effectiveness, for the key business processes is tested by independent experts. Based on the review carried out, independent experts have confirmed that they are satisfied with the effectiveness and adequacy of Internal Controls over Financial Reporting. The entire activity of review and assessment of Internal Controls was carried out under the guidance of a Steering Committee set-up for this purpose.

### RISK MANAGEMENT POLICY

Risk is inherent to all businesses and the key to success is to anticipate, take and manage the right risks. In today's VUCA (Volatile, Uncertain, Complex and Ambiguous) world, the external and internal environment is changing at an ever increasing pace and which, in turn, requires businesses to not only manage the existing risks but anticipate emerging risks and deploy mitigating strategies on a continuous basis. It is imperative for businesses to design a robust enterprise risk management framework to identify all existing and emerging risks, minimize the impact and seize the opportunities created by these continuously evolving changes.

Your Corporation has adopted a well-defined process for managing its risks on an ongoing basis and for conducting the business in a risk conscious manner. There are defined processes for identification, assessment and mitigation of risks on an ongoing basis. Risk assessment is considered as critical input for decision making related to strategy formulation and capital allocation.

Your Corporation has also leveraged technology to integrate and automate the entire process of enterprise risk management. Your Corporation has also engaged the services of an independent expert to assist in continued implementation of effective Risk Management framework and improve the framework further. These self-regulatory ERM processes and procedures form part



of our Risk Management Charter and Policy, 2007.

Risk Management Steering Committee (RMSC) continues to provide its guidance in this regard. Your Corporation has put in place mechanism to inform Board Members about the risk assessment and minimization procedures, and periodical review to ensure that executive management controls risks by means of a properly identified framework.

## VIGILANCE

During the year, as a part of Preventive Vigilance outreach activity, various campaigns were run for administering E-Integrity Pledge. More than 2.70 lakhs E-Integrity pledges were taken by employees and other stakeholders like vendors, dealers, customers etc. thru e-kiosks, LPG consumer IVRS etc

Interactions with employees including new recruits and other stakeholders were held. Surprise inspections were carried out. Coordination with agencies like CBI, CVC, Vigilance wing of MOP&NG etc. was done apart from carrying out investigation of complaints received from offices of MOP&NG, CVC, CBI and other sources.

During the year, your Corporation's Vigilance Department was conferred with Vigilance Excellence Award in the Outstanding category from the Central Vigilance Commission (CVC).

Review of several operating areas for system improvement was also carried out during the year.

## INDUSTRIAL RELATIONS

As a result of a proactive approach, Industrial Relations remained harmonious across the Corporation. It is worth mentioning that not only was there no loss of productivity due to IR issues, but also this year witnessed productivity increase across locations which amply demonstrate the maturity of our Unions and commitment of employees. Various Settlements were signed with the Unions in the areas of Productivity Enhancement, Redeployment etc. which is the outcome of Trust and the healthy IR climate in your Corporation.

Union representatives play a major role and act as communication channel/change agents for communicating and implementing of various policies and initiatives. Therefore, it is imperative that the various initiatives and policies are shared with the important stakeholder so as to communicate with the non-management employees apart from our regular communication channels. In this regard 8 workshops were held under the program "HP Connect" across all zones/refineries in which 236 employees were covered. Moreover, in order to develop the leadership skills of union leaders a week long program was conducted at

Hyderabad.

Your Corporation took proactive steps to ensure that all our contract workmen were covered under Pradhan Mantri Jan Dhan Yojana and Prime Minister Suraksha Beema Yojana. To promote Digital India and cash less economy, it was ensured that all Contract Labour deployed across the Corporation are paid their wages through NEFT. Further, various programs across the Corporation were organized for Contract workmen to enable them use various modes of cashless payments.

At your Corporation, we believe that safety and wellbeing of all stake holders including Contract Workmen is of paramount importance. Under the (Perna) program launched by the Corporation to imbibe safe work culture and improve well-being of contract workmen, 248 Perna Programme covering 10743 Contract workmen were conducted during year 2017-18.

## OFFICIAL LANGUAGE IMPLEMENTATION

The usages of Hindi is ensured in the business of your Corporation by motivating the employees through persuasion, incentive and harmony and Hindi is being promoted by utilizing various facilities available in the field of Information & Technology. To promote the linguistic and cultural talent of the employees, awareness about Hindi is created in the offices through All India Hindi Mahotsav, Hindi Fortnight, Official Language Conferences, Hindi Competitions and Hindi Workshops etc.

During the year 2017-18, your Corporation was awarded with the highest award, Rajbhasha Keerti Pratham Purskar. HPCL also got Rajbhasha Keerti Pratham Purskar for excellent coordination and notable achievements of Town Official Language Implementation Committee (PSUs), Mumbai. Thus, Hon'ble President of India awarded your Corporation with two highest Purskars on the occasion of Hindi Diwas on 14th September 2017 at Vigyan Bhawan, New Delhi.

Your Corporation is coordinating Town Official Language Implementation Committee of Mumbai based PSUs since 1983 and thereby guiding Mumbai based 64 PSUs in the field of Official Language Implementation. Other than the TOLIC Meetings, we have trained the officials of different PSUs through conducting various programmes such as Team Building, Digital India, IT & Hindi and Innovation in HR.

Your Corporation has been awarded with the Official Language Shield by Ministry of Petroleum and Natural Gas, Government of India, for the last three years. Last year HPCL has made a record in entire Oil Industry by receiving 43 O.L. Awards from Government of India. Besides this, in the technical field, the Corporation has taken new initiative and conducted Technical



Hindi Article Competition and Technical Hindi Seminar also for which our efforts were specially appreciated by Ministry of Petroleum and Natural Gas.

### CORPORATE SOCIAL RESPONSIBILITY

Your Corporation has always believed in being a catalyst of transformation through its CSR endeavors. Your Corporation is committed to delivering happiness by making meaningful changes in the lives of people through its community engagement and holistic societal development. Being a responsible corporate citizen, the constant effort is to maximize positive impact of our initiatives by integrating and internalizing CSR into the core of business operations.

Your Corporation reached out to larger sections of marginalized societies in FY 2017-18 through innovative, value-driven and well-designed CSR projects that brought together collective effort to positively impact the lives of marginalized and less privileged.

National Development Policies, Sustainable Development Goals and flagship schemes of Government of India have been the primary guiding forces behind all our CSR initiatives in the focus areas of Child Care, Education, Health Care, Skill Development, Sports, Environment and Community Development. Your Corporation has always believed in adopting strategies aimed at 'Bridging the Gaps' by identifying gaps in the existing system and narrowing them rather than creating new parallel systems.

Your Corporation initiated some ambitious projects this year complementing its efforts to create a healthy, educated and empowered nation.

To work towards promoting Sanitation and Hygiene in government schools, an e-WASH program was initiated which aims to inculcate good hygiene practices among school students as well as local communities. "Kashmir Super 30 (Medical)" was set up in collaboration with Indian Army to enthuse a new ray of hope for the underprivileged students of Kashmir and prepare them to compete at the national level to secure admission into medical colleges. Your Corporation spearheaded a first-of-its-kind collaborative project by OMCs to improve facilities at Tulip Garden, Srinagar. Contribution was also made towards Armed Forces Flag Day Fund which is utilized for providing financial assistance to needy Ex-Servicemen, war widows and their dependents. Your Corporation also provided support to enhance the quality of health care services in the field of cancer treatment and diagnosis at Tata Memorial hospital.

Impacting the lives of school-going children by lending support to their educational pursuits has been the aim of our projects Nanhi Kali, Akshayapatra, Unnati and Agastya.

Project ADAPT aims to create a model of inclusivity and equal opportunity and offers special education, state-of-the-art therapies along with skill development opportunities to differently abled children in an enabling environment in order to bring them into mainstream.

Our projects Dil without Bill, Suraksha and Dhanwantari in the focus area of health care aim to provide preventive and curative health care facilities. As a part of Skill India Mission, Project Swavalamban provides skill training to youth and school dropouts from under-privileged areas in various trades like mechanical, electrical, construction, geriatric care etc. with an aim to enhance their employability.

Your Corporation enthusiastically participated in 'Swachh Bharat Abhiyan', the flagship movement of Government of India which aims to achieve the vision of 'Clean India' by 2019.

With a focus on creation of sanitation infrastructure and awareness generation among masses, your corporation undertook various innovative projects in collaboration with various stakeholders for effective implementation. This included improvement of sanitation facilities at 20 prominent locations in Mumbai, construction of school toilets and community toilets and various other initiatives for improvement of sanitation infrastructure and other facilities.

Your Corporation has adopted Golden Temple under the 'Swachh Iconic Places' an initiative focused on select heritage, spiritual and cultural places in the country.

Your Corporation's employees at business locations across the length and breadth of the country actively participated in Swachhta Pakhwada and Swachhta Hi Sewa campaigns and took up various innovative activities under Swachh Bharat Abhiyan in collaboration with Municipal Corporations/ District Administration/ Indian Railways.

With an aim to develop entrepreneurial abilities, third phase of Entrepreneurship Development Project was launched for aspiring youth from SC/ST communities in order to equip them with the required skills for transformation from job-seekers to job-creators. Scholarships were also provided to meritorious students from SC, ST, OBC and PWD communities to energize academic talent.

To strengthen the 'Skill India' initiatives of the Government of India, contribution was made for the promotion of higher education and employability skills towards five Skill Development Institutes at Rae Bareilly, Guwahati, Visakhapatnam, Kochi, and Bhubaneswar and towards the establishment of Indian Institute of Petroleum and Energy.



Your Corporation also contributed ₹ 25.27 crore towards Pradhan Mantri Ujjwala Yojna (PMUY) which aims to safeguard health of women and children by providing them clean cooking fuel so that they don't have to work in smoky unhealthy kitchens or wander about to collect firewood.

Various other local area development initiatives carried out and driven by sheer passion and altruism of our officers enabled us to reach out to the most unreached section of marginalized societies thus bringing more smiles.

Your Corporation's CSR endeavors were recognized in the form of awards bestowed at different platforms. Golden Temple-Amritsar, adopted by your Corporation won the 'Best Iconic Place' award under National Swachh Bharat Awards by the Ministry of Drinking Water and Sanitation. Your Corporation was also conferred with The Golden Peacock Award, PRSI National Awards 2017 – Child Care, PRSI National Awards 2017 –PSU and SKOCH Blue Economy Award for its projects and intervention models which aim to create long term and sustainable impacts.

The details of CSR activities of your Corporation containing details of CSR Committee Members, brief outline of the CSR policy, overview of the CSR initiatives, prescribed expenditure, amount spent etc. forming part of Director's report are provided in **Annexure III**.

### CORPORATE GOVERNANCE

Your Corporation continues to adopt the best practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning. The corporate Governance Report highlighting these endeavours has been incorporated as a separate section, forming part of the Annual Report.

### PROCUREMENT OF GOODS & SERVICES FROM MSEs

In line with the Public Procurement Policy for Micro & Small Enterprises (MSEs) Order, 2012, for the year 2017-18 against the set target of 20%, your Corporation has achieved 31.21% (₹ 3,011.97 Crores) procurement of goods and services from Micro & Small Enterprises (MSEs).

### PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

A workshop was conducted for Internal Complaint Committee members across the Corporation in order to help them understand their roles and responsibility. Further, 8 workshops were conducted across several locations to apprise employees of the provisions of the act.

### MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report forms part of this Annual Report.

### FINANCIAL STATEMENTS OF SUBSIDIARIES

In terms of Proviso to Section 136 (1) of the Companies Act, 2013, your Corporation will place separate audited accounts in respect of each of its subsidiary on its website & also provide a copy of separate audited financial statement in respect of each of its subsidiary, to any shareholder of the Company who asks for it. The Financial Statements of the subsidiary companies will also be kept open for inspection at the registered office of the Company and that of the respective subsidiary companies.

Pursuant to provisions of Section 129(3) of the Companies Act, 2013, a separate statement containing salient features of the Financial Statement of Subsidiary/Associate/Joint Venture Companies in Form AOC-1 is attached along with Financial Statements.

### COST AUDIT

The Cost Audit for the financial year 2016-17 was carried out and the Cost Audit Reports were filed with the Ministry of Corporate Affairs before the stipulated date of filing.

### DIRECTORS

Your Corporation's Board presently comprises of 13 Directors. The Whole Time Directors are Shri Mukesh Kumar Surana (Chairman & Managing Director), Shri Pushp Kumar Joshi (Director – Human Resources), Shri J Ramaswamy (Director- Finance), Shri S Jeyakrishnan (Director – Marketing) and Shri Vinod S Shenoy (Director – Refineries).

Shri J Ramaswamy is also a Chief Financial Officer (CFO) of the Corporation in terms of requirement of Section 203 of the Companies Act, 2013.

The Government Directors are Shri Sandeep Poundrik and Ms. Sushma Taishete. The Part Time Non Official Directors (Independent) are Shri Ram Niwas Jain, Smt. Asifa Khan, Shri G V Krishna, Dr. Trilok Nath Singh, Shri Amar Sinha and Shri Siraj Hussain.

As per the provisions of Section 152 of the Companies Act, Shri Pushp Kumar Joshi and Shri S Jeyakrishnan will retire by rotation at the next Annual General Meeting and being eligible, offer themselves for re-appointment.

### DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR

#### Appointment:

- Shri Amar Sinha and Shri Siraj Hussain were appointed as Independent Directors on the Board of your Corporation, effective 21.09.2017.



- Ms. Sushma Taishete was appointed as Government Director (Part-Time Ex-Officio) on the Board of your Corporation effective 05.12.2017

**Cessationship:**

- Smt. Urvashi Sadhwani, Government Director (Part-Time Ex-Officio) has ceased to be Director of your Corporation effective 24.11.2017.

The Board places on record its sincere appreciation for the valuable services rendered by Smt. Urvashi Sadhwani, during her tenure as Director of the Corporation

**NUMBER OF MEETINGS OF THE BOARD**

During the year 12 (Twelve) Board meetings were convened and held. The details of the Board Meetings are given in Corporate Governance Report.

**MANAGERIAL REMUNERATION & PARTICULARS OF EMPLOYEES**

Your Corporation, being a Govt. Company, is exempted to furnish information under Section 197 of Companies Act, 2013 vide Ministry of Corporate Affairs (MCA) Notification dated 05.06.2015.

There was a reference by C&AG during review of accounts with regards shift allowance being part of 50% of Basic Pay. Corporation has represented on this matter to MOP&NG.

The details regarding the number of women employees vis-à-vis the total number of employees in each group is also given as herein below:

Group	Total No. of Employees	No. of Women Employees	% of Women Employees
A	6,069	688	11.34
B*	-	-	-
C	3,601	256	7.11
D	682	18	2.64
<b>TOTAL</b>	<b>10,352</b>	<b>962</b>	<b>9.29</b>

\*Your Corporation, has no posts classified under group 'B' as the entry in non-management grades has been re-classified in group 'C' effective 1.1.1994.

**PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS**

Your Corporation, being a Government Company, the performance evaluation of the Company is carried out by the Administrative Ministry i.e. Ministry of Petroleum and Natural

Gas (MOP&NG) through the process of Memorandum of Understanding in each Financial Year. Further there is also performance evaluation of Functional Directors by MOP&NG. Compliance of Section 134(3)(p) are exempted for Government Companies as Performance Evaluation of Directors are carried out by MOP&NG as per its own evaluation methodology.

**DECLARATION BY INDEPENDENT DIRECTORS**

All Independent directors have given a declaration that they meet the criteria of independence as laid down under Section 149(6) of Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Statement of declaration required under Section 149(6) have been obtained from the Independent Directors.

**POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION**

Your Corporation being a Government Company, is exempted to furnish information under Section 134(3)(e) of the Companies Act, 2013 vide MCA Notification dated 05.06.2015.

**POLICY FOR REMUNERATION OF KEY MANAGERIAL PERSON AND OTHER EMPLOYEE**

Your Corporation, being a Government Company, the remuneration payable to Key Managerial Persons and other employees are fixed by the Government of India. However, payment like Performance Related Pay is placed for the approval of Nomination and Remuneration Committee.

**AUDIT COMMITTEE**

The composition of Audit committee, as required under section 177(8) of the companies Act, 2013 is given as under:

Sl.No.	Name	Category
1.	Shri Ram Niwas Jain	Part-Time Non Official Director (Independent) - Chairman
2.	Shri G V Krishna	Part-Time Non Official Director (Independent) - Member
3.	Shri J Ramaswamy	Whole Time Director, Member

During the year, there were no such cases observed where the Board had not accepted any recommendation of the Audit Committee.

**SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company has appointed Shri Upendra Shukla, Practising Company Secretary to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed





herewith as Annexure IV. There is no qualification, reservation or adverse remark made by the Practising Company Secretary in his Secretarial Audit Report.

### EXTRACT OF ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013 read with rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return is annexed as **Annexure V**.

### RELATED PARTY TRANSACTIONS

The details of transactions entered into with the Related Parties during the year 2017-18 are enclosed as Annexure VI.

### PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The details on the performance and financial position of Subsidiary, Associate and Joint Venture Companies are given in Management Discussion & Analysis Report. Further, Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule (5) of the Companies (Accounts) Rules, 2014, the salient features of Financial Statement of Subsidiary and Joint Ventures in Form AOC-1 forms part of the Annual Report separately.

### COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE

#### Subsidiary and Joint Venture company incorporated during 2017-18:

##### Subsidiary:

##### HPCL Middle East FZCO

HPCL Middle East FZCO, a 100% Subsidiary of your Corporation was incorporated on 11th February, 2018 as a Free Zone Company under Dubai Airport Free Zone and Establishment Card was issued on 22nd March, 2018 for the Company. The foreign subsidiary was established for trading in Lubricants & Grease, Petrochemicals and Refined Oil Products.

##### Joint Ventures:

##### Ratnagiri Refinery and Petrochemicals Ltd. (RRPCL)

RRPCL was incorporated on 22nd September, 2017 with Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) holding equity in the ratio 50%: 25%: 25% respectively.

##### Not-for-Profit Company:

Ujjwala Plus Foundation, a joint venture of Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) with fund

contribution in the ratio 50%: 25%: 25%, respectively was incorporated on 21st July, 2017 as a not-for-profit Private Company Limited by Guarantee (without Share Capital) under Section 8 of the Companies Act 2013.

#### Company dissolved during 2017-18:

##### CREDA-HPCL Biofuel Limited (CHBL)

CHBL, in which HPCL holds 74% of equity shareholding was dissolved with effect from 08th March, 2018.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

During the Financial Year 2017-18, there is no Order or Direction of any Court or Tribunal or Regulator which either affects your Corporation's status as a going concern or which substantially or significantly affects your Corporation's business operations:

### VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Corporation, being a Government Company is subjected to the CVC Guidelines and the Corporation has a separate Vigilance Department administering the Vigilance matters.

Your Corporation has a Whistle Blower Policy approved by the Board and the same is placed on the website of the Corporation. Weblink of whistle blower policy is stated herein below:

Weblink: [https://www.hindustanpetroleum.com/documents/pdf/Whistle\\_Blower\\_policy.pdf](https://www.hindustanpetroleum.com/documents/pdf/Whistle_Blower_policy.pdf)

### DETAILS OF DEPOSITS

Particulars	Amount (₹/ Crores)
i) Deposits accepted during the year	NIL
ii) Deposits remaining unpaid or unclaimed as at the end of the year	NIL
iii) Default in repayment of deposit or payment of Interest thereon during the year.	NIL

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, it is hereby confirmed that:

- In the preparation of the Annual Accounts, the applicable Accounting standards have been followed along with proper explanation relating to material departures.
- The Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a



true and fair view of the state of affairs of the Company at the end of the Financial Year and the profit and loss of the company for that period.

- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors have prepared the Annual Accounts on a going concern basis.
- v. The Directors, have laid down internal financial controls to be followed by the Company and that such Internal Financial Controls are adequate and are operating effectively.
- vi. The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **ACKNOWLEDGEMENTS**

The Board of Directors gratefully acknowledge the valuable guidance and support extended by the Government of India,

Ministry of Petroleum and Natural Gas, other Ministries, Petroleum Planning & Analysis Cell and the State Governments.

The Directors also acknowledge the contribution made by the large number of dealers and distributors spread all over the country towards improving the service to our valued customers as well as for the overall performance of the Corporation.

The employees of the Corporation have continued to display their total commitment towards the pursuit of excellence. Your Directors take this opportunity to place on record their appreciation for the valuable contribution made by the employees and look forward to their services with zeal and dedication in the years ahead to enable the Corporation to scale even greater heights.

Your Directors are thankful to the shareholders for their faith and continued support in the endeavors of the Corporation.

For and on behalf of the Board of Directors

sd/-

**Mukesh Kumar Surana**

Chairman & Managing Director

Date : 22nd May, 2018