



Management Discussion & Analysis Report 2017-18

A. DEVELOPMENTS IN THE INDIAN ECONOMY AND PETROLEUM SECTOR

India remains one of the fastest growing economies in the world. Growth remained steadfast in 2017-18 with GDP growth of 6.7% as per provisional estimates released by Central Statistics Office (CSO). Growth in services sector, which constitutes 54% of the economy, was 7.9% while agriculture and industry grew at 3.4% and 5.5% respectively. Momentum picked up over the year in 2017-18 with GDP registering a growth of 7.7% in the fourth quarter of 2017-18 on the back of rapid growth in agriculture (4.5%), manufacturing (9.1%) and construction (11.5%) sectors. Consumption, both private and government, continues to be mainstay of growth. Investment appears to be picking up. Gross Fixed Capital Formation (GFCF) grew at 14.4% in the fourth quarter compared with 9%, 6%, 1% in the third, second and first quarter of 2017-18 respectively. Also, the Index of Industrial Production (IIP) for capital goods turned positive from August 2017. Inflation remained moderate during the year with Consumer Price Index (CPI) declining to a five-year low of 3.6% in 2017-18.

During 2017-18, petroleum product consumption in the country increased by more than 10 Million Metric Tonnes (MMT) to reach about 205 MMT and registered a growth of 5.3%. The growth in petroleum product consumption was driven by increased consumption in transportation and residential sectors. Increase in per capita income and consequent rise in vehicle ownership along with increased LPG penetration translated into higher consumption for transportation and cooking fuels which accounted for almost 90% of incremental consumption over the previous year. With a robust growth of 6.6% over 2016-17, Diesel accounted for almost half of the incremental consumption of petroleum products. Petrol consumption increased with a double digit growth rate of 10.1% over previous year. Strong sales growth of passenger cars and utility vehicles during 2017-18 was key demand driver for Petrol and Diesel. Growth in LPG consumption was 8% over 2016-17 and was spurred by implementation of various schemes initiated by Government of India to increase LPG penetration in the country. Aviation Turbine Fuel (ATF) consumption grew by 8.9% over previous year on the back of high growth in domestic passenger traffic which was propelled by various initiatives undertaken by the Government of India for improving aviation infrastructure and air connectivity. Petroleum coke consumption, which had seen over 20% growth in last few years, increased at a

lower rate of about 9.3% due to restricted consumption on account of environmental regulations. Kerosene recorded its largest decline in consumption with a de-growth of 28.8% over 2016-17 mainly due to increased substitution by LPG and voluntary surrender of Kerosene quota by some states. Fuel oil consumption declined with a degrowth of over 5% mainly due to decreased consumption in steel and general trade sectors and regulatory restriction on consumption in some states. Bitumen consumption increased by 1.2% over 2016-17 mainly due to increase in road network expansion activities.

B. PERFORMANCE PROFILE

For the year 2017-18, HPCL has achieved its highest ever Profit After Tax (PAT) of ₹ 6,357 crore resulting in earnings per share of ₹ 41.72.

The Board, in the meeting held on 9th February, 2018 has declared an interim dividend of ₹ 14.50 per share for 2017-18. Further, the Board of Directors have proposed a final dividend of ₹ 2.50 per share for 2017-18 which combined with the interim dividend totalled to a dividend of ₹ 17 per share for the year 2017-18.

HPCL continues to retain its strong credit ratings assigned by various credit rating agencies as under:

Instrument	Rating Agency	Rating	Outlook	Remark
International Long Term Rating / USD Bond rating	Moody's	Baa2	Stable	At par with India's sovereign rating
International Long Term Rating / USD Bond rating	Fitch	BBB-	Stable	At par with India's sovereign rating
Long Term Debt	CRISIL	AAA	Stable	Highest rating grade by CRISIL
Long Term Debt	India Ratings	Ind AAA	Stable	Highest rating grade by India Ratings
Long Term Debt	ICRA	AAA	Stable	Highest rating grade by ICRA

GROSS SALES

The Gross Sales of the Corporation (inclusive of excise duty) for the year ended 31st March, 2018 was ₹ 2,43,227 crore as compared to ₹ 2,13,489 crore in the previous year. The total sale of products (including exports) for the year 2017-18



was 36.87 MMT as against 35.22 MMT during 2016-17.

PROFIT BEFORE TAX

The Corporation has earned a Profit before Tax of ₹ 9,202 crore in 2017-18 as compared to ₹ 9,021 crore in 2016-17.

PROVISION FOR TAXATION

An amount of ₹ 2,845 crore has been provided towards income tax for 2017-18 as against ₹ 2,812 crore provided during 2016-17.

PROFIT AFTER TAX

The Corporation has earned a Profit After Tax of ₹ 6,357 crore during the 2017-18 as compared to ₹ 6,209 crore in 2016-17.

DEPRECIATION AND AMORTISATION

Depreciation for the year 2017-18 was ₹ 2,753 crore as against ₹ 2,535 crore for the year 2016-17.

BORROWINGS

The Borrowings of the Corporation were ₹ 20,991 crore as on 31st March, 2018 as compared to ₹ 21,250 crore as on 31st March, 2017. Borrowings during the year were mainly met through short term foreign currency loans, collateralized borrowing and lending obligations, commercial paper and other short term rupee loans. Foreign currency loans continued to form substantial portion of borrowings. The long term debt to equity ratio stands at 0.4:1 as on 31st March, 2018 as against 0.51:1 as on 31st March, 2017 and on overall borrowing basis (long term and short term) the debt to equity ratio stands at 0.88:1 as on 31st March, 2018 as against 1.04:1 as on 31st March, 2017.

Corporation also successfully completed its maiden overseas bond issuance of US\$ 500 million (₹ 3,223 crore) in July 2017 at very competitive rates.

CAPITAL ASSETS

Net fixed assets (including capital work in progress) increased to ₹ 41,961 crore as on 31st March, 2018 from ₹ 37,946 crore as on 31st March, 2017.

INVESTMENTS

Investments as on 31st March, 2018 were ₹ 11,105 crore as compared to ₹ 10,919 crore as on 31st March, 2017.

GROSS REFINING MARGINS (GRMs)

The Gross Refining Margin for HPCL averaged at US\$ 7.40/bbl. during 2017-18 as against US\$ 6.20/bbl. for the year 2016-17.

Gross Refining Margin of Mumbai Refinery averaged at US\$ 8.35/bbl. during the year as against US\$ 6.95/bbl. for the year 2016-17.

Gross Refining Margin of Visakh Refinery averaged at US\$ 6.55/bbl. during the year as against US\$ 5.51/bbl. for the year 2016-17.

EARNINGS PER SHARE (EPS)

Earnings per share for the year 2017-18 increased to ₹ 41.72 as compared to ₹ 40.74 in 2016-17. (EPS for previous years has been revised basis the number of equity shares as on 31.03.2018)

DIVIDEND

Total dividend of ₹ 17.00 per share has been proposed/declared for the year 2017-18. The dividend would result in total payout of ₹ 3,119 crore, including Dividend Distribution Tax of ₹ 528 crore.

BONUS SHARES

During 2017-18, pursuant to the approval of the shareholders through the process of postal ballot during July 2017, the Corporation has issued bonus shares in the ratio of one equity share of ₹ 10/- for two existing equity shares of ₹ 10/- each in July 2017.

TRANSFER OF SHARES IN HPCL BY GOI TO ONGC

Government of India transferred whole of its 51.11% of the total paid up equity share capital of HPCL to Oil and Natural Gas Corporation Limited (ONGC) on 31.01.2018. Post-acquisition, HPCL continues to be central public sector enterprise (CPSE) and a government company within the meaning of Section 2 (45) of the Companies Act, 2013.

C. STRATEGY

To stay ahead of performance curve and navigate through uncertainties and challenges of future business environment, HPCL has developed its 5-year strategy roadmap christened 'T20' along with a detailed implementation plan up to the year 2020-21. T20 strategy is being executed with well-defined milestones and ownership for strategic initiatives, robust review mechanisms at various levels and periodic interventions and course corrections. T20 strategic plan is now the guiding document for all annual planning and budgeting processes with KPIs of all business units and enabler functions linked to the annual targets outlined in T20 strategy. T20 targets finalised at business unit level have been cascaded down to individual KPIs of employees for effective implementation.



During 2017-18, HPCL embarked on implementing the T20 action plan with a structured governance and monitoring framework to realize the envisaged growth, profitability and customer value. To enhance the effectiveness of implementation, a centralized web-based platform 'T20 Hub' has been created and institutionalized for periodic review of the progress of initiatives.

HPCL is proactively working to capture opportunities in the changing energy landscape and to diversify into new business lines which will help in de-risking the existing business portfolio. Petrochemicals, Natural Gas & Renewables are identified as potential thrust areas.

To strengthen the core businesses of Refining and Marketing and enhance presence in Natural Gas, Petrochemicals and Renewables, several large scale projects have been undertaken by the Company. Further, to prepare for marketing of own produced Petrochemical products and to explore opportunities of marketing/trading of other Petrochemical products, HPCL is developing a robust 'Route to Market' process for establishing market presence in Petrochemicals.

To enhance overseas presence specially in lubricant products, HPCL is actively looking at South Asia, Middle east and African countries. HPCL is setting up a wholly owned subsidiary company by name 'HPCL Middle East FZCO' in Dubai free trade zone to cater to GCC and African markets and also is in the process of appointing distributors for lubricant marketing in overseas markets.

To help sustain the growth over the long term, HPCL is consistently scaling up the R&D capabilities. The emphasis is on developing new technologies / products and provide innovative support to the refineries and marketing division for operational improvement, trouble shooting and absorption of new technologies.

To be competitive in the market, HPCL is focussed on implementing a cost leadership strategy for increasing efficiency and value creation by effectively linking the primary and secondary activities along the value chain and maximise the net corporate realisation.

To keep pace with the transition in the technology and customer preferences, the company is focussing on value creation by leveraging the emerging digital technologies such as intelligent automation and robotics, artificial intelligence, machine learning, advanced analytics, etc. along with upgradation of existing IT systems and processes.

D. REFINERIES

BRIEF ON CRUDE OIL AND REFINING MARGINS

Post 2014, the persistent imbalance in the international oil market led to decline in crude oil prices with an unprecedented reduction of 80% during the period from June 2014 to January 2016. This resulted into financial distress for many oil producing countries.

In January 2017, twenty four (24) participating OPEC and non-OPEC countries began the implementation of the production cut agreement with planned output reduction of about 1.8 million barrels per day (mbpd). The collaborative efforts of OPEC and non-OPEC countries helped the global oil market to rebalance. OECD commercial oil stocks almost touched five-year average of 300 million barrels (mb) towards the end of 2017-18 as per estimates by EIA and OPEC. Meanwhile, non-OPEC production increased by around 0.7 mbpd, mainly due to rapid addition of rigs by Shale producers during 2017. However, global oil demand which increased by about 1.6 mbpd in 2017 supported the rise in crude oil prices. This was evident by improvement in world economy. As per IMF, world real GDP growth was 3.8% in 2017 against 3.2% in 2016. The rise in global oil demand was driven by Asian demand. Global refining margins were healthy in 2017 due to robust demand growth for refined products. US Hurricanes (Harvey & Irma) and upgraded specifications in many countries supported additional oil demand and thus contributed to improve the refining margins.

CRUDE OIL

Average Brent prices declined to US\$ 49.83/bbl. in Q1 of 2017-18 from US\$ 53.78/bbl. in the previous quarter (Jan-March 2017). Crude prices declined as Market expected continuation of production cuts by OPEC countries much beyond the agreed nine-month extension during OPEC meeting in May 2017, as global inventory overhang was around 300-400 mb. However, the same did not happen leading to decline in crude price. Also global oil supply increased substantially by 1 mbpd over previous year, partly due to return of Libya and Nigerian production earlier than expected along with higher production by non-OPEC countries. Non-OECD crude stocks increased by more than 1 mbpd in May 2017 mainly due to large purchases by Chinese refiners for strategic oil reserves.

Brent prices regained the ground and averaged at about US\$ 52.08/bbl. in Q2 of 2017-18. During Q2, Brent prices almost reached around US\$ 60/bbl. due to uncertainty of supplies from Libya, Venezuela, Iran and Northern Iraq,



signs of slower than expected growth in US Shale production coupled with strong increment in global oil demand. OECD commercial stocks came down by around 150 mb which resulted into global stocks falling below 3,000 mb for the first time in two years.

Brent prices maintained the upward momentum and averaged at US\$ 61.39/bbl. in Q3 of 2017-18. This was due to sustained high global demand, duly supported by US and Eurozone apart from non-OECD countries. On supply side, global oil supply growth slowed down by 0.3 mbpd in Q3 against 0.9 mbpd increase in Q2. OECD commercial stocks declined for the fifth consecutive month in December 2017 and the global stocks reached at around 2,850 mb.

Brent prices further accelerated and closed at an average of US\$ 66.76/bbl. in Q4 of 2017-18. Global oil demand increased by 0.3 mbpd over previous quarter, whereas global supplies declined by 0.2 mbpd. The compliance level of the OPEC/non-OPEC production cut deal increased to 135% in January 2018. Consequently, OECD commercial stocks were just 30 mb above the 5-year average.

Indian Crude Basket

Indian crude oil basket prices decreased month-on-month during Q1 of 2017-18 and closed at an average of US\$ 49.87/bbl. as compared to US\$ 53.47/bbl. during previous quarter (Jan-March 2017), due to the weakness in international crude oil price markers. During Q2 of 2017-18, the Indian crude oil basket prices increased to US\$ 51/bbl. which is almost half of Brent crude oil price increase, as Dubai crude oil prices remained laggard. International crude oil prices regained momentum in Q3 of 2017-18 and Indian crude oil basket prices closed at US\$ 59.90/bbl. The international crude oil prices touched the peak on monthly average basis in January 2018 with Brent averaging at US\$ 66.76/bbl. in Q4 of 2017-18 which led to Indian crude oil price basket closing at the highest level in the last quarter of the year 2017-18 at US\$ 64.79/bbl.

REFINING MARGINS

During Q1 of 2017-18, Singapore refining margins managed to close at the same level as the previous quarter at US\$ 6.42/bbl. due to support from falling crude oil prices as cracks, except Fuel oil, remained under pressure. Light distillate cracks were marred by high inventory across the region as refiners tried to run the refineries in maximum Gasoline mode, in anticipation of strong Gasoline cracks. Gasoline Dubai cracks came down by about US\$ 0.78/bbl. to reach US\$ 11.53/bbl. Naphtha cracks also declined by

US\$ 2.4/bbl. as compared to previous quarter and became negative in Q1. Middle distillate cracks, particularly Gasoil closed at an average of US\$ 11.38/bbl. in Q1 against US\$ 11.83/bbl. in previous quarter. Fuel oil cracks improved substantially by about US\$ 1/bbl. mainly due to continued reduction in production of Fuel oil by refiners and closed at an average of US\$ (-3.05/bbl.).

Singapore refining margins improved substantially by US\$ 1.84/bbl. during Q2 of 2017-18 and closed at an average of US\$ 8.26/bbl. supported by improvement in cracks across the barrel. Gasoline Dubai cracks reached the highest level of more than last 12 months at an average of US\$ 13.29/bbl., due to decline in global Gasoline inventories which were supported by outage of 2.9 mbpd of US refinery capacity due to hurricanes (Harvey & Irma). Robust demand in Asia due to strong petrochemical margins along with higher prices of LPG strengthened Naphtha cracks which closed at an average of US\$ (-0.18/bbl.). Fuel oil cracks remained supported due to continued tightness in the market and closed at an average of US\$ (-2.00/bbl.).

Singapore refining margins decreased by about US\$ 1.02/bbl. during Q3 of 2017-18 and closed at an average of US\$ 7.24/bbl. The decrease in refinery margins was mainly due to the high refinery runs in Asia, amid restart of operations by US refineries after hurricanes effect. Naphtha cracks were strong due to lesser arbitrage volume from western countries along with lesser exports from Middle East. Naphtha cracks closed at an average of US\$ 3.02/bbl. during Q3. Gasoline cracks decreased by US\$ 1.36/bbl. and closed at an average of US\$ 11.93/bbl. due to increase in production from higher runs and higher Chinese export quota. Middle distillate cracks dropped counter-seasonally due to high supply in the region. Gasoil cracks closed at an average of US\$ 13.04/bbl. during Q3.

Singapore refining margins declined slightly during Q4 (Jan-March 2018) and closed at an average of US\$ 6.96/bbl. Gasoil cracks gained substantially and reached an average of US\$ 15.54/bbl. during Q4. This was due to higher demand growth in Asia, in line with strong industrial performance and increased demand in US due to colder winters. Gasoline cracks decreased to US\$ 11.15/bbl. during Q4 due to increase in Singapore on-shore light distillate stocks which went above 5-year historical average level.

CRUDE OIL IMPORTS

HPCL uplifted 4.54 MMT of indigenous low sulphur crude oil (Mumbai High & KG D6 condensate) and imported 13.83 MMT of crude oil in 2017-18 as compared to import of



13.82 MMT in 2016-17. The import was met through term imports and spot purchases. High sulphur crude oil of 11 MMT was procured mainly through term contracts from the Gulf region. Low sulphur crude oil imports of 2.83 MMT were sourced through term and spot purchases. FOB cost of imported crude oil amounted to US\$ 5,748 million (₹ 37,115 crore) in 2017-18 as compared to US\$ 4,876 million (₹ 32,715 crore) in 2016-17. The average cost of crude oil imported in 2017-18 stood at US\$ 56.17/bbl. as compared to US\$ 47.75/bbl. in 2016-17. The average exchange rate during 2017-18 was INR 64.56/ US\$ as compared to INR 67.10/ US\$ in 2016-17.

REFINING PERFORMANCE

During 2017-18, HPCL refineries at Mumbai and Visakh continued the performance excellence and exceeded various milestones achieved in previous years.

During 2017-18, both HPCL refineries delivered their best ever crude throughput performance. Mumbai Refinery achieved the highest ever crude throughput of 8,641 TMT surpassing the previous high of 8,510 TMT. Visakh Refinery achieved the highest ever crude throughput of 9,635 TMT exceeding the previous high of 9,409 TMT. The robust performance by both refineries enabled HPCL to register the best ever combined crude throughput of 18.3 MMT during 2017-18 surpassing the previous best of 17.8 MMT achieved in 2016-17.

Higher crude throughput by both refineries helped HPCL to record highest ever production of Diesel, Petrol & Lube Oil Base Stock (LOBS) during 2017-18.

HPCL refineries continue to lay strong thrust on energy efficiency & conservation and are participating in Phase II of PAT (Perform, Achieve & Trade) scheme initiated by Bureau of Energy Efficiency (BEE) for a three-year cycle ending in 2018-19. During last 3 years, HPCL refineries have significantly reduced the Specific Energy Consumption and have undertaken a number of energy efficiency initiatives including enhanced import of power from the grid. HPCL's Mumbai Refinery has started sourcing about 70% power from the grid which is the best performance amongst all PSU refineries in terms of power import. Visakh Refinery has also undertaken a project for connecting the refinery power system to the Transmission Corporation of Andhra Pradesh (APTRANSCO) grid at 220 KV level.

Reliability improvement continues to be a focus area for both HPCL refineries. For consistent improvement in reliability, HPCL refineries adhere to a well-defined turnaround cycle calendar for planned maintenance of operating units. During

2017-18, HPCL completed the turnaround of CDU-I unit at Visakh Refinery and also implemented the best practice of risk based inspection in some of the critical units at Mumbai Refinery and Visakh Refinery.

To continuously improve the operational performance, HPCL refineries undertake the benchmarking exercises on a periodic basis. Both refineries participated in benchmarking study conducted by M/s Solomon Associates, USA for 2016 cycle for the third successive biannual period. The report of the study has been prepared and is under review and implementation. In addition, HPCL refineries have participated in a specific study conducted by M/s EIL for all PSU refineries for energy consumption improvement. The study recommendations are under review for implementation. During 2017-18, a number of process improvement schemes were implemented at both refineries including SEU – II Furnace revamp at Mumbai Refinery and commissioning of the slop processing scheme at Visakh Refinery.

In line with Government of India's guidelines for production of BS-VI grade transportation fuels from 2020 onwards, HPCL has chalked out time bound plans for compliance of BS-VI norms and is implementing capacity augmentation and bottom upgradation projects at Mumbai Refinery and Visakh Refinery. With implementation of these projects, capacities of Mumbai and Visakh Refinery will be augmented to 9.5 MMTPA and 15 MMTPA respectively along with enablement for BS-VI grade fuel production. Along with Visakh Refinery expansion project, Residue Upgradation Facility (RUF) is considered to enable zero Fuel oil production and improve distillate production thereby improving the refinery margins. The environmental clearance and site clearance have been obtained for both the projects and major pre-project activities including Basic Design Engineering Package (BDEP) finalization, technology and licensor selection, appointment of Project Management Consultant (PMC), awarding of contracts for turnkey units etc. have been completed.

Both HPCL refineries are committed to carbon footprint reduction & environmental preservation. Mumbai Refinery has become the first PSU refinery to source 10 MW of the power requirement from wind power farms.

Health, Safety and Environment are integral part of all business activities at refineries. Continuing the excellent safety performance, Mumbai Refinery has achieved a safety benchmark by recording 21.54 million safe man-hours as on 31st March, 2018. Mumbai Refinery also commissioned the Tail Gas Treating Unit (TGTU) during 2017-18 which will help in reducing the Sulphur emissions.



To enhance the product sufficiency and cater to the growing demand of petroleum products in country, HPCL is participating in various greenfield refinery and petrochemical projects. HPCL and Government of Rajasthan have formed a JV company, HPCL Rajasthan Refinery Limited (HRRL) to set up a greenfield refinery cum petrochemical complex of 9 MMTPA capacity in Barmer district of Rajasthan. The work commencement ceremony of the 9 MMTPA Rajasthan Refinery was carried out at the hands of Honourable Prime Minister of India on 16th January, 2018.

HPCL is also participating in a JV company, Ratnagiri Refinery and Petrochemicals Limited (RRPCL) to set up a 60 MMTPA refinery cum petrochemical complex in Ratnagiri district of Maharashtra. In addition, HPCL and GAIL India Ltd. have entered into MoU with Government of Andhra Pradesh (GoAP) to jointly set up a greenfield standalone petrochemical complex in Kakinada, Andhra Pradesh with 1 MMTPA Ethylene production capacity.

E. INTEGRATED MARGIN MANAGEMENT

The Integrated Margin Management (IMM) group which was formed during 2014-15, continued to drive various initiatives for enhancing Net Corporate Realization (NCR) of HPCL with focus areas of crude throughput maximization in the refineries, enhancing value added production (Petrol, Diesel, LPG and Lubes) in refineries, improving capacity utilization of pipeline network and leveraging margin improvement opportunities in crude oil and product sourcing.

The IMM group is also driving various margin improvement ideas generated across the Corporation through a structured Initiative Management Office (IMO) which regularly tracks the execution of these ideas and reports the progress to management. The Oil Price Risk Management (OPRM) helped in stabilizing margins.

F. MARKETING

During 2017-18, HPCL has performed exceedingly well across all business verticals of marketing viz Retail, LPG, I&C, Lubes, Aviation, Natural Gas & Renewables. HPCL continued the growth momentum of previous years and recorded the best ever sales performance with total sales volume (including exports) of 36.9 MMT during 2017-18 compared to sales volume of 35.2 MMT achieved during the year 2016-17.

In domestic sales, HPCL recorded a growth of 4.4% over previous year with market share of about 21% amongst the public sector Oil Marketing Companies (OMCs) as on 31st March, 2018

The performance of the marketing function's Strategic Business Units (SBUs) are detailed in section below:

RETAIL

During 2017-18, Retail SBU continued to deliver excellent performance and recorded market share gain in Total Motor Fuels (Petrol & Diesel) in the PSU category. The strategic initiatives implemented by the SBU during the last few years backed by unstinting efforts from the field officers helped to deliver a superlative retail performance during the year despite various challenges in downstream market.

During 2017-18, Retail SBU clocked total sales volume of 23.7 MMT with a growth of 4.3 % over historical. The SBU recorded annual incremental sales of 1.2 MMT in Total Motor Fuels segment against the backdrop of intense competition by private players in fuel retailing.

During 2017-18, HPCL commissioned 669 new retail outlets and exceeded the mark of 15,000 retail outlets by taking the total outlet number to 15,062 as on 31st March, 2018. Besides network expansion, improving the volumes of the existing network also has been a key focus area for Retail SBU. About 1,000 outlets were modernized during the year with an investment outlay of over ₹ 350 crore.

Automation remained a key focus area for Retail SBU during 2017-18. An all-time high number of 3,558 outlets were automated, taking the network of automated outlets to 7,900 as of March 2018. 100% of retail outlet network was automated across 18 cities. Another key achievement was implementation of NANO (No Automation No Operation) initiative at 7,341 outlets during the year, taking the coverage of NANO to over 85% of outlet network having sales of more than 100 Kilolitres per Month (KLPM).

In its continuing quest to upgrade the network and enhance customer experience, Retail SBU had embarked on an aggressive plan to phase out all Dispensing Units (DUs) manufactured prior to 2009. Taking the initiative forward, a record 12,641 DUs procured prior to 2009 were replaced with state of the art tamperproof DUs during 2017-18.

The SBU also continued to lay thrust on digital enablement of the network and achieved installation of Drive Track (DT) Plus terminals across the entire network by June 2017. Due to integration of multiple mobile wallets at DT Plus platform, HPCL was able to offer the facility of wallet payments also to its customers across 100% of the outlet network. Through installation of Bank POS terminals at 97.7% of the outlet network and with innovative software optimizations, HPCL



made 3 different modes of digital payments available at over 96.4% of outlet network which resulted in significant improvement in Total Motor Fuels sales through digital modes to 25.2% in March 2018 from 16.1% in the beginning of the year.

To ensure customer delight through improved service delivery, HPCL has chosen the platform of 'Outstanding Customer & Vehicle Care' under the brand of Club HP which offers a bouquet of value added products and services. During 2017-18, more than 650 outlets were added to the network of branded Club HP / Club HP Star outlets taking the total to over 2,700 as of March 2018.

During 2017-18, over 23,000 Forecourt Sales Men (FSM) were imparted training through various training programs focusing on current business imperatives and behavioural changes for delivering the Club HP promise. Mass media along with outdoor campaigns were effectively utilized to communicate the brand promise under the banner 'Club HP - Achcha Lagta Hai'. Continuing the thrust on brand building, the number of outlets retailing the branded fuel 'poWer', were increased to about 3,000 and total branded fuel sales of 550 TKL was achieved during the year.

The SBU scaled up availability of super premium version of Petrol for high end cars under the brand 'poWer 99', by launching it in seven (7) cities - Visakhapatnam, Delhi, Mumbai, Pune, Secunderabad, Noida and Faridabad.

HPCL has built a profitable non-Fuel Business (Allied Retail Business - ARB) with a wide range of facilities for the customers including ATMs, take away food counters, 'C' Stores, vehicle accessories etc. through tie-ups with leading banks, food brands & OEMs. In 2017-18, all these tie ups helped HPCL to realize an impressive ARB income.

In line with the commitment to ensure a cleaner and greener environment, solar panels were installed at 464 retail outlets during the year. HPCL also launched an electric vehicle charging station at a retail outlet in Nagpur. To adapt to green energy solutions, HPCL initiated process of replacing existing conventional Metal Halide Lamps with LEDs at retail outlet network and LED installation was completed at 4,510 retail outlets during the year.

To promote 'Swachh Bharat Abhiyan', 1,956 toilet blocks having separate facilities for ladies and gents were constructed at outlets on state & national highways. Going beyond providing just simple facilities, these blocks were branded as 'Sugam' and were also made 'Divyang' enabled.

LPG

'HP Gas', the LPG brand of HPCL is one of the most preferred brands among domestic and non-domestic LPG customers and serves about 69 million consumers through a network of 4,849 LPG distributors. During 2017-18, LPG SBU achieved highest ever sales of 6.1 MMT, registering a growth of 8.5 % over previous year. HP Gas has enrolled 7.7 million new customers and commissioned 324 LPG distributorships during the year. HPCL also continued the leadership position in highly competitive non-domestic bulk LPG segment with 48% market share during the year. HPCL maximized bottling from own LPG bottling plants and recorded highest ever bottling of 5.48 MMT during 2017-18.

During 2016-17, Government of India launched Pradhan Mantri Ujjwala Yojana (PMUY) with an objective of providing 50 million LPG connections to women from BPL households over a period of three years by OMCs. This target has further been revised to 80 million LPG connections by the year 2020. During 2017-18, more than 4.2 million new LPG connections were provided by HPCL under PMUY, taking the total number of PMUY beneficiaries enrolled with HPCL to 9.6 million as of March 2018. HPCL also sensitized over 85,000 people about safe and sustainable usage of LPG by conducting 886 Pradhan Mantri LPG Panchayats across the country during 2017-18. In addition, about 67,000 safety clinics were also organized during the year to educate over 1.9 million customers about safe usage of LPG.

To cater to growing LPG demand, HPCL commissioned its largest LPG bottling plant at Panagarh in West Bengal with bottling capacity of 250 TMTA. In addition, bottling capacity augmentation projects of 60 TMTA each at Unnao (Uttar Pradesh) and Purnea (Bihar) LPG plants were also completed during the year.

HPCL also became the first OMC to roll out owned LPG rake under Liberalized Wagon Investment Scheme (LWIS) of Ministry of Railways for transportation of LPG from source to bottling plant. HPCL signed an operating agreement with Haldia LPG import terminal for utilizing capacity for next 20 years which has improved availability of LPG in Eastern part of the country where growth potential is high. Both these initiatives are also intended to add significantly to savings on logistics cost.

HPCL leverages technology and innovation extensively to increase operational efficiency and reduce operating costs in LPG operations. To improve productivity at LPG bottling plants, automated vision readers were installed at 12 LPG plants which eliminates manual intervention by



facilitating auto reading of tare weight and due date for pressure testing of LPG cylinders. In addition, installation of online valve changing machine was completed at all LPG bottling plants which eliminated conventional method of LPG evacuation from the cylinder before changing the LPG cylinder valve, thereby increasing operational safety and reducing manpower cost.

In keeping with the Corporation's policy of highest safety standards, Live Fire Training was conducted for employees, security staff & contract labour and 216 persons were given Live Fire Training during the year. Shapath safety video modules have been prepared and rolled out for giving trainings to workers in line with OISD 154 requirement. For objective assessment of Behaviour Based Safety (BBS) implementation at LPG bottling plants, an online BBS index module has been prepared and rolled out across all the plants.

HPCL is the first PSU OMC to start sale of LPG in new generation composite cylinders under the brand name 'ओJAS'. These cylinders are light weight with aesthetically improved design and provide enhanced customer safety. HPCL also introduced new pin leak and O-ring leak detectors, for on-site detection of leakage of cylinders by the delivery boys & mechanics. About 6,000 leak detectors were procured by HP Gas distributors during the year 2017-18.

HPCL actively pursues initiatives to improve customer service and promote customer loyalty. EZY GAS, the smart delivery system pioneered by HPCL, which was introduced last year is now improved with several new features. The system has been integrated with offline and online modes of digital payment and has facility for refill booking and many other customer centric features. During the year, EZY GAS was rolled out across the country. HPCL is the first OMC to provide LPG customers with the facility of BHIM app based payment and Aadhaar Enabled Payment System (AEPS). Over 4,500 distributorships are enabled for accepting payment through digital mode.

For registration of new customers, aadhaar enabled e-KYC using biometric fingerprints and OTP was introduced during the year 2017-18 as an alternative to offline KYC registration. Over 1.6 lakh LPG connections were released after e-KYC registration in 2017-18. A mobile app for carrying out the mandatory inspection at domestic LPG customer premises has been enabled at all distributorships. For the convenience of LPG distributors, a mobile application 'HP Gas Saathi' was rolled out during the year 2017-18 to provide information pertaining to the distributorship operation.

As part of sustainable development initiatives, LED lights were installed at 10 LPG bottling plants viz Hoshiarpur, Chakan, Bahadurgarh, Purnea, Unnao, Cherlapally, Jamshedpur, Patna, Raipur & Jodhpur.

DIRECT SALES

Direct Sales business unit has two divisions viz. Lubes and Industrial & Consumer (I&C). Lubes business line caters to lubricant and grease requirement of industrial customers in both private and government sectors viz. power plants, chemical units, fertilizer companies, railways, state transport units, army etc. Lubes business line also manages lube sales through network of lube distributors catering to bazaar market and lube CFAs (Carrying and Forwarding Agents) catering to Micro, Small & Medium Enterprise (MSME) segments. I&C business line caters to demand of bulk fuels, Bitumen & specialties for industrial customers in both private and government sectors. I&C business line is also involved in exports of bulk fuels and finished petroleum products.

DIRECT SALES- LUBES

India is the third largest lubricant market after US & China and continues to be one of the fastest growing lubricant markets globally. India accounts for about 6% of the global lubricant demand. The Indian lubricant market size is estimated to be 2,400 TMT per annum as per latest market reports and is expected to grow at a CAGR of 2.5 % during next 5 years.

The Lubes business line recorded excellent growth during the year 2017-18, resulting from a robust business strategy adopted for both segments viz. Automotive and Industrial lubricants. During the year 2017-18, HPCL has recorded total Lube Sales of over 600 TMT, thereby retaining the No. 1 Lube marketer position in the country for the fifth consecutive year. HPCL also recorded highest ever value added lubes volume with a growth of 3.7% over previous year, thus becoming the largest player in value added lubes segment too. All the channels viz. distributor network, CFA network and retail dealer network performed at par with industry during the year.

Lubes business line continued to focus on OEM segment and consolidated business at major OEMs including JCB India, Royal Enfield and Bajaj Auto along with renewed partnerships with reputed OEMs. A cornerstone for OEM business development was the close interactions between R&D teams of HPCL and the OEMs, enabling MNC OEMs acknowledging HPCL's strengths and capabilities and thereby opening the way for more partnerships in the coming years.



During 2017-18, HPCL successfully executed retailer loyalty scheme aimed to create a larger customer base within Bazaar market and enhance brand awareness for HP Lubricants in the market. To strengthen connection to the key stakeholders in lube market i.e. retailer and mechanics, HPCL launched its market activation campaign named 'BANDHAN' during the year. Various activities were conducted at important markets involving a number of retailers and mechanics and educating them on HPCL's lubricant products and benefits.

The R&D wing of the SBU continued its meticulous activities during the year with development of new products for both government as well as private sector customers. Consistent thrust on new product development through close interaction with customers enabled HPCL to obtain numerous important approvals from various customers. Quality Assurance continues to remain a focal point for lubricant business line and continuous vigil was ensured on quality of input materials and finished product by regular monitoring at every stage.

With a view to realize the vision of becoming a global lubricant player, HPCL has been exploring the opportunities for lubricants business in the growing markets of Asia, Middle East & Africa. A detailed market entry strategy has been worked out and a concrete business plan is being developed for these countries. During 2017-18, HPCL made its footprint in UAE with incorporation of 100% owned subsidiary company, 'HPCL Middle East FZCO' at DAFZA (Dubai Airport Free Zone Area) in UAE. HPCL has also appointed a distributor in Myanmar in 2017 and have commenced sales. HPCL's sales efforts in Myanmar were bolstered by product launches in important markets of Yangon and Mandalay and are being supported through various promotional and marketing activities in the region. Corporation has plans to significantly increase the lube sales volume in Myanmar.

DIRECT SALES - INDUSTRIAL & CONSUMER (I&C)

HPCL is a major player in the I&C business line, which handles institutional sales of fuels, Bitumen, Naphtha and other bulk products to customers in various sectors such as Mining, Construction, Power plants, Shipping, Railways etc. For the second consecutive year in succession, I&C business line crossed 5 MMT sales mark during 2017-18 with a growth of 0.9% over previous year. The strategy to maximise volumes in three (3) major products helped HPCL to cross 1 MMT sales in Fuel oil, Diesel and Bitumen for the third year in succession. During 2017-18, Diesel sales volume in the direct consumer segment was 1.37 MMT, recording a growth

of 1.1 % over historical. State Transport Undertakings (STUs) accounted for 20% of the direct Diesel sales.

HPCL's focus on large Bitumen customers, promotion of VG-40 grade Bitumen, partnerships with major infrastructure players and new Bitumen drumming facilities at Mumbai and Visakhapatnam enabled the I&C business line to record impressive Bitumen sales of 1.2 MMT during 2017-18.

Bunkering has been the major thrust area for HPCL which helped Corporation to attain leadership position amongst PSUs in this key segment. HPCL has undertaken projects to improve the availability of bunker fuels at more number of ports by creating future ready bunkering infrastructure. HPCL has been making progress in development of bunkering facilities at Jawahar Dweep island after entering into MoU with Mumbai Port Trust.

To strengthen the relationship with key accounts, HPCL has undertaken various initiatives to provide differentiated services such as priority loading, online test certificate and assignment of Key Account Managers. HPCL has also taken steps to strengthen its relationships with customers through procurement of Customer Relationship Management (CRM) tool for better customer response and handling of customer grievances.

During 2017-18, HPCL sustained leadership in Hexane sales by becoming a major supplier to solvent extraction plants and gained volumes from Pharmaceutical and Petrochemical industries. During the year, HPCL recorded a significant growth of 30% in sales of Mineral Turpentine Oil (MTO), which is used in Paint Industry.

HPCL caters to the energy needs of Indian Army with a product basket which includes SKO and Winter Grade Diesel. During 2017-18, HPCL commissioned 5 new Kerb Side Pumps (KSPs) for Indian Army, taking total KSPs to 93 with total tankage of 4,841 KL to ensure smooth supply of POL products to Army in toughest terrains of country. HPCL has also commissioned 8,600 KL of scattered tankage for Indian Army at Leh during the year. HPCL also completed the Advance Winter Stocking of POL products for Indian Army in Kashmir Valley and Leh within stipulated time.

AVIATION

Aviation SBU provides fuelling services to customers in the aviation industry through a large network of Aviation Service Facilities (ASFs) covering all the major airports in India. 'HP Aviation' fuelling service meets the stringent international regulations for handling Aviation Turbine Fuel (ATF). During 2017-18, HPCL has achieved ATF sales volume of 729



TMT, registering a growth of 5.4% over historical. Strategic initiatives undertaken during the year including new business agreements / renewals with new / existing airlines, leveraging relationship with commercial partners etc. have contributed to the growth in aviation fuel segment.

HPCL is supplying ATF to major domestic airlines of the country and has entered into business contract with Indigo at various new airports. During 2017-18, international airlines and carriers like Azur Air, Thai Airways, Kenya Airways, Scoot Tiger Air, Silk Air, Nepal Airlines, SriLankan Airlines and Biman Bangladesh were added to the existing customer portfolio.

During 2017-18, aviation fuel infrastructure was augmented by setting up new fixed facilities at Tirupati, Srinagar & Patna airports. In addition, 3 new ASFs were commissioned during 2017-18 at Jalgaon, Vidyanagar and Mundra airports where flight operations were commenced under Regional Connectivity Scheme of Government of India.

NATURAL GAS

Government of India aims to increase the share of Natural Gas in Indian energy mix from current 6.2% to 15% and has initiated various policy measures to increase consumption of Natural Gas in India.

HPCL has also undertaken several initiatives to tap the growth potential in Natural Gas business and strengthen its presence in downstream gas market in India. HPCL is setting up a 5 MMTPA LNG regasification terminal at Chhara port (Gir Somnath district) in Gujarat through joint venture company HPCL Shapoorji Energy Private Limited (HSEPL) at an estimated cost of ₹ 4,300 crore. HPCL is also participating in three (3) cross country gas pipeline projects i.e. Mehsana-Bathinda pipeline, Bathinda-Jammu-Srinagar pipeline and Mallavaram-Bhilwara-Bhopal-Vijaipur pipeline through two joint venture Companies viz. GSPL India Gasnet Limited (GIGL) and GSPL India Transco Limited (GITL) respectively.

HPCL is also participating in City Gas Distribution (CGD) networks through joint venture Companies viz. Bhagyanagar Gas Limited (BGL), Aavantika Gas Limited (AGL) and Godavari Gas Private Limited (GGPL). These CGD networks are being operated in Hyderabad, Vijayawada & Kakinada through BGL, in Indore, Ujjain & Gwalior through AGL and in East Godavari & West Godavari districts through GGPL. In the 8th round of CGD bidding in 2017-18, consortium of HPCL and OIL India Ltd. has emerged successful for setting up CGD networks in Ambala & Kurukshetra and Kolhapur district. HPCL will continue to participate in future rounds of CGD bidding to expand the CGD infrastructure.

HPCL is operating a CNG network at Ahmedabad through one mother station and 21 daughter stations. HPCL is also registered with Empowered Pool Management Committee (EPMC) - Fertilizer for supplying RLNG to Fertilizer plants in India and has initiated discussions with International LNG suppliers for potential LNG sourcing arrangement.

OPERATIONS, DISTRIBUTION & ENGINEERING (OD&E)

The backbone for petroleum product marketing is robust supply chain management which is handled by the Operations, Distribution & Engineering (OD&E) vertical of HPCL. OD&E is a key enabler to the marketing SBUs and provides unstinted support and innovative supply chain solutions to stay ahead of competition. A throughput of 50.32 MMT was achieved by OD&E in the year 2017-18 which played a key role in meeting the business requirement of SBUs.

Timely and efficient delivery through optimization of resources remained a focus area for OD&E during the year, resulting in enhanced customer satisfaction levels for both Retail and Direct Sales SBUs. Robust processes & standard operating procedures at POL installations ensured uninterrupted product supplies & improved service levels.

During 2017-18, HPCL revamped and augmented the facilities at various locations including 8 bay Tank Truck (TT) filling gantry with allied facilities at Loni & Nalagarh and 6 Bay ATF TT loading facilities (fully compliant to MBLC requirements) along with allied facilities at Bahadurgarh terminal. In addition, revamp of Jabalpur depot was completed with state of the art safety features. The depot was made fully compliant to latest OISD standards and enabled with fully automated loading operation.

During 2017-18, HPCL implemented a number of cost leadership initiatives in operation and distribution of petroleum products which resulted in substantial savings for the Corporation. Major initiatives undertaken during 2017-18 include simultaneous tanker discharge at Ennore and Visakh terminals and realignment of retail outlets to optimize the logistics cost. Supply chain optimization will continue to be a focus area for HPCL and will be further complemented through robust scheduling tool and technological advancements. Implementation of various transformative process and productivity initiatives has resulted into considerable reduction in operating cost for the Corporation.

Sustained focus on implementation of Ethanol Blending in Petrol led to finalization of Purchase Order (PO) of 46 crore litre Ethanol for 2017-18 which resulted in higher



allocation compared to previous year. HPCL continues to lay thrust on environmental protection and has undertaken various sustainability measures at POL locations. In this direction, retailing of BS VI standard transportation fuels was implemented in National Capital Territory (NCT) region from April 2018 onwards. All necessary arrangements to source and place the required volume of products at Bahadurgarh and Delhi terminals were made during 2017-18.

To enhance energy efficiency in operations, a comprehensive energy & power quality audit was completed at all locations. Energy efficient lighting system was installed at 40 locations and solar plants (Rooftop and ground mounted) of total capacity 2,700 KW were installed at 32 POL locations during the year. Strict monitoring of specific energy & water consumption across locations was achieved through sustained awareness building. Rain water harvesting at all major locations along with fresh water management has helped to reduce water consumption significantly.

SMART terminal initiative has been conceptualized to enable the handling of product in Terminals with complete automation. Some of the key features in this initiative are automatic generation of filling advice note, modified indent management system, auto indenting system, auto delivery confirmation system, bio-metric validation of TT crew, rail e-indenting system etc.

Capability building and skill development of employees across various levels continue to be a key thrust area for OD&E SBU. During 2017-18, officers and workmen were trained on Live Fire simulation, handling of equipment in Terminals & Depots as per MBLC recommendations and also in HSE activities. During the year, OD&E SBU also started the first ever in-house training program under new capability building initiative 'PRAKARSH' for 28 officers (A-D grade) on 'Lean Six Sigma Green Belt'.

PIPELINES

HPCL has laid special emphasis in acquiring high level of competency in managing the pipeline network effectively to optimize cost and maximize revenue. HPCL is currently operating pipeline network of 3,370 Km with mainline capacity of 24.93 MMTPA & branch line capacity of 11.07 MMTPA. Corporation recorded the highest ever pipeline throughput of 20.4 MMT in 2017-18.

Pipeline capacity expansion remains a major focus area for HPCL and a number of expansion projects are underway with a planned capital expenditure of ₹ 5,916 crore. Major ongoing pipeline infrastructure projects of HPCL include - (i) Capacity Expansion of Mundra Delhi Pipeline (MDPL) &

extension line from Palanpur to Vadodara including greenfield terminal at Vadodara, (ii) Visakh Vijayawada Secunderabad Pipeline (VVSPL) Capacity Expansion including offshore tanker terminal (OSTT) / Sunken Ship (SS) Jetty Sub-Sea Pipeline at Visakh,(iii) Ramanmandi Bahadurgarh Pipeline (RBPL) Capacity Expansion and (iv) Uran Chakan Shikrapur LPG Pipeline (UCSPL).

In addition, project proposal for Extension of Visakh-Vijayawada-Secunderabad Pipeline (VVSPL) from Vijayawada to Dharmapuri and construction of marketing terminal at Dharmapuri was approved in 2017-18. The project is anticipated to be completed by March 2021. Pre-project activities are in progress for Hassan Cherlapally LPG pipeline and pipelines proposed on joint investment basis with other OMCs.

G. CENTRAL PROCUREMENT

Central Procurement Organisation (CPO) was setup to manage all the procurement activities of the Corporation. Centralised and category based procurement by CPIO has ensured efficiency and transparency in procurement activities and also meet the policy compliances. CPO handled procurement for SBUs, Corporate and Zones with a total procurement value of ₹ 18,769 crore and efficiently managed smooth transition to GST regime by setting up & institutionalising various innovative processes.

CPO has driven standardisation and consolidation in procurement through implementation of various initiatives including uniform item codification, vendor registration & rationalisation and structured cost estimation. The focus on compliance to Micro and Small Enterprises (MSE) procurement policy helped in achieving the procurement from MSE vendors to reach 31.21 % surpassing the mandated target of 20%.

H. RESEARCH AND DEVELOPMENT. RESEARCH AND DEVELOPMENT

HPCL has set up the 'HP Green R&D Centre' (HPGRDC) at Bengaluru with an objective to develop innovative & path breaking technologies and products in the energy sector. During 2017-18, HPGRDC developed and successfully demonstrated the following five processes/products:

HP-TRAE

HPGRDC developed a process scheme, HP-TRAE, for blending of lube extracts to produce Rubber Process Oils (RPO) with low Polycyclic Aromatic Hydrocarbons (PAH). This scheme together with HPCoSol process, resulted in raffinate



yield improvement of about 1.5-2.0% while reducing PAH in TRAE to less than 3%. Field trials at Solvent Extraction Unit of Mumbai Refinery were conducted and the process was demonstrated during the year.

HP DLA

This novel lubricity additive was developed to significantly improve the lubricity properties of ultra-low Sulphur Diesel and was demonstrated at both refineries. HP DLA showed better performance at lower dosages compared to commercial additives for meeting BS IV / BS VI specifications.

HP-CORMIT

HP-CORMIT is an indigenously developed corrosion inhibitor which was implemented in Mangalore-Hassan-Mysore-Solur LPG pipeline and exhibited reduction in the corrosion rate to 0.5 mils per year (mpy) against the benchmark of <1 mpy.

HP- IPCA

A novel and cost effective additive, HP-IPCA was developed for blending with LPG for metal cutting gas applications and reducing the dependability on imported additive. HPCL's metal cutting gas product 'HP-RAZOR' with HP-IPCA additive was demonstrated at a steel plant and showed better performance compared to commercial products with respect to cost and cutting time.

HP DWA

HP DWA is an in-house developed additive and an import substitute for dewaxing aid applications. This additive was evaluated in lube blending plants at lab scale and showed better performance as compared to available commercial additives. HP DWA has been scaled up for commercial trials at Mumbai Refinery.

During 2017-18, HPGRDC has filed fourteen (14) patents taking the total number of patents filed to seventy-eight (78) as of March 2018. Four (4) US patents were granted to HPGRDC during the year. The centre has initiated a process safety management program called HSSE (Health Safety Security Environment) during 2017-18 in partnership with M/s DuPont.

I. HPCL STARTUP SCHEME

HPCL has allocated a StartUp fund of ₹ 25 Crore to support innovation and upcoming entrepreneurs by funding projects from new / early stage Start-ups in the areas associated with business of the corporation leading to commercialization / business development. HP Open Innovation Challenge

advertisement received enthusiastic response and 6 Start-ups were selected for funding from the first round of applications.

J. QUALITY ASSURANCE

In line with the directive of MoP&NG, HPCL has a dedicated Quality Assurance (QA) cell with officers posted at all the zones and its functioning is independent of refining & marketing functions with direct reporting to human resources function. Quality Assurance (QA) Cell carries out surprise inspections covering retail outlets, Kerosene (PDS) distributorships, LPG distributors, depots/terminals and LPG bottling plants in compliance with the revised Marketing Discipline Guidelines (MDG) & HQO directives. The QA cell acts as an important nodal agency for ensuring supply of right quality & correct quantity of products from all supply sources, storage points, distributors and outlets to customers.

During 2017-18, Quality Assurance (QA) cell carried out inspections at 3,326 retail outlets, 97 Kerosene (PDS) distributorships, 505 LPG distributors and 9 LPG bottling plants. Establishment of robust QA systems has enabled HPCL set high customer service benchmarks for supply locations & channel partners and helped to provide high quality products to customers.

K. HEALTH, SAFETY & ENVIRONMENT

HPCL is committed to ensure best Health, Safety & Environment (HSE) and sustainability practices across all spheres of business activities to achieve highest standards in the area of HSE and sustainability. Corporation has policies in place for Health, Safety, Environment and Sustainable development. HPCL has been making continuous improvements in the systems & procedures with focus on adoption of new technologies & upgradation of existing infrastructure to further enhance the HSE performance.

Occupational health and well-being of all employees is a key priority for HPCL. HPCL undertakes various initiatives on regular basis to ensure preventive and curative health services for employees. During 2017-18, awareness sessions on health were arranged for employees & their families and diagnostic camps covering other stakeholders were organized at all major locations. All HPCL employees undergo regular Periodic Medical Examinations and the results are analysed to provide targeted interventions from qualified doctors. HPCL has also placed designated physicians at major marketing locations and smaller locations have tie ups with local hospitals for ensuring best accessibility of health services.



HPCL emphasizes to provide safety not only to its employees but also for all the stakeholders who come in contact with its products or services. HPCL has a policy of zero tolerance towards unsafe business practices. Stringent HSE management systems have been put in place across all locations to strengthen HSE governance and compliance through surveillance audits and benchmarking. Both the refineries have implemented Process Safety Management Systems and all the major locations are certified with International Safety Rating System (ISRS).

HPCL is maintaining highest standards of vigilance and preparedness to respond to emergencies. Continuous upgradation of facilities, compliance to statutory requirements, improvement in systems and procedures, robust training framework etc. have fostered a strong safety culture across the organization. In addition, HP SOW (Safety-On-Wheels) training program has been rolled out for TT crew covering technical and behavioural aspects of driving to eliminate the road accidents. HSE training program, 'Suraksha' covering the areas of health, safety, environment and sustainability were conducted throughout the year 2017-18.

HPCL is striving to be a model of environmental excellence by adopting operating systems, practices and procedures oriented to environmental preservation. Optimisation of natural resources in manufacturing processes have been a strong focus area for HPCL across all facets of business activities. Major installations of HPCL are certified with best Environmental Management Systems. To enhance energy efficiency and water conservation across all locations, various initiatives including energy audit, water audit, LED installation, installation of water and energy efficient fixtures etc. were implemented during the year.

HPCL is also participating in a sectoral study on 'Climate Change Risks and Preparedness for Oil and Gas Sector in India' conducted by The Energy and Resources Institute (TERI). HPCL is leveraging renewable energy sources to reduce the carbon footprints across the value chain and is continuously expanding the wind and solar power generation capacities. Effluent Treatment Plants, air emission control and hazardous waste disposal systems have been installed at various HPCL locations in line with the best practices in industry and are being monitored periodically. HPCL is also putting strong emphasis on awareness and capability building of workforce towards various aspects of sustainability.

L. EXPLORATION & PRODUCTION

HPCL undertakes Exploration & Production (E&P) of hydrocarbons through its wholly owned subsidiary company, Prize Petroleum Company Limited (PPCL). Details of PPCL have been provided in the section on "Joint Venture Companies & Subsidiaries".

M. RENEWABLE ENERGY

HPCL has undertaken a number of initiatives in the area of renewable energy with specific thrust on wind and solar power generation.

Wind Energy

HPCL currently operates wind power farms of 100.9 MW capacity in the states of Rajasthan and Maharashtra. During 2017-18, total electricity generation through the wind farms was 169 Million kWh.

Solar Energy

During 2017-18, HPCL commissioned its largest grid connected captive solar PV plant at Bahadurgarh Terminal, Haryana with a capacity of 750 KWp. The plant was commissioned in October 2017 and is expected to generate 12 lakh kWh electricity per year.

In addition, HPCL has also plans to expand captive solar power capacities at supply network. A 350 KWp solar plant at Jodhpur depot and a 1 MWp plant at Visakh Terminal are under execution and are expected to be completed in 2018-19.

N. INFORMATION SYSTEMS

Robust information systems have been put in place to support all business processes of HPCL. Business information has been effectively managed by Enterprise Resource Planning (ERP) system and a large number of other applications including workflow applications and portals to address specific requirements. Business Intelligence system has enhanced data literacy across the Corporation by providing decision support for tactical and strategic decisions.

GST IMPLEMENTATION

GST implementation has been a major project for HPCL during 2017-18 and involved enhancements in IT systems including ERP and development of new business processes in view of GST & non-GST product mix. HPCL successfully implemented the GST at locations across the country with effect from 1st July, 2017.



IMPLEMENTATION OF PMUY & DIGITAL INDIA INITIATIVES

e-KYC for new LPG connections under PMUY as well as over the counter connections was enabled first time in the industry by HPCL. HPCL is the only OMC that has implemented Aadhaar enabled e-KYC in LPG registration process.

Provision of acceptance of online payment was created along with UPI integration in the portal and mobile app for LPG refills and new LPG connections.

EZY Gas application for LPG customers was integrated with Centralized Distributor & Consumer Management System (CDCMS) and rest of the portals. Additional payment modes including Aadhaar pay and BHIM/UPI were enabled in EZY Gas application.

PMUY applications were enhanced in record time for reporting the details of safety clinics, customer contacts and LPG Panchayats. The application facilitates reporting by sales officers as well as distributors.

Daily pricing system was implemented, which provides daily computation of retail prices of motor fuels. Communication process through portal, mobile app, SMS, e-mail was institutionalised.

Transportation tenders through e-procurement including reverse auction, IT-OT integration in the refinery, enhanced business intelligence features, various workflow applications and introduction of mobile based applications were implemented across various SBUs and functions.

BUSINESS INTELLIGENCE

Business Intelligence (BI) application has matured significantly during 2017-18 in terms of content, user adoption and technology improvement. Geo-spatial features and improved visualization including heat maps and narration feature has been introduced for enhanced understanding of users. The facility for performance review through a single window has been made available through the BI system.

MOBILITY

During the year, specific focus was accorded to leverage mobility as a means to deliver application capabilities to users on the move. 'Sales Sahayak' mobile application for field Sales Officers & Regional Managers across SBUs. The application has been enabled with voice activation feature called 'HP Talk'. Mobile applications have been made available to various stakeholders including direct customers,

bunker customers, retail outlet dealers and transport contractors to provide information on real time basis.

IT-OT INTEGRATION

The refinery operations data of HPCL from platform like DCS (Distributed Control System) has been seamlessly integrated with ERP data to derive the business value using desired analytics. This IT-OT integration has enhanced accuracy and enriched the flow of data across the business value chain to optimize production processes and to generate superior analytics for improved performance monitoring of refineries.

WORKFLOW APPLICATIONS

A number of applications were developed for the business units which enabled seamless information flow across departments, locations and officers, leading to improved productivity. Details of major work flow applications implemented during the year 2017-18 include application for online dealership selection, legal compliances, mock drills and safety reporting system, E-ADR (Airport Delivery Receipt) system for electronic billing of ATF at the delivery point, inspection of private LPG bottling plants, capturing and monitoring of indents in lubes planning, Quality Control (QC) audit of ASFs and locations, application for placement of indents to Ethanol suppliers, automation of calculation of transportation rates linked to Diesel price, indenting & monitoring application for tank wagon indents etc.

DATA CENTRE

HPCL's infrastructure of servers and storage at data centres has been upgraded and updated to meet the growing demands of the business units. Provisioning of the required server and storage for meeting new application requirements were completed in a timely manner and in a full disaster recovery mode. For effective monitoring of performance of various applications, a new tool has been implemented. This helps in close monitoring of sensitive applications like e-procurement and helps in addressing user complaints regarding the system performance.

The ISO certification of the Information Security Management Systems (ISMS) of both data centres at Hyderabad and Mumbai has been renewed for a period of three years. This signifies the reassurance and readiness of HPCL's IT infrastructure to meet the requirements of cyber security.

COMPLIANCE AND SECURITY

The Security Operations Centre (SOC) monitors all systems for any security related incident and addresses the



challenges of cyber security. The SOC uses the state of the art solution to keep a close watch on entire data traffic in the corporate network in conjunction with the other security devices & appliances for ensuring the protection of HPCL's IT infrastructure from cyber threats. Close monitoring of IT systems has ensured that HPCL has not been impacted from any major reported cyber incidents.

O. VIGILANCE

Vigilance mechanism in HPCL is based on the guidelines from Central Vigilance Commission (CVC) on vigilance management in public sector enterprises and instructions issued from time to time by the Department of Personnel and Training (DoPT) as well as the administrative ministry i.e. Ministry of Petroleum & Natural Gas (MoP&NG).

Vigilance complaints are handled as per the complaint handling policies stipulated in Vigilance Manual 2005 of CVC. Under preventive vigilance, various activities are being undertaken by HPCL which include surprise and regular inspections, study of systems & procedures, regular interaction with employees, stake holders and public at large, scrutiny of audit reports and irregularity reports, maintenance of 'List of Doubtful Integrity', identification of sensitive posts and ensuring job rotation, coordination with CBI for preparation of 'Agreed List' etc. The department also undertakes various activities for creating increased awareness like conducting interactive sessions in schools/colleges, promoting ethical values and sharing case studies with employees through in-house vigilance publication 'Jaganar', observing vigilance awareness week etc.

P. HUMAN RESOURCES

HPCL is focused on delivering multi-faceted Human Resource (HR) services by establishing strong linkages between employees, processes and organizational vision & values. Human resource function at HPCL has identified the needs of the organization and adopted processes to develop a strong leadership pipeline and competent, committed & future ready workforce.

LEADERSHIP DEVELOPMENT

Project Periscope

To enable HPCL achieve the strategic objectives of T20 strategy, project Periscope was introduced for the senior officials of HPCL during 2017-18 and 35 officials underwent the program in first batch. The interventions of project Periscope are closely aligned to the vision, mission and strategy of the Corporation.

Advanced Management Program for Senior Management

To develop the perspectives and skills necessary for managing organization effectively in a rapidly changing business environment, 47 officers in salary grade 'G' & 'H' were nominated to attend Advanced Management Programs conducted by Administrative Staff College of India (ASCI) - Hyderabad, Management Development Institute (MDI)-Gurgaon, Indian Institute of Public Administration (IIPA) - New Delhi, SCOPE-New Delhi and LEAD centre - Gurgaon. A leadership development program 'APEX' was also conducted for 12 officers in salary grade 'G' & 'H'.

CAPABILITY BUILDING

HPCL endeavours to create value for the business functions through progressive learnings and building capabilities of employees. The key focus areas of the capability building department at HPCL include enhancement of competencies, strengthening the leadership pipeline, cultural interventions to enhance collaboration and leveraging technology for learning & development.

To enhance the competencies of workforce and make them future ready, HPCL has partnered with various reputed business schools like IIM Calcutta, IIM Lucknow, IIM Indore and IIM Tiruchirappalli for programs aligned to the business requirement. A one-year part time program was designed and implemented in collaboration with NITIE, Mumbai to enhance the project management competencies of employees. In collaboration with IIT Bombay, a full time M.Tech program in Chemical Engineering is being continued for refinery officers for enhancement of technical competencies. HPCL has also collaborated with Institute of Chartered Accountants of India (ICAI) for management program in business finance and employees were encouraged to pursue learning through these programs.

During 2017-18, 31,437 man-days training was imparted to management employees which translated to around 5.18 man-days per officer.

Capability building initiatives also included - a specialized year-long Certified Petroleum Manager (CPM) Program in collaboration with Indian School of Petroleum Energy (ISPE), Dehradun, MBA (Oil & Gas) by University of Petroleum and Energy Studies (UPES), Dehradun, Junior Management Development Programme (JMDP) and various other technical / behaviour based training programs for different levels of officers at HP Management Development Institute (HP MDI), Nigdi.



HPCL's Mumbai Refinery has developed a detailed competency mapping based Functional Training Calendar 2018 to enable enhanced competency building for employees.

A learning management platform named 'HP Academy' which has technical and functional overview courses from all SBUs and E-Vidya which is a customized and interactive e-learning platform to enhance learning, for officers in LPG SBU was also launched. HPCL has collaborated with EBSCO, an aggregator of full-text content and online databases to provide wide range of online reading material.

In addition programs like 'Shapath' aimed at creating a safety culture by enhancing the technical & behavioural competencies of the non-management employees at LPG bottling plants, 'Samvardhan' aimed at equipping employees in clerical roles with right skill set and mindset by developing behavioural & technical competencies pertinent to their present and future job roles, 'Project Uthaan', an initiative undertaken for the employees who have been promoted from labour cadre to clerical cadre and 'Gyan Jyoti', a comprehensive training program which aims at empowering the labour category employees by providing them requisite IT skills through phase wise training programs were undertaken.

Programs like 'Sada Aap Ke Liye' for Fore Court Sales Men (FSMs) at Retail outlets, 'Prerna' for contract workmen, 'Ji Haan Samarth' for LPG delivery men and 'Samvad' for LPG showroom /customer service sell staff were also conducted to skill the workmen engaged by channel partners and provide improved customer experience as they are the first point of contact with the customers.

TALENT SOURCING AND ACQUISITION

Talent sourcing division of HPCL plays a crucial role in attracting prospective talent pool seeking employment opportunities with the Corporation by way of creating a positive employee value proposition and a strong brand image of HPCL as a preferred employer. An annual workforce plan has been drawn considering the growth plan and business strategy of the Corporation and appropriate initiatives were undertaken to get requisite talent on board.

To apprise the prospective candidates about job prospects & career growth at HPCL, branding initiatives at various college campuses were conducted during the year. The career page on corporate website was revamped to provide enhanced information & user experience to the potential

candidates. In addition, social media platforms were also leveraged to reach wider audience.

Samavesh

The flagship program 'Samavesh' for new recruits was redesigned in line with the feedback and expectations of new officers joining the Corporation. As part of Samavesh, multiple networking, employer branding, social media contests and other activities were conducted to engage the newly appointed employees. In addition, 'HP Avalokan Board Game' was introduced to provide complete overview of HPCL in a simple, effective and engaging way.

PERFORMANCE MANAGEMENT

Me@HPCL

'Me@HPCL' is a visioning tool incorporated in online performance management system to systematically capture and align individual's aspirations and strength towards organizational objectives. The insights gathered through Me@HPCL have been leveraged for meeting career aspirations of employees as well as in capability building of leadership pipeline. The employee centric approach of Me@HPCL has been extended to gain deeper insights about the needs of the people regarding their careers and designing required developmental interventions.

Grievance Redressal Mechanism

A Grievance Redressal Mechanism has been institutionalised wherein all aggrieved officers were given personal hearing and grievances were redressed including revision in performance rating based on recommendations by Management Employees Relation Committee (MERC). All appeals to appellate authority were also reviewed in detail and redressed including revision in performance rating.

Reward & Recognition

The reward & recognition schemes of HPCL are aimed at motivating all employees towards higher performance. For senior and middle management executives, 'HP ICON Awards' have been instituted since 2010 which aim to identify and recognize officers who place the interests of their teams before individual contributions. For officers in the junior management category, 'HP Outstanding Achievers Awards' have been instituted to recognize outstanding contributions. During 2017-18, 53 officers were felicitated at 12th edition of Outstanding Achievers Awards. To reward and recognize the extraordinary performance and commitment by non-management employees, 'HP Gaurav' awards have been instituted.



IMPROVEMENT IN INDUSTRIAL HARMONY

HPCL takes pride in having cordial & productive relations with unions for more than two decades. The effective grievance management system, fairness & emphasis on transparency has resulted in alignment of unions & employees to Corporation's vision. During 2017-18, 'HPCL Trust for Promoting Industrial Harmony' has awarded 'Shri Raja Kulkarni Samman' to two senior union leaders in appreciation for their outstanding contribution in the area of industrial relations.

Harmonious industrial climate was ensured throughout the year to meet the needs of the business. 18 settlements with different unions on productivity, redeployment, commencement of new shifts etc. were signed during the year. In addition, machine care program was piloted for LPG SBU which is aimed at preventive maintenance through involvement of shop floor workmen.

To develop the leadership skills of union leaders, a week long program **जीतेगे हम साथ साथ** (Together We Win) was conducted at Hyderabad in February 2018 which had participation of 32 union leaders of refinery and marketing divisions.

During the year, 8 workshops were held under the program 'HP Connect' in which 236 non-management employees were covered from refinery and marketing divisions.

EMPLOYEE ENGAGEMENT INITIATIVES

Enhancing employee engagement continues to be a focus area for HPCL and Corporation ensures the holistic inclusion of workforce across the demographics. During 2017-18, a number of employee engagement initiatives were undertaken for creating an enabling, participative, nurturing and winning work culture and to reach out to the families of the employees to build a stronger bond with the HP family so that the families take pride in being associated with HPCL.

Employee Assistance Program (EAP) 'Paramarsh', was continued to provide counselling services to employees, their spouses, and dependent children. Paramarsh is a 24x7x365 counselling service through various contact modes and is available in ten (10) languages.

Yuvantage is a youth engagement initiative of HPCL aimed at holistic development of the young officers by enhancing their managerial, behavioural and technical competencies. Till date, more than 2,000 young employees of HPCL have been part of Yuvantage program.

A new employee engagement initiative, Reboot@35+ was launched for officers in the age group of 35-50 years,

with an aim to operationalize the vision of engaging self, immediate family members and fostering and building common interest networks across the Corporation. The initiatives under the ambit of Reboot @35+ focus on self-development in personal, professional and social domains with mindfulness as its core theme.

PRODUCTIVITY ENHANCEMENT INITIATIVES

Project Utkarsh is a longitudinal and integrated initiative of LPG SBU, aimed at bringing about significant productivity improvements by fostering collaboration, building ownership and imparting knowledge and skills. Since its implementation in 2009, the average production rate of LPG plants has increased by more than 37%.

Project Utkrisht is aimed at improving the overall efficiency of Operations and Distribution locations. This project has resulted in improvement in number of productivity parameters like increase in bay filling rate by 106% from baseline (2012) and decrease in tank truck turnaround time to 43 minutes from baseline (2012) figure of 104 minutes.

WOMEN EMPOWERMENT

In a historic initiative, HPCL's Mumbai Refinery introduced round the clock shift working in operations for female officers during the year and has become the first location in petroleum industry in Maharashtra to place female officers in unit jobs in shifts.

Specific programs were organized during the year for female officers under 'SHE' (Support, Help, Empowerment) meet, wherein more than 70 female employees participated in team building events.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE (POSH)

A workshop was conducted for members of Internal Complaints Committee (ICC) across the Corporation to help them in understanding of their roles and responsibilities. In addition, 9 awareness workshops were conducted on the provisions of the POSH act for employees of refinery and marketing divisions.

SC/ST WELFARE PROGRAMMES

Welfare initiatives designed for SC/ST/OBC communities were undertaken which included interventions on knowledge dissemination through distribution of books on Indian Constitution, speeches of Dr. B R Ambedkar, supporting economically backward students including disabled students through grant of scholarship, holding health camps, distribution of water and food etc.



SPORTS ACTIVITIES AT HPCL

HPCL has always played a significant role in promotion of sports. It participates in various tournaments organised under the aegis of Petroleum Sports Promotion Board (PSPB) and All India Public Sector Sports Promotion Board (AIPSSPB). During 2017-18, HPCL organised Annual Sports Meet, Indoor Games and Cricket tournaments for its employees on all India basis. In addition, HPCL also conducts Cricket & Table Tennis coaching camps every year for the children of its Mumbai-based employees.

During the year 2017-18, various initiatives were undertaken to make internal tournaments gender neutral & socially inclusive by introducing new events in women & veteran categories. In addition, new events for persons with disabilities were introduced for all employees on all India basis. These initiatives resulted in increased participation of women & young employees in sports activities. HPCL hosted PSPB tournaments in Carrom & Veterans Cricket. During 2017-18, HPCL also participated in PSPB tournaments in Athletics, Badminton, Basketball, Bridge, Carrom, Chess, Cricket (men & veterans), Football, Golf, Table Tennis, Tennis and Volleyball. HPCL also hosted the AIPSSPB Badminton tournament during the year.

Q. RIGHT TO INFORMATION (RTI)

HPCL is a Public Authority under the RTI Act 2005 and complies with all the requirements of RTI Act 2005. HPCL receives and handles RTI requests through the RTI online portal at www.rtionline.gov.in which is a unified RTI portal of the Government of India. Officers across the country, representing different departments have been designated as Central Public Information Officers (CPIOs) and First Appellate Authorities (FAAs) to handle the RTI requests received from Indian citizens. The requirements of the RTI Act 2005 are duly complied with, including the portion related to proactive disclosures.

R. CORPORATE SOCIAL RESPONSIBILITY

During 2017-18, HPCL has allocated and spent more than 2% of average net profit of preceding three years as CSR budget and undertaken various activities in six focus areas of CSR viz. Child Care, Education, Health Care, Skill Development, Sports and Environment & Community.

New collaboration with Central /State Governments, Municipal Corporations, Non-profit organisations, Indian Army etc. helped to reach out to larger marginalized section of society. Various government initiatives like Swachh Bharat Abhiyan, Swachh Iconic Places, Pradhan Mantri Ujjwala

Yojna, Skill India etc are being implemented to provide better health care, education & livelihood for enriching the quality of life of people. HPCL through its long term CSR interventions have undertaken the following activities during 2017-18:

ADAPT

Project ADAPT is aimed at holistic development of special children in an inclusive environment. Through this project, HPCL supported education, therapies and vocational training of 300 special children during 2017-18.

Akshaya Patra

To enhance the literacy rate by reducing dropouts and ensure better nutritional standards among children from weaker sections, HPCL supported mid-day meals for 15,000 students in Visakhapatnam and Vijayawada through project Akshaya Patra. The program has resulted into improved attendance in schools and better health for students from economically poor sections.

Agastya

Project Agastya has been undertaken by HPCL to ignite and inculcate the scientific spirit in young minds. Under this project, HPCL provides hands-on and practical science education among the new generation learners from less advantaged communities. During 2017-18, HPCL provided hands-on science knowledge to 12,915 students from 25 schools.

Nanhi Kali

HPCL has taken sustainable and organized efforts to bring gender equality in country by providing quality education along with various socio-cultural exposures to girl children, many of whom are first generation learners. Through Nanhi Kali initiative, HPCL has been able to reduce the number of girl dropouts, prevent child marriages and promote higher education for girls. During 2017-18, HPCL has supported 13,000 girls under this project.

Unnati

Project Unnati has been implemented by HPCL to digitally empower the weaker sections of society and enhance the career opportunities for first generation computer learners in semi-urban and rural areas. Under project Unnati, HPCL has provided training to 8,000 students from different states of the country during 2017-18.

Dhanwantari

Project Dhanwantari strives to meet basic medical needs of people residing in remote rural areas and urban slums by



taking medical facilities to their doorsteps through Mobile Medical Vans (MMVs). The MMVs offer free consultation and medicines from qualified doctors. During 2017-18, HPCL operated 18 MMVs in the remote and backward villages and urban communities of 10 states/Union Territories.

Dil without Bill

Project Dil without Bill supports free of cost heart surgeries for patients from poor socio-economic background with preference to children. Awareness and follow-up camps are also conducted in various cities and towns that helps in identifying the needy patients. During 2017-18, HPCL has supported treatment of 400 patients from various parts of country.

Suraksha

The objective of project Suraksha is prevention and control of HIV/AIDS and Sexually Transmitted Infections (STIs) amongst trucking community through seven (7) 'Khushi Clinics'. Advanced counselling, AIDS awareness, STI treatment and basic health facilities were provided to truck drivers and cleaners to ensure holistic health and well-being of the truckers.

Swavalamban

Skill training to unemployed youth from diverse and poor socio-economic background were provided under project Swavalamban for enhancing their employability. Through a forward-backward integration model, collaboration with industry was established to ensure placements for those looking for a job. Under project Swavalamban, HPCL trained 3,000 youths during 2017-18 through its centres at different locations across the country.

SWACHH BHARAT ABHIYAN

With a focus on creation of sanitation infrastructure and awareness generation among masses, HPCL undertook innovative Swachh Bharat initiatives in collaboration with various stakeholders. A few such initiatives are construction of about 361 school toilets out of which 224 were constructed for girl children, construction of 194 community toilets across multiple states, renovation and upgradation of 127 community toilets at 18 prominent locations in Mumbai, waste management initiatives in Visakhapatnam. HPCL also initiated renovation/ upgradation of school toilets and Water, Sanitation and Hygiene (WaSH) program in 300 school in 4 states and partnered with district administration of Jalgaon (Maharashtra) for construction of 188 toilets in schools.

HPCL has adopted Golden Temple under the 'Swachh Iconic Places', a clean-up initiative focused on select heritage,

spiritual and cultural places in the country. During 2017-18, Golden Temple was awarded 'Best Iconic Place' award by the Government of India.

Employees and other stakeholders enthusiastically participated in more than 2,000 Swachh Bharat activities during the year including 'Swachhta Pakhwada' and 'Swachhta Hi Sewa' campaign to make Swachhata a Jan Andolan.

ENTREPRENEURSHIP DEVELOPMENT PROGRAM

A socio-economic initiative of HPCL, Entrepreneurship Development Project (EDP) for SC/ST youth was conceptualised, designed and volunteered by All India Hindustan Petroleum SC/ST Employees Welfare Association (HPSEWA). The project seeks to redress the underrepresentation of SC/ST in business and also promotes the objectives of Make in India, Start-Up India and Stand-Up India initiatives of Government of India.

EDP is a one-month residential program that consists of selecting the right candidates using tests and interviews, bringing attitudinal change and providing them with knowledge and entrepreneurship skills for setting up and running a business and thereby enabling transformation from job-seekers to job-creators. In addition, handholding and mentoring is also an integral part of the program.

After the success of EDP Phase I, HPCL has run two batches in 2017 including one batch exclusively for women. Thirty five (35) SC/ST women entrepreneurs were developed under EDP phase II. EDP has facilitated registration of total 105 companies under MSME across various sectors.

SKILL DEVELOPMENT

In line with the 'Skill India' initiative of Government of India, contribution was made towards five (5) Skill Development Institutes (SDIs) at Raebareli, Guwahati, Visakhapatnam, Kochi and Bhubaneswar and towards the establishment of Indian Institute of Petroleum and Energy (IIPPE). HPCL was the anchor industry for IIPPE and Skill development institute at Visakhapatnam.

OTHER SOCIAL DEVELOPMENTAL ACTIVITIES

Over 12,000 needy and meritorious students from SC, ST, OBC, and PWD categories were provided scholarships to support their education. Based on the latent and stated need of the communities, an array of local area development initiatives was driven by the passionate employees towards welfare of less privileged people including children, women, elderly and people from other weaker sections of society.



HPCL in collaboration with Indian Army launched maiden project 'Kashmir Super 30 (Medical)' to provide best in class mentoring to talented students from Kashmir to compete for various medical entrance examinations in India. In addition, HPCL entered into partnership with Government of Jammu & Kashmir for developing the iconic 'Tulip Garden'. HPCL also contributed to Armed Forces Flag Day Fund (AFFDF) for providing care, support, rehabilitation and financial help to the disabled, non-pensioners, old and infirm ESM (ex-servicemen), their families, war widows and orphaned children. HPCL will continue to strive for welfare and development of society with greater zeal and enthusiasm through its CSR programs.

S. OFFICIAL LANGUAGE IMPLEMENTATION

HPCL ensures the usage of Hindi by motivating the employees through persuasion, incentives and harmony and leverages various IT platforms to promote Hindi. The recognition of linguistic and cultural talent of the employees and enhanced awareness about Hindi at workplaces is facilitated by encouraging participation in All India Hindi Mahotsav, Hindi fortnight, Official Language conferences, Hindi competitions and Hindi workshops. During 2017-18, HPCL has undertaken various new initiatives for promoting Hindi including technical Hindi article competition and technical Hindi seminar. HPCL is coordinator for Town Official Language Implementation Committee (TOLIC) of Mumbai based PSUs since 1983 and is guiding Mumbai based 64 PSUs in the field of official language implementation.

During 2017-18, HPCL was recognised with total 43 awards in the area of official language implementation. This includes 'Rajbhasha Kirti Pratham Puraskar', the highest Official Language Award and TOLIC (Mumbai) award. Both the awards were given by Honourable President of India. HPCL has also received the Official Language Shield from Ministry of Petroleum & Natural Gas during 2017-18.

T. AWARDS RECEIVED

During the year 2017-18, HPCL was conferred with a number of awards and recognitions at various international and national forums. The following is the list of awards received by HPCL during 2017-18:

1. "Responsibly Growing Corporate of the Year 2016" award by Federation of Petroleum Industry (FIPI) for the leadership in achieving business excellence with responsibility in oil & gas sector in India
2. "Oil and Gas Marketing Company of the Year" award for the second consecutive year by FIPI for leadership in oil

marketing business in India

3. Recognized amongst the 'Top 100 Global Energy Leaders' for 2017 by Thomson Reuters
4. "Fastest Growing Organization - Navratna" award at the Hindustan Ratna PSU Awards 2017 by Hindustan Media Ventures Limited
5. "Forecourt Retailer of the Year" award for the 10th time at Star Retailer Awards 2017
6. "Asia's Most Admired Brands 2018" and "Asia's Most Valuable Business Brands 2018" award to HP Gas at Asian Brand and Leadership Conclave 2018 by World Consulting & Research Corporation in association with ibrand 360
7. "Marketing Campaign of the Year" Award & "Emerging Brand Award" to Retail SBU at ABP News Brand Excellence Awards
8. "Excellence in Overall Performance" award to HP Lubricants for the 2nd consecutive year by M/s Bosch India
9. "SCOPE Meritorious Award 2014-15" for 'Best Women Empowered Company' & 'Environmental Excellence and Sustainable Development'
10. Innovation Award to HPCL Green R&D centre, Bengaluru by Ministry of Petroleum & Natural Gas (MoP&NG) for 'Best Indigenously Developed Technology'
11. "Vigilance Excellence Award 2017" in the Outstanding Category for CPSEs, PSBs, Ministries and Departments by Central Vigilance Commission (CVC)
12. Award for "Best Company in terms of Cognitive Technologies Implementation" by Computer Society of India
13. "R&D Company of the Year" award by The Energy & Climate Initiatives Society for development and demonstration of innovative products and processes
14. "Best Engagement & Loyalty Scheme of the Year" Award for Drive Track Plus loyalty program of Retail SBU
15. "INDIASTAR" 2017 Award to HP Lubricants for HP Racer Synth premium four stroke bike engine oil for excellence in packaging for 'Shipper Cum Display Pack'
16. "FICCI Chemical and Petrochemical Award" 2016 to VVSPL for 'Most Environment-Friendly Company in Petrochemicals Sector' and to MDPL for 'Excellence in Corrosion Management in Petrochemicals Sector'



17. "Oil Industry Safety Award 2017" to South Zone - LPG under "Marketing-LPG Category" and Mundra-Delhi Pipeline under "Cross Country Pipelines- Product category" by Oil Industry Safety Directorate (OISD)
18. "Special Recognition Award" for advancing the practices of Human Resource Management by the Society of Human Resource Management (SHRM)
19. "Global Sustainability Awards 2017" in Gold Category for excellence in sustainability and safety by M/s Energy and Environment Foundation at 8th World Renewable Energy Technology Congress
20. "Golden Peacock Award 2017" for Corporate Social Responsibility by Institute of Directors (IoD)
21. "Golden Peacock Award for Sustainability" 2017 by Institute of Directors (IOD) for excellent performance on economic, environmental and social aspects
22. "Emerging Brand Award" to HPCL's Drive Track Plus loyalty program at National Awards for Marketing Excellence 2017
23. "Best Digital Customer Experience Initiative" and "Best Loyalty Program in B2B Sector" awards to Retail SBU during Customer Loyalty Summit 2018
24. "Digital Enterprise Service 2017" Award in 'Good for Organization' category at Digital India Summit 2017 by Times Network
25. "Best Enterprise Award" (Navratna Category) at the forum for Women in Public Sector (WIPS) under the aegis of SCOPE
26. "Retail Marketing Campaign of the Year" (Offline) award to 'HP Hai Jahan Bharosa Hai Wahan' campaign at ET Now's Global Awards
27. "National Project Management Excellence 2016" Award to Mangalore-Hassan-Mysore-Solur LPG Pipeline Project (MHMSPL) by Project Management Associates (PMA)
28. "SCOPE Awards for Excellence in Corporate Communication 2017" - (i) 1st prize in the category of Best External Corporate Communication Campaign Programme for "Roads That Honk" campaign (ii) 2nd prize in the category of Best Internal Corporate Communication Program for 'HP Senior League' (iii) 2nd prize in the category of Best House Journal (English) for 'HP News' (iv) 2nd Prize in the category of Best House Journal (Hindi) for 'HP Samachar' (v) 3rd prize in the category of Annual Report (vi) 3rd prize in the category of Best Corporate Film
29. "CIPS Supply Management Awards Asia 2017" under the category of 'Best Process Improvement Initiative' at Procure-con Asia Conference 2017
30. 'Certificate of Merit' in Challenge Category at "Sustainability 4.0 Awards 2017" (MENASA edition) by Frost & Sullivan and TERI
31. "Platinum Award" to Mundra Delhi Pipeline in Petroleum Storage & Transportation Sector by Greentech Foundation
32. "Green Supply Chain Company of the year 2017" award at Express Logistics and Supply Chain Leadership Awards 2017
33. Greenco 'Platinum' rating to Visakh LPG terminal (First LPG terminal in industry to obtain CII Greenco Platinum rating) by Confederation of Indian Industry(CII) - Godrej Green Business Centre (GBC)
34. "IT Innovation and Excellence 2017" award in "Best Government Organization Implementing Information Security" category by Computer Society of India (CSI)
35. "PRSI National Awards 2017"- (i) Best Innovation in PR & Communication Campaign for 'Roads That Honk' campaign, (ii) Best House Journal (Hindi) for 'HP Samachar', (iii) Best House Journal (English) for 'HP News', (iv) Best Annual Report, (v) Best PSU implementing CSR and (vi) Best CSR Project in Childcare, by Public Relation Society of India (PRSI)
36. "Eminent Awards 2017" - (i) Gold Award to MPSPL, (ii) Gold Award to Jabalpur IRD, (iii) Gold Award to Loni LPG plant & (iv) Silver Award to Anantapur LPG plant by Ek Kaam Desh Ke Naam NGO
37. 'Platinum Award' for Green Building Standards to Yediyur LPG plant by Indian Green Building Council (IGBC)
38. "Vigilance Excellence Award" for Best Case Study at the XIV anniversary celebration of Vigilance Study Circle, Hyderabad chapter
39. First prize to Yuvantage initiative at FICCI Award 2017 in case study contest on the theme 'How Millennials have reshaped your workforce'
40. "Bhamashah Award" to Jodhpur Retail Regional Office by Government of Rajasthan



41. "Skill Achievers Silver Trophy" to Skill Development Institute (SDI), Visakhapatnam under the category 'Best Institute – Innovation on Skill Development' by ASSOCHAM
42. Award for 'Best HR Practices' to Capability Building group and HP MDI by Times Ascent Group
43. National Excellence Award under the category "Significant Contribution done by Industry in Education Sector" to Jodhpur Retail Regional Office by ASSOCHAM
44. 'IGBC GOLD rating' under the category of 'Existing Building' to marketing headquarters - Hindustan Bhawan
45. Multiple "Garden Awards" to HP Nagar East colony from Brihanmumbai Municipal Corporation (BMC) and Friends of the Trees
46. HPCL featured in 'CNBC TV 18 Workplace Excellence Series' on 27th-28th January, 2018 as a special episode and became the first oil PSU to feature in this series

U. CORPORATE GOVERNANCE

A separate segment on corporate governance forms part of the annual report. However, it would be relevant to point out here that the Corporation is giving utmost importance to compliance with corporate governance requirements including compliance of regulations, transparent management processes and adherence to both internal and external value norms and has implemented a robust grievance redressal mechanism.

V. INTEGRITY PACT

The Corporation has complied with 'Integrity Pact' (IP) to enhance ethics and transparency in the process of awarding contracts. HPCL has signed MoU with 'Transparency International' and has implemented the Integrity Pact with effect from 1st September, 2007. The Integrity Pact is an integral part of procurement process for all tenders above ₹ 1 crore.

W. RISK MANAGEMENT

HPCL has adopted a well-defined process for managing the business risks on continuous basis and for conducting the business in a risk conscious manner. Processes have been put in place for identification, assessment and mitigation of risks continuously. These self-regulatory processes form an integral part of core business values and provide critical

inputs for decision making related to strategy formulation and capital allocation.

HPCL has also leveraged technology to integrate and manage the entire process of enterprise risk management. Independent expert has been engaged to improve the effectiveness of framework and assist in its continued implementation.

As part of effective implementation of the risk management framework, Risk Management Steering Committee (RMSC) continues to provide direction and guidance. The Corporation has a mechanism to inform Board members about the risk assessment & mitigation procedures and periodic reviews are held to ensure that risks are controlled through a properly defined framework.

X. INTERNAL CONTROL PROCESSES

The Corporation has an independent Internal Audit department headed by an Executive Director (below board level position). The Internal Audit department consists of professionally qualified officers from finance and technical functions, supplementing the internal control processes through an extensive audit program. The internal audits are carried out across all the spheres of business operations of HPCL to review the implementation of business processes and control. Internal audits are carried out as per the annual audit program approved by the Audit Committee of the Board and significant audit observations are periodically reviewed by Audit Committee of the Board.

Y. GLOBAL COMPACT

HPCL is also a member of the Global Compact Society of India which is the unit of the UN Global Compact, the largest voluntary corporate initiatives in the world. It offers a unique platform to engage companies in responsible business behaviour through the principles of Human Right, Labour Standards, Environmental norms and Ethical practices. All these areas receive constant attention of the management to ensure continuous compliance.

Z. JOINT VENTURE COMPANIES AND SUBSIDIARIES

HPCL conducts business through subsidiaries and joint venture companies in various areas across the energy value chain including refining, petrochemicals, bituminous emulsions, pipelines, City Gas Distribution (CGD), LPG cavern, LNG terminals and biofuels. The joint venture and subsidiary companies of HPCL have performed well during the year 2017-18 as given under:



HPCL-Mittal Energy Ltd. (HMEL)

HPCL-Mittal Energy Ltd. (HMEL) is a joint venture between HPCL and Mittal Energy Investments Pte Ltd., Singapore with equity holding of 48.99% each.

HMEL operates a refinery of 11.3 MMTA capacity at Bathinda, Punjab. The refinery produces wide range of petroleum products including LPG, Naphtha, Petrol, Diesel, ATF, Bitumen, Petroleum coke, Polypropylene and Sulphur.

Capacity expansion of HMEL Refinery from 9 MMTA to 11.3 MMTA was completed during 2017-18 and the project for producing BS-VI grade fuels is under implementation.

During 2017-18, HMEL processed 8.83 MMT of crude oil and recorded a total revenue of ₹ 40,701 crore with profit after tax of ₹ 1,629 crore. HMEL has also kick-started the proposed investment of about ₹ 21,700 crore towards setting up a 1.2 MMTA integrated petrochemical block within the existing refinery complex.

HMEL has always fostered a culture of camaraderie, transparency and performance amongst its employees and has been certified during 2017-18 as a 'Great Place to Work'. For the first time, HMEL achieved 10 million safe man-hours with steady commitment towards an incident & injury free workplace.

South Asia LPG Company Pvt. Ltd. (SALPG)

South Asia LPG Company Pvt. Ltd. (SALPG) is a joint venture between HPCL and Total Holding India with equity holding of 50% each.

SALPG owns and operates an underground LPG storage cavern of 60 TMT capacity and associated receiving & despatch facilities at Visakhapatnam. This cavern is the only underground LPG cavern storage facility in the country.

During 2017-18, SALPG cavern received 1.686 MMT of LPG as compared to 1.627 MMT in previous year, registering a growth of 3.63%. SALPG has achieved a total revenue of ₹ 228.38 crore and recorded profit after tax of ₹ 118.21 crore during 2017-18.

SALPG accords topmost priority to safety, health, and environment across all facets of the business. Company has established an HSE management system in line with the international standards. Since the commencement of operation in January 2008, SALPG has clocked 2.99 million safe man-hours till 31st March, 2018.

SALPG is accorded ISO 9001-2008 certification for Quality Management System, ISO 14001-2004 certification for

Environmental Management System and OHSAS 18001-2007 certification for Occupational Health and Safety Management System.

SALPG has been continuously paying dividend for the last 8 years. For the year 2017-18, SALPG Board has recommended highest ever dividend of 90%.

Prize Petroleum Company Ltd. (PPCL)

Prize Petroleum Company Ltd. (PPCL) is a wholly owned subsidiary of HPCL. PPCL is the upstream arm of HPCL and is in the business of Exploration and Production (E&P) of hydrocarbons as well as providing services for management of E&P blocks. During 2017-18, PPCL achieved total production of 33,752 barrels of crude oil from domestic oil field at Hirapur (Gujarat).

PPCL has a wholly owned subsidiary namely Prize Petroleum International Pte Ltd. (PPIPL), incorporated in Singapore. PPIPL has 11.25% and 9.75% participating interests in two E&P blocks, T/L1 and T/18P respectively in Australia. PPIPL has achieved its share of production of 459,269 BOE (Barrels of Oil Equivalent) from Yolla producing field (T/L1).

During 2017-18, PPCL has achieved total revenue of ₹ 106.27 crore on consolidated basis as compared to ₹ 86.49 crore achieved during previous year.

Hindustan Colas Private Ltd. (HINCOL)

Hindustan Colas Private Ltd. (HINCOL) is a joint venture between HPCL and M/s Colas S.A. of France with equity shareholding of 50% each.

HINCOL is engaged in the manufacturing and marketing of Bitumen emulsions and modified Bitumen. HINCOL also undertakes pavement maintenance activities like micro-surfacing, slurry sealing and fog sealing and is the market leader in sales of Bitumen emulsions in India.

HINCOL owns and operates nine (9) strategically located, ISO 9001/14001 & OHSAS 18001 certified plants. Construction of its 10th plant at Guwahati and resitment of the existing plant at Visakhapatnam are in progress. The JV has chartered a course of consolidation in its existing core business besides exploring new business opportunities in terminalling, waterproofing solutions, etc. HINCOL's maiden Bitumen storage facility at Haldia is under construction and is a step in this direction.

The Company continues to be a preferred supplier for major infrastructure projects in India owing to its commitment towards quality. During 2017-18, HINCOL supplied Bitumen



emulsions to numerous road projects in India registering a sales growth of 5% over historical. It also supplied Polymer Modified Bitumen for construction of runways at Chandigarh and Kannur international airports and Air Force stations at Pune, Tambaram, Awantipur, Sirsa and Kalburgi.

During 2017-18, HINCOL recorded a total sale volume of 209 TMT registering a revenue of ₹ 708.86 crore and net profit of ₹ 100.16 crore.

HINCOL has been paying dividend for the past 18 years and has declared the highest ever dividend of 700% for 2017-18.

HPCL Rajasthan Refinery Ltd. (HRRL)

HPCL Rajasthan Refinery Ltd. (HRRL) is a joint venture of HPCL and Government of Rajasthan with 74% equity participation by HPCL and balance 26% by Government of Rajasthan. HRRL is setting up a 9 MMTPA capacity greenfield refinery cum petrochemical complex in the state of Rajasthan.

HPCL and the Government of Rajasthan entered into a revised Memorandum of Understanding on 18th April, 2017 for the construction of the said Refinery with revised parameters. The revised Joint Venture Agreement was signed on 17th August, 2017. The work commencement ceremony of the 9 MMTPA Rajasthan Refinery was carried out at the hands of Honourable Prime Minister of India on 16th January, 2018.

The pre-project activities for the project are in advanced stage. The cost of project is estimated to be ₹ 43,129 crore.

Mangalore Refinery and Petrochemicals Ltd. (MRPL)

Mangalore Refinery and Petrochemicals Ltd. (MRPL) is a joint venture of HPCL and ONGC wherein ONGC holds 71.63% of equity, HPCL holds 16.96% of equity and balance equity is held by public.

MRPL is a Schedule 'A' Miniratna Central Public Sector Enterprise (CPSE) and a listed entity, which operates a refinery of 15 MMTPA capacity at Mangalore, Karnataka.

During 2017-18, MRPL has achieved highest ever throughput of 16.31 MMT as compared to 16.27 MMT achieved during 2016-17 and recorded consolidated total revenue of ₹ 63,962 crore with profit after tax of ₹ 1,774 crore.

MRPL has successfully commissioned a solar power project of 6.063 MWp capacity which is the largest solar power project in a refinery site in the country.

Ratnagiri Refinery and Petroleum Ltd. (RRPCL)

Ratnagiri Refinery and Petrochemicals Ltd. (RRPCL) is a joint

venture company promoted by IOCL, BPCL and HPCL with equity participation in the ratio of 50:25:25.

RRPCL has planned to set up a 60 MMTPA integrated refinery cum petrochemicals complex in Ratnagiri district in the state of Maharashtra. The Company has initiated the process of acquiring land through Government of Maharashtra. Pre-project activities like pre-feasibility study, market study etc. have been initiated for the project.

HPCL Biofuels Ltd. (HBL)

HPCL Biofuels Ltd. (HBL) is a wholly owned subsidiary company of HPCL. HBL was promoted as a backward integration initiative to enable HPCL's foray into manufacturing of Ethanol for blending in Petrol. HBL presently has two integrated Sugar-Ethanol-Cogeneration plants at Sugauli and Lauriya in the state of Bihar.

During 2017-18, HBL has recorded total revenue of ₹ 136.50 crore and cane crushing of 699 TMT with average sugar recovery of 9.04 %. HBL also achieved sugar production of 63,870 MT, Ethanol production of 7,025 KL and power production of 79,085 MWh during 2017-18.

Petronet MHB Ltd. (PMHBL)

Petronet MHB Ltd. (PMHBL) is a joint venture of HPCL and ONGC with equity shareholding of 32.72% each and balance 34.56% of equity is being held by banks. PMHBL owns and operates a multiproduct petroleum pipeline to transport MRPL Refinery's products to various parts of Karnataka.

During 2017-18, PMHBL has achieved highest ever throughput of 3.5 MMT as compared to 3.43 MMT during previous year. PMHBL has registered highest ever total revenue of ₹ 171.13 crore as compared to ₹ 170.20 crore in the previous year and recorded the highest ever net profit of ₹ 83.46 crore as compared to ₹ 80.95 crore achieved in 2016-17. PMHBL has paid its maiden interim dividend of 9% to the shareholders for the year 2017-18.

To expand the pipeline network further, PMHBL has submitted the Expression of Interest to PNGRB for laying a petroleum product pipeline from Hassan to Chitradurga (from existing Hassan Pumping station) in Karnataka state.

PMHBL's Integrated Management System (IMS) is certified with ISO-9001 for quality management, ISO-14001 for environmental management, OHSAS-18001 for occupational health and safety management and ISO-50001 for energy management. The company has also deployed various updated technology solutions for its operations as per International standards.



Bhagyanagar Gas Ltd. (BGL)

Bhagyanagar Gas Ltd. (BGL) is a joint venture of HPCL and GAIL with equal equity holding of 49.97% each.

As on 31st March, 2018, BGL has a City Gas Distribution network comprising of 595 Km MDPE pipeline and 115.21 Km steel pipeline and is serving 21,678 domestic customers. BGL also operates 51 CNG stations (3 mother stations, 42 daughter stations & 6 online stations) in the cities of Hyderabad, Vijayawada, and Kakinada in the states of Andhra Pradesh and Telangana.

During 2017-18, BGL has achieved sales volume of 29,419 MT of CNG and 124.10 lakh Standard Cubic Meter (SCM) of PNG, registering a growth 248% in PNG sales. BGL has recorded the highest ever revenue of ₹ 158.96 crore with net profit of ₹ 9.16 crore during 2017-18.

Aavantika Gas Ltd. (AGL)

Aavantika Gas Ltd. (AGL) is a joint venture of HPCL and GAIL with equal equity holding of 49.98% each.

As on 31st March, 2018, AGL has a City Gas Distribution network comprising of 1,615 Km MDPE pipeline and 100 Km steel pipeline and is serving 25,921 domestic customers. AGL also operates 26 CNG stations (4 mother stations, 10 daughter stations & 12 online stations) in the cities of Indore, Ujjain, Pithampur and Gwalior in the state of Madhya Pradesh.

During 2017-18, AGL has achieved sales volume of 21,868 MT of CNG and 116.53 lakh SCM of PNG, registering a growth of 14% and 22% respectively over the previous year. AGL has recorded the highest ever revenue of ₹ 149.2 crore with best ever net profit of ₹ 24.28 crore during 2017-18.

GSPL India Gasnet Ltd. (GIGL)

GSPL India Gasnet Ltd. (GIGL) is a joint venture of Gujarat State Petronet Ltd. (GSPL), Indian Oil Corporation Ltd. (IOCL), Bharat Petroleum Corporation Ltd. (BPCL) and HPCL. HPCL has 11% equity participation in the company and balance being held by GSPL (52%), IOCL (26%) & BPCL (11%).

GIGL has been authorised to lay two cross country gas pipelines viz 1,640 Km long Mehsana to Bathinda Pipeline and 740 Km long Bathinda to Srinagar Pipeline.

The company has awarded EPC contracts for the initial sections of projects viz. Barmer-Pali pipeline, Palanpur-Pali pipeline and Jalandhar-Amritsar pipeline. Project implementation activities like laying of pipelines, civil construction works etc. for all these three sections are in full swing.

GSPL India Transco Ltd. (GITL)

GSPL India Transco Ltd. (GITL) is a joint venture of Gujarat State Petronet Ltd. (GSPL), Indian Oil Corporation Ltd. (IOCL), Bharat Petroleum Corporation Ltd. (BPCL) and HPCL. HPCL has 11% equity participation in the company and balance being held by GSPL (52%), IOCL (26%), & BPCL (11%).

GITL has been authorised to lay 1,881 Km long natural gas pipeline from Mallavaram to Bhilwara.

The company has awarded the EPC contract for the project of interconnecting the initial section of Reliance Gas Transmission Limited pipeline to Ramagundam Fertilizers & Chemicals Limited plant.

Godavari Gas Pvt. Ltd. (GGPL)

Godavari Gas Pvt. Ltd. (GGPL) is a joint venture between Andhra Pradesh Gas Distribution Corporation Limited (APGDC) and HPCL with equity stake in the ratio of 74:26.

GGPL has been formed to develop and operate city gas distribution network in East Godavari and West Godavari Districts of Andhra Pradesh. The project is estimated to cost around ₹ 475 crore in the first five years.

As of 31st March, 2018, GGPL operates 1 CNG mother station in Kovvur, West Godavari district and 4 daughter booster stations at OMC retail outlets. During 2017-18, GGPL has recorded a turnover of ₹ 1.95 crore against sale of 430.99 MT of CNG.

HPCL Shapoorji Energy Pvt. Ltd. (HSEPL)

HPCL Shapoorji Energy Pvt. Ltd. (HSEPL) is a joint venture between HPCL and SP Ports Pvt. Ltd. with equity shareholding of 50% each.

HSEPL has been formed to build and operate a 5 MMTPA LNG regasification terminal at Chhara Port in district Gir Somnath, Gujarat. The project is estimated to cost around ₹ 4,300 crore, to be funded by a mix of debt and equity. The key LNG terminal facilities include marine facilities for LNG carrier berthing & unloading, storage tanks, regasification facility based on Shell & Tube Vaporizer (STV) and utilities such as boil-off system and emergency generator.

Process of award of EPC contract for the project through international competitive bidding is in progress and Letter of Acceptance (LoA) has been issued for storage tanks and regasification facilities. Petroleum Explosive Safety Organization (PESO) has granted approval for construction of facilities. The Environmental Clearance (EC) from Ministry of Environment, Forest and Climate Change (MoEF&CC) is awaited for the project.



Mumbai Aviation Fuel Farm Facility Pvt. Ltd. (MAFFFL)

Mumbai Aviation Fuel Farm Facility Pvt. Ltd. (MAFFFL) is a joint venture of Mumbai International Airport Private Limited (MIAL), Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and HPCL with equity holding of 25% each.

The business of the company is to operate & maintain the existing aviation fuel farm facilities and to provide Into-plane services at Chhatrapati Shivaji International Airport (CSIA), Mumbai. The company will construct, maintain and operate the new integrated fuel farm facility on open access basis. The revenue to MAFFFL shall be by way of the fuel infrastructure charges, payable by the suppliers for utilising the facility.

During 2017-18, MAFFFL achieved throughput of 18.03 lakh KL as compared to 16.55 lakh KL in previous year, registering a growth of 8.94%. MAFFFL has recorded total revenue of ₹ 139.38 crore during 2017-18 as compared to ₹ 127.60 crore in the previous year and also recorded the highest ever profit after tax of ₹ 47.22 crore as compared to ₹ 26.58 crore in previous year with a profit growth of 78%. MAFFFL has paid its maiden interim dividend of 10% to the shareholders for the year 2017-18.

During 2017-18, the cumulative overall progress of the integrated fuel farm project is about 68%.

HPCL Middle East FZCO

HPCL Middle East FZCO, a 100% Subsidiary of HPCL 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.

HPCL Middle East FZCO was established for trading of lubricants & greases, petrochemicals and refined petroleum products. The subsidiary will serve the select markets of Middle East and Africa.

AA. OUTLOOK

The global economic growth continues to be strong at a growth rate of 3.8% during 2017, which was highest since

2011. Growth was broad based with higher than expected growth in the Euro-zone, Japan, US and China and propelled by modest improvement in commodity exporters after three years of weak growth. Global trade also recorded a strong growth of 4.9% in 2017 after two years of weakness. Growth momentum of global economy is expected to continue in 2018 with world GDP growth projected to be around 3.9%. This is expected to provide a boost for exports and could be biggest source of upside potential for India's GDP growth in 2018-19.

In the domestic front, forecasts by Reserve Bank of India (RBI) and International Monetary Fund (IMF) indicate an improvement in growth prospects of the Indian economy with a GDP growth rate of about 7.4% projected for 2018-19. GST promises to deliver positive outcomes in economy as India becomes a single large competitive market. Also the structural reforms of recapitalising the public sector banks and resolution of distressed assets under the new Indian Bankruptcy Code are promising. Thrust on rural and infrastructure sectors in the Union Budget could boost rural demand and attract private investment. Improvement in non-food credit offtake also augur well for investment recovery. Challenges are from actions towards protectionist tendencies & trade strife by countries and geopolitical tensions across the globe. With economy growing in line with trend, on the back of various policy initiatives, growth in demand for petroleum products in India is expected to follow trend.

BB. CAUTIONARY STATEMENT

Matters covered in the Management Discussion and Analysis report describing the Corporation's objective, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable securities laws and regulations. The actual performance could vary from those projected or implied. Important or unforeseen factors that could make a difference to the Corporation's operations include economic conditions affecting demand / supply and price conditions in the domestic market in which the Corporation predominantly operates, changes in regulations and other incidental factors.