

Address by
Chairman and Managing Director
at 69th Annual General Meeting



September 15, 2021
Mumbai



M. K. Surana
Chairman & Managing Director



Hindustan Petroleum Corporation Limited

Good Morning,

Ladies and Gentlemen,

It is a great honour and privilege for me to welcome all the shareholders, on behalf of the Board of Directors, to the 69th Annual General Meeting of Hindustan Petroleum Corporation Limited. I would like to thank you all for sparing the time to join from wherever you are and for your continued faith in the Company.

Like last year, we are once again meeting virtually as the continued impact of the COVID-19 pandemic necessitates the adoption of safety precautions to arrest its spread. I take this opportunity to express solidarity with all those who have lost their loved ones and I wish a speedy recovery to those who are infected or battling with the pandemic.

I also salute the tireless efforts and incredible courage of all the Corona Warriors fighting this crisis with complete dedication.

During the year, Your Company exhibited high degree of agility, resilience, and responsiveness to navigate through the challenges. Your Company made every effort to serve the nation by ensuring uninterrupted supply of essential commodities like cooking gas and transport fuels across the length and breadth of the country while ensuring the safety of the work force and the customers. Implementation of significant technology solutions, innovative work practices and strict adherence to COVID-19 protocols enabled employees of your Company to work seamlessly from home and remote locations to ensure business continuity. Your Company also helped in strengthening the health infrastructure in the country to combat

COVID-19 pandemic in addition to helping the needy and the migrant workers.

Vaccination drive and preventive measures have been extensively pursued to ensure a strong layer of protection against Coronavirus.

I am happy to state that navigating through a challenging environment your Company has delivered its highest ever Profit after Tax (PAT) of ₹ 10,664 Crore during the Year, crossing ₹ 10,000 Crore mark for the first time. This outstanding achievement has been possible only due to tireless efforts of all the employees, channel partners and unwavering faith of all our stakeholders. Our response in time of need and crisis has also earned us goodwill from the customers and public at large.

With an aim to create value for the stakeholders, your Company initiated 'Share Buy Back' program in November 2020 through market transactions for a maximum value of ₹ 2,500 Crore at a maximum rate of ₹ 250 per share. The Buy-back program has been completed on its expiry date of 14th May 2021. In its entire Buy-back program, HPCL bought back 10.53 Crore Equity Shares utilizing a total amount of ₹ 2,954 Crore which includes all transactions costs and taxes.

I also wish to inform that Dr. Alka Mittal has joined the Board of your Company as Government Nominee Director representing ONGC, effective 17th June, 2021 in place of Shri Subhash Kumar.

Now, with your permission, I would like to outline the major developments that have taken place in the Indian economy and hydrocarbon sector during Financial Year 2020-21.

Indian Economy

Indian economy contracted by 7.3% in the financial year 2020-21 as the lockdown measures imposed to contain the pandemic affected the economic activities. Several proactive, preventive, and mitigating measures taken by Government have helped the GDP growth to turn positive in the third quarter and further strengthened in the fourth quarter of FY 2020-21. With aggressive vaccination programs and fiscal stimulus, economic activity is witnessing a resumption and GDP is likely to exceed the pre-pandemic level by the end of the current fiscal year.

Developments in Oil Sector

For the Global Oil and Gas Industry, the year gone by was challenging and unprecedented. Restrictions on mobility, containment measures and economic disruptions related to the COVID-19 outbreak led to the sharpest oil demand contraction in decades during the calendar year 2020.

Crude oil prices varied in a wide range during financial year 2020-21. The Brent Crude oil prices fell to an average of US\$ 18.8 per barrel in April 2020 due to significant decline in oil consumption that caused a sharp rise in global oil inventories. Brent crude prices showed a rising trend towards the end of financial year 2020-21 and reached an average level of US\$ 65.6 per barrel in March 2021 with demand pick up and production cuts by some of the major oil producers.

India's fuel demand, which has contracted to almost 50% in April 2020, rebounded sharply with gradual relaxation of lockdown restrictions to end the year with almost 91% of the 2019-20 full year demand.

Among major products, LPG posted growth of 4.8%, supported by GOI's Pradhan Mantri Gareeb Kalyan Yojana (PMGKY) scheme to provide upto three LPG cylinders free per PMUY beneficiary as COVID-19 relief. The lockdowns related restrictions on movements and their impacts on economic activities led to a drop in consumption of diesel and petrol by 12% and 6.7% respectively. With the airlines remaining inoperative for most of the year, Aviation Fuel consumption fell by 54%.

Government of India is pursuing various initiatives for energy accessibility for all, at affordable prices with reduced import dependence and low carbon energy mix. Pradhan Mantri Ujjwala Yojana (PMUY), which has benefited 8 crore households, pan India roll out of BS-VI standard auto fuels effective 1st April 2020, increasing use of Natural Gas as cooking and transportation fuel and impetus to develop eco system for production and use of Bio fuels are few such steps in the downstream sector. Policy initiatives are also being taken for higher ratio of ethanol blending in MS, faster adoption of e-mobility and higher use of green hydrogen in future.

HPCL Performance

Now I present the details of the financial and physical performance of your Company for the financial year 2020-21.

Financial

During financial year 2020-21, your Company recorded its highest ever Profit after Tax (PAT) of ₹ 10,664 crore as compared to ₹ 2,637 crore for the previous year. Gross sales was ₹ 2,69,243 Crore. Gross Refining Margins (GRM) averaged at US\$ 3.86 per barrel.

Earnings per share for the year 2020-21 increased to ₹ 70.57 as compared to ₹ 17.31 in the previous year. The net worth of your Company as of 31st March, 2021 has reached to ₹ 36,186 Crore as compared to ₹ 28,962 Crore as of 31st March, 2020. Your Company has proposed a final dividend of ₹ 22.75 per share for the financial year 2020-21. The amount of final dividend payout would be approximately ₹ 3,227 crore.

I am happy to share that the credit ratings of your Company by various reputed International and National credit rating agencies continue to be at par with the sovereign rating of India. The credit rating of your Company from 'Moody's Investors Service' is "Baa3" and from 'Fitch Ratings' is "BBB-".

Physical

The refineries of your company registered sound physical performance during the year with combined capacity utilization of 104% and achieved a thruput of 16.42 MMT despite demand contraction and constraints due to COVID-19 pandemic. Adapting continually to the unprecedented challenges due to COVID-19 pandemic, effective crude sourcing plans, optimizing day-to-day crude run rate, efficient logistics management and regulating product procurement from other sources enabled your Company to achieve sturdy performance. The refineries continued their thrust in areas of workplace safety, operational excellence, reliability improvement and energy conservation measures.

Mumbai refinery achieved the highest annual production of Lube Oil Base Stock and achieved the Best-ever safety performance of 30.08 million man-hours of safe operations as of 31st March 2021. Visakh refinery achieved the highest annual production of LDO, VLSFO, MTO and JBO.

Despite the contraction in petroleum product consumption in the country, your Company continued to demonstrate its excellence in marketing of petroleum products and achieved a robust sales volume of 36.63 million tonnes. I am pleased to state that your Company registered market share gain for transport fuels and recorded the least de-growth of 6.6% in domestic sales among the industry.

In Retail sales, your Company achieved a total sales volume of 22 million tonnes. Effective implementation of various customer-centric initiatives, enhanced offerings to customers, strengthening of network capabilities and effective deployment of technology helped in achieving the sales performance.

Your Company launched new fuel additives under brand names of 'HP poWer Petrol Plus' and 'HP Turbojet Diesel Plus' for superior and improved performance of Petrol and Diesel engine vehicles respectively.

To ensure wider fuel choices to customers, Electric Vehicle (EV) charging facilities were enhanced to 84 retail outlets. CNG facilities were provided at additional 203 outlets taking the total number of retail outlets with CNG facilities to 674. 369 Door-to-Door Mobile Dispensers were commissioned during the year to meet the requirement of select customers for getting fuel delivered at their premises.

Your Company continued its position as the 2nd largest LPG marketer in India. Your Company achieved the highest ever LPG sales volume of 7.41 million tonnes with a growth of 5.3% focusing on initiatives in enhancing customer satisfaction, strengthening of infrastructure and improving rural reach.

To enhance the offerings to consumers and value creation, HPCL launched the high-performance branded LPG 'HP GAS FLAME PLUS' for Commercial and Industrial customers during the year. In the highly competitive Free Trade LPG category, over 3 million 'APPU' cylinders in package sizes of 5kg and 2kg were sold during the year. It is a matter of pride that your Company has achieved a market share of over 45% in this segment.

As of 31st March, 2021 total 3.81 crore LPG refills were delivered to the PMUY beneficiaries by HPCL under the PMGKY scheme.

During the year, your Company achieved a sales volume of 4.8 MMT in B2B segment despite the challenges related to COVID-19. Your Company concentrated on maximizing the sale of Fuel Oil, Diesel, and Bitumen by focusing on key accounts and the MSME segment. It helped in achieving over 1 million tonne sales in each of these products for the 6th consecutive year. Highest ever sales in Light Diesel Oil (LDO), Mineral Turpentine Oil (MTO) and Jute Batching Oil (JBO) were achieved during the year.

In the highly competitive Lubricants market, your Company continues to be India's largest lube marketer for the 8th consecutive year with total lubricants sales of over 600 TMT. This excellent performance was the result of consistent focus on partnerships, expansion in new markets, strengthening of channel network and launching of new lubricant grades & specialties.

In the Aviation Fuel segment, your Company recorded a sales volume of 398 TMT in financial year 2020-21. I am proud to state that your Company ensured round-the-clock refueling

service at various airports during the peak of pandemic for meeting the fuel requirements of the flights operating for emergency and medical purposes.

Your Company achieved throughput of 47.3 MMT in POL operations during the year. This helped in maintaining uninterrupted supply of petroleum products from refineries to oil installations and consumers spread across the country. Enhancing operational efficiencies and cost optimizations with effective usage of technology remains to be a key focus area for your Company. During the year, 18 strategic locations were converted into 'SMART' terminals with complete automation and seamless integration of various processes taking total number of SMART Terminals to 50.

The 3,775 Km long network of cross-country pipelines continues to be the backbone of product transportation across the country and remains to be the key competitive strength of your Company. HPCL Pipeline network recorded a thruptut of 19.1 million tonnes during the year, which helped in significant reduction in logistics cost and carbon footprint in addition to ensuring safety in distribution of products across the country.

Expansion in the business portfolio along with participation in the entire value chain of the Natural Gas business towards greater presence in the clean energy vertical remain to be a focus area for your Company. HPCL along with its Joint Ventures has the authorization for city gas distribution in 20 geographical areas covering nine states. Your Company is also participating in development of three cross-country Natural Gas pipelines namely (i) Mehsana to Bathinda, (ii) Bathinda to Srinagar and (iii) Mallavaram to Bhilwara through Joint Venture companies.

Acquisition of balance 50% of the equity in JV Company HPCL Shapoorji Energy Private Limited (HSEPL) making it a wholly-owned subsidiary of HPCL is another significant initiative during the year. The move shall help your Company in further consolidation in growing natural gas business. I am happy to share that the new name of HSEPL is “HPCL LNG Ltd” (HPLL). HPCL LNG Ltd. is setting up a 5 MMTPA capacity LNG regasification terminal at Chhara in Gujarat for which construction is in progress.

All operating Joint Ventures and Subsidiaries of your Company performed well during financial year 2020-21 and helped your Company register a robust consolidated performance.

Overseas Operation

Your Company continued to expand its footprint in overseas markets by leveraging 'HPCL Middle East FZCO', a wholly-owned subsidiary of HPCL. I am happy to share that your Company has exported 14.8 TMT of Lubricants to 16 countries and enhanced its footprint to six new countries during the year. It is a matter of pride that the first HPCL branded retail outlet opened in Bhutan in the previous year, in collaboration with State Trading Corporation of Bhutan Limited (STCBL), has achieved the status of the highest-selling retail outlet in Bhutan in the financial year 2020-21.

Projects Completed during the year

To achieve growth and cater to the increasing fuel demand, your Company is strategically investing in infrastructure across various segments of the energy value chain. With the capital expenditure of ₹ 14,700 Crore, several capital projects were

completed during the financial year 2020-21 and various other projects are in progress.

POL supply network was further strengthened with the addition of Madurai Railway Siding facility. In addition, Hissar POL Depot in the state of Haryana was completed during the year.

I am happy to share that your company has completed its 51st LPG bottling plant during the year at Rayagada in the state of Odisha. In addition, capacities of the existing plants were augmented by 270 TMTA to meet the future demand. Your company has commissioned an LPG Master Godown in Leh, Ladakh with a storage capacity of 36,600 LPG cylinders to meet the demand of LPG in the area during winter.

The Aviation Fuel network was strengthened with the commissioning of new ASFs at Shirdi in Maharashtra & Kurnool in Andhra Pradesh during the year.

Your Company has commissioned 2158 new retail outlets during the year, which is the highest in a year, taking the total number of retail outlets to 18634. 112 new LPG distributorships were also commissioned during the year taking the total number of LPG distributors to 6192.

Major Projects in Progress

I am pleased to mention that, amidst COVID and monsoon challenges, mechanical completion of the project to increase the capacity of Mumbai refinery to 9.5 MMTA has been completed and the units are under commissioning.

Visakh Refinery Modernization Project (VRMP) to increase the capacity of Visakh refinery to 15 MMTA is in the advanced

stage of construction and is expected to be completed in financial year 2021-22. Execution of residue Upgradation facilities (RUF) project as part of VRMP is also progressing well at Visakh refinery and is likely to get completed by Dec 2022.

The 9 MMTPA Greenfield Refinery and Petrochemical Complex project of HPCL Rajasthan Refinery Limited (HRRL) with 2 MMTPA Petrochemical production capacity has picked up speed and is advancing well.

The construction of the 5 MMTPA LNG regasification terminal at Chhara port in Gujarat by HPCL LNG Ltd. is also progressing well.

I am happy to state that the three major cross-country pipeline projects namely Vijayawada Dharmapuri product Pipeline, Hassan Cherlapalli LPG Pipeline and Barmer Palanpur Product Pipeline projects are running ahead of schedule. These projects shall increase the pipeline network to about 5300 Kilometer and shall increase the capacity to over 41 MMTPA.

In addition, other projects related to LPG Plants, Aviation Service Facilities, CGD networks etc. along with up-gradation of existing facilities at supply locations are under different stages of implementation.

On the renewable front, construction of 2G refinery at Bathinda and Compressed Bio Gas (CBG) plant at Badaun in UP are in progress in addition to the CBG plants being set up under SATAT scheme by other entrepreneurs with offtake support from HPCL for Bio Gas.

Research & Development (R&D)

Your Company continues to lay strong emphasis on innovation and R&D to enhance its competitive strength. HPCL's Green R & D Centre at Bengaluru is focused on developing, demonstrating and deploying novel & innovative products & technologies.

I am happy to share that continued focus on Research and innovation across various areas in energy sector enabled your company to receive 44 patents during the year taking the cumulative patents granted to 90 as of 31st March, 2021. It is also a matter of pride that as of July 2021 the cumulative number of patents granted to HPCL Green R & D Centre has crossed 100.

Seven new labs are under construction in Phase-II expansion program of HP Green R&D Centre in addition to existing nine labs. Under Phase II expansion program, construction of Petrochemicals and Polymers Lab, Lubes Research Lab, corrossions studies lab and Green Hydrogen generators with PEM electrolyzer were completed during the year.

The focus is on effectively leveraging the R&D strengths for achieving efficiency gains and facilitating wide-scale commercialization of newly developed technologies and products.

HSE and Sustainability

Your Company is reporting its performance on Environmental, Social and economic aspects through the publication of Annual Sustainability Reports since last 9 years. The tenth Sustainability Report for the financial year 2020-21 based on

GRI standards and duly assured on AA1000 assurance standard has been published.

Your Company is committed to the triple bottom line framework wherein equal focus is laid on financial, social and environmental capitals to create greater business values. Several sustainability development projects like Green belt development, Recycling of wastewater, Rainwater harvesting, LED lighting, Solar PV Power generation at marketing locations & retail outlets and various Energy conservation schemes at Refineries were completed during the year.

Safety remains an integral part of all activities in the Company and is accorded the highest priority. Numerous actions have been undertaken by your Company to enhance safety in all facets of operations underpinned by SOPs, continuous training of operating workforce, technology enabled monitoring practices and alarm systems etc.

In the area of renewable energy, your Company has generated 17.05 Crore units of electricity during the year from its wind farms of capacity 100.9 MW (Mega Watt) in Maharashtra & Rajasthan. Solar power capacity of 11.4 MWp (Mega Watt Peak) has been added across various locations during the year taking total solar power capacity to 43.95 MWp as of March 31, 2021. 25% of HPCL's retail outlet network now operates on solar power.

Towards reduction of carbon intensity in transportation sector, your Company is actively participating in Ethanol Blending Program and has recorded overall ethanol blending percentage of 6.18% by blending 58.84 crore liters of Ethanol in Petrol during financial year 2020-21. In addition, your Company also

recorded blending of 4.1 crore liters of Bio-diesel during the year.

During the year, your Company released Letters of Intent (LOIs) to entrepreneurs for setting up of 100 CBG plants with an estimated production capacity of 232 TMTPA taking total LOIs to 151 numbers with a capacity of 307 TMTPA.

Corporate Social Responsibility

Your Company is committed to synergizing business growth with social responsibility and strives to augment the social capital of the nation through impactful CSR initiatives. Your Company has undertaken various CSR initiatives touching the lives of underprivileged people through programs related to Childcare, Healthcare, Education and Skill Development with an overall CSR spend of ₹ 156 Crore during financial year 2020-21.

Internal Control and Risk Management

Your Company has a comprehensive and well-defined Risk Management Framework with robust internal control processes for smoothly conducting the business. Risks including crude supply disruption, crude price volatility, foreign exchange exposure, intensity of competition, climate change concerns etc. are regularly reviewed for risk mitigation plans and suitable interventions.

Corporate Governance

Your Company remains committed to operating with the highest standards of Corporate Governance. All business activities are conducted with strict adherence to the regulatory

framework and under the core values of ethics, accountability, transparency, integrity and professionalism. The focus is on further nurturing the trust and confidence in stakeholder relations and ensuring sustained value creation for all stakeholders.

All the mandatory provisions stipulated in SEBI listing regulations relating to the Corporate Governance requirements have been complied with.

People

The committed and competent human capital of about 9,500 employees remain the backbone of your Corporation. With a number of millennials and gender diversity, your Company's workforce has the strength of experience, youthful energy, innovative mind-set & multiple perspectives.

The Corporation has a strong culture of learning and development, which is further enriched through initiatives such as E-Learning, partnerships with academia, learning through virtual reality center etc.

Awards and Recognitions

For the all-round excellence, your Company has been recognized at various forums. Your Company received the prestigious 'Oil Marketing Company of the Year' award for leadership in oil marketing business by the Federation of Indian Petroleum Industry (FIPI) in financial year 2020-21.

Strategy & Business Plans

The performance of the Company during the year 2020-21 is a testimony to the faith and loyalty reposed by customers, shareholders and firm support of all the stakeholders. Value creation to the stakeholders & customers through strengthening core business, expanding product portfolio and broadening horizon will continue to be the trajectory of your Company.

Your company has undertaken a number of large-scale brownfield and green field projects across the energy value chain to support growth, diversify the portfolio, improve efficiencies, increase competitiveness and enhance participation in renewable sector. Some of these major projects are fast approaching towards completion to realize the intended benefits soon.

Commissioning of these facilities will strengthen the core business of refining & marketing, enhance supply chain capabilities and customer reach, enhance footprint in Natural Gas value chain and bring Petrochemicals, LNG and Biofuels to the business portfolio.

Expanding the marketing presence in key overseas geographies will further support the growth plans of your Company. Your Company will continue to leverage subsidiary company “HPCL Middle East FZCO” set up in Dubai free trade zone in expanding the overseas footprint.

Towards future proofing & environmental stewardship, your Company is actively pursuing emerging opportunities in chemicals, electric mobility, renewables, alternate fuels, hydrogen and new age technologies under multiple business

models. Your Company will also be leveraging the strength of its state-of-the-art R&D center, collaboration with technology partners and start-ups towards this goal. The incubation of 23 start-ups by HPCL is a step towards the exploration of emerging opportunities in the business portfolio.

Recent launch of HPCL branded store by name 'Happy Shop' at Club HP retail outlets in Mumbai on Sep 1, 2021 marks your company's foray into non fuel retail business. Your Company proposes to commission 5000 EV Charging stations in the next 3 years and has entered into arrangements with various companies. Your Company is also actively reviewing green power and green hydrogen opportunities.

Capital expenditure of about ₹ 65,000 Crore is envisaged over next five years for various projects.

Digital technologies are fast evolving to become a key driver for business transformation. Digital connectivity and abundance of data is reshaping value creation models across the business verticals. Your Company has drawn out an elaborate digital transformation strategy and is actively working on leveraging emerging technologies in various areas of its business to enhance efficiency and customer experience. The ERP modernization project under implementation will further help in Digital agility of your company.

Your Company is effectively leveraging the innovation culture in the organization to create competitive advantage, address business challenges, optimize processes and create value. The structural process of idea management has ensured that over 3400 innovative ideas from 30 % of the employees have been captured during the year.

Economic activity in the country is gathering momentum supported by the recovery in both demand and supply channels, large pent-up demand, sustained rollout of the vaccination programme, growth-enhancing proposals in the Union Budget and accommodative monetary policies. However, Global financial volatility may pose a risk.

Expanding economy, population growth, urbanization, and industrialization continue to propel India's energy requirement. As the Indian economy rebounds from its contraction in the previous year with the removal of restrictions on mobility, recovery in industrial activities and increased public & private spending, primary energy consumption is projected to rise sharply. While oil continues to remain the mainstay to meet the fuel demand of the country, regulatory thrust on increasing penetration of low carbon energy will increase consumption of natural gas and biofuels in India's energy basket. Emerging alternate sources of energy will also help in catering to a part of the increasing energy demand.

Your Company remains focussed on delivering consistent, responsible growth and value creation through sustainable business models with right mix of core business and leveraging new opportunities in product portfolio, business models and geographies.

Acknowledgment

Before I conclude I on behalf of the Board of Directors, would like to thank the Ministry of Petroleum & Natural Gas, other Ministries and Departments of the Government of India and various State Governments for their valuable guidance and counsel and look forward to their continued support. We also acknowledge the support received from various local authorities in the smooth conduct of our business.

My fellow Directors and I are thankful to M/s. Oil and Natural Gas Corporation Limited (ONGC) and all the shareholders for their support and confidence reposed in us.

I thank you for taking the time to be with us today. I thank all our customers, dealers, distributors and all business associates who are an integral part of our business. I sincerely thank all our employees for their unwavering commitment and tireless efforts. I also thank our employee unions and associations for their continued involvement and support for the growth of the Company.

I wish to acknowledge the contributions of Shri Subhash Kumar who was the Government Nominee Director representing ONGC on the Board of your Company upto 19th May 2021. I also wish to acknowledge the contribution of Shri Amar Sinha & Shri Siraj Hussain who were Independent Directors on the Board of your Company and have completed their tenure during the year. I also wish to acknowledge the contribution of Shri R Kesavan, previous Director-Finance who has superannuated.

I also take this opportunity to thank my colleagues on the Board for their mature counsel. I look forward to the continued

involvement and collaborative working with all our stakeholders to keep alive our legacy of touching lives and be a Company that delivers happiness.

Thank You,

Place: Mumbai

Dated: September 15, 2021

Mukesh Kumar Surana

Chairman & Managing Director



Hindustan Petroleum Corporation Limited
Petroleum House, 17 Jamshedji Tata Road, Churchgate, Mumbai 400 020
CIN L23201MH1952GOI008858

Visit us: www.hindustanpetroleum.com

Follow us: www.twitter.com/hpcl

Like us: www.facebook.com/hpcl74