

# चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड

(इंडियनऑयल की ग्रुप कम्पनी)

**Chennai Petroleum Corporation Limited**

(A group company of IndianOil)



CS:01:001

August 20<sup>th</sup>, 2021

*The Secretary,  
BSE Ltd.  
Phiroze Jeejeeboy Towers,  
25th Floor, Dalal Street,  
Mumbai – 400 001*

*National Stock Exchange of India Limited  
Exchange Plaza, 5th Floor  
Plot No.C/1, G-Block,  
Bandra Kurla Complex  
Bandra (e)  
Mumbai – 400 051*

**NSE TRADING SYMBOL: CHENNPETRO**

**BSE SCRIP CODE: 500110**

**ISIN: INE178A01016**

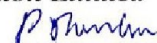
Dear Sir,

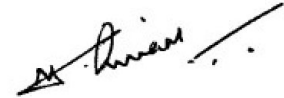
**SUB.: CHAIRMAN'S SPEECH DELIVERED AT THE 55<sup>TH</sup> ANNUAL GENERAL MEETING OF CHENNAI PETROLEUM CORPORATION LIMITED**

The Chairman's Speech delivered at the 55<sup>th</sup> Annual General Meeting of Chennai Petroleum Corporation held today i.e. 20.08.2021 (Friday) at 1500 HRS through Virtual mode is enclosed.

The above information is for your records and dissemination please.

Thanking you,

Yours faithfully,  
for *Chennai Petroleum Corporation Limited*  
  
(P.SHANKAR)  
COMPANY SECRETARY



## **Chairman's Address at the 55<sup>th</sup> AGM of CPCL**

Dear Esteemed Shareholders,

Good Afternoon !!

On behalf of the Board of Directors and the CPCL family, I extend a warm welcome to each one of you on the 55<sup>th</sup> Annual General Meeting of your Company.

To begin with, I convey my best wishes for your health & safety, and that of your family members, in the backdrop of second wave of Covid-19 pandemic. I am sure that all of us will come out of this crisis soon and resume our normal lives.

The notice convening the meeting, the Directors' Report and the Audited Annual Accounts have already been mailed to you and with your permission, I take them as read.

This AGM, on a virtual platform, reflects the power of digitalisation as well as the resilience and adaptability of organisations and people in challenging times.

In a departure from the regular sequence of the AGM address, I would like to begin by complimenting the entire team of CPCL

for extraordinary steps taken to not only cope with unprecedented Covid-19 crisis especially during the second wave but also for keeping the operations going even during the lockdown to ensure essential supplies of products to our customers in southern part of India.

### **Covid-19 Impact on Oil & Gas sector**

Let us now briefly look at the impact of the pandemic on the Oil & Gas sector.

In 2020, Global Oil Consumption fell by 9.3% to 88.5 mbpd from 97.6 mbpd in 2019. United States was the top oil consumer at 17.2 mbpd, followed by China at 14.2 mbpd and India at 4.7 mbpd (5.3% share). World Oil demand which decreased by 9.1 mbpd in 2020, is expected to increase by 5.9 mbpd in 2021.

Global Oil Production fell by 6.9% to 88.4 mbpd in 2020 from 94.9 mbpd in 2019. OPEC production fell by 12.3% to 31.1 mbpd while Non-OPEC production fell by 3.7% to 57.3 mbpd.

India faced a decline in Oil demand with a drop of 9.9% from 5.1 mbpd in 2019 to 4.7 mbpd in 2020, reflecting reduced road and air transport activity. India's Oil demand is expected to recover from the Second Covid Wave and is anticipated to cross 4.8 mbpd by Nov'2021.

Globally, Refinery utilization in 2020 fell by a record 8.0 % to 74.1%, the lowest level since 1985. It is expected that Global refinery runs shall grow by 1 million b/d by 2025 and 2.3 million b/d to 2033 from pre-COVID levels, before gradually declining through 2050. Asia will see the highest runs overall, up 2.2 million b/d to 2050 and India will be the single largest contributor, adding nearly 2.4 million barrels a day from pre-COVID levels, however, mainland China will dominate the near to mid-term with 1.3 mbpd by 2026.

**Coming to the performance of CPCL in the financial year 2020-21. let me begin by talking about operational performance.**

Among the key highlights are:

- We achieved the highest ever monthly LOBS production of 23.8 TMT in Jan '21, surpassing the previous benchmark of 20.6 TMT in Dec. '20.
- We expanded our Crude basket by processing three new crudes in 20-21, with an added advantage of increasing the TAN limitation from 0.5 to 0.7.
- This year, we achieved the highest ever Hexane production of 22.5 TMT, surpassing the previous benchmark of 19.7 TMT in 2019-20.
- I am pleased to share that CPCL successfully developed a missile fuel in Feb'2021 which was a noteworthy contribution of

national importance. This is the first time such strategic fuel for defence purposes has been produced by any Domestic Refinery. This critical fuel was being imported so far. Under “Atmanirbhar Bharat” it will reduce the Country’s dependence on imports.

- Crude Throughput for the year 20-21 declined to 8.24 MMT, as against 10.16 MMT for the previous Fiscal due to the curtailed product demand during the pandemic.

**I will now share some key numbers related to CPCL's Financial Performance.**

It is heartening to note that the Company has achieved a turnaround in financial performance with a Profit Before Tax of Rs 1277 Cr as compared to a loss of Rs 3016 Cr in the previous year. However, the turnover was lower at Rs 41,814 Crore during 2020-21 as compared to Rs 48,624 Crore in the previous year mainly due to lower demand in the first half of last fiscal.

During the year, the Company has opted to avail the lower rate of Income-tax, considering all the provisions under said section 115BAA of the Income Tax Act, 1961. Accordingly, the Company has re-measured the net Deferred Tax Liabilities at the lower rate, resulting in a one-time tax expense of Rs 694 Cr. As a result, the Company has posted a PAT of Rs 238 Cr in FY 2020-21 against a net loss of Rs 2078 Cr in FY 2019-20.

As I mentioned before, the energy markets witnessed high volatility in the year 2020-21. The product cracks continued to be unfavourable, with the benchmark Singapore refining margin tumbling to 0.54 \$/bbl. The crude oil prices recovered from a low of \$ 20/ bbl in April 2020 to 64 \$/bbl in March 2021, contributing to inventory gains.

Despite the challenges, your Company's physical performance continues to be robust, particularly in distillate yield improvement, optimisation of the crude mix, and energy efficiency. Your Company has also initiated many measures to improve profitability and reduce operating costs. These initiatives are expected to contribute significantly to the bottom line on a sustainable basis. And it is heartening to note that the improved physical performance has offset the challenging pricing environment and contributed to the financial turnaround of your Company. The Average Gross Refining Margin for the FY 2020-21 improved to US\$ 7.14 per bbl from **US\$ (-)1.18** per bbl in the previous year.

**As regards to Dividend,**

Considering the planned project investments, the Company's Board of Directors has not recommended any dividend for the year. The preference dividend for 6.65% non-convertible cumulative redeemable preference shares (50 Cr shares

outstanding as of 31.03.2021) issued to the holding Company Indian Oil Corporation Limited will be paid with arrears along with the subsequent declaration of Dividend. However, the same has been accounted for as part of finance costs in line with Ind-AS requirements.

**I will now share with you the performance highlights for the first quarter of 2021-22**

Your company continued its good performance during the first quarter of this year and has achieved a crude throughput 2035 TMT against the target of 1930 TMT during the first quarter of 2021-22. Revenue from Operations for the quarter ended 30<sup>th</sup> June, 2021 was higher at Rs. 12,797 crore as compared to Rs. 5979 crore in the corresponding quarter of the previous year.

**Let me now briefly outline your Company's Growth agenda:**

I am happy to share that CPCL has achieved a CAPEX of Rs 583 Crores during 2020-21. I'll share a glimpse of our key projects with you:

- New Fluidised Catalytic Cracking - Gasoline Desulphurisation (FCC-GDS) unit of 0.6 MMTPA capacity was commissioned successfully and dedicated to the nation on 17th February 2021 by our Hon'ble Prime Minister, Shri Narendra Modi.

- Also, our team is in the process of setting up a New Sulphur Recovery Block. Mechanical completion of this project is expected by the 2nd quarter of the current fiscal.

**Let me now elaborate on the all-important 9 MMTPA Cauvery Basin Refinery.**

Your Company is setting up a 9 MMTPA Refinery complex at Cauvery Basin Refinery, Nagapattinam with CPCL and Indian Oil Corporation Limited (IOCL) each holding a 25% stake in this JV. The balance of 50% is to be held by strategic financial investors, to be identified later. The Foundation stone for this project was laid by our Hon'ble Prime Minister, Shri Narendra Modi on 17<sup>th</sup> February 2021.

This Rs 31,580 Crore project will be an integrated state-of-the-art modern Refinery cum Petrochemical complex with a Polypropylene unit. To begin with, it will have a petrochemical Intensity index of 6%. The refinery will utilise the land of 618 acres already in possession of your Company. The additional land of approx. 668 acres required for the project is under acquisition through the State Government. The coastal location of the refinery site enables crude oil receipt through a proposed Single Point Mooring facility. The site's proximity to highways/railways and its proposed connectivity to the IndianOil's product pipeline network are added advantages for



the project. The project is expected to be completed by Q4 of 2024-25.

You would be happy to know that NITI AAYOG has approved the formation of a Joint Venture for the CBR project. Now the real challenge is to put robust systems in place to ensure a time-bound implementation within the approved cost. I am confident that Team CPCL will rise up to the challenge.

**Let me share my thoughts on one of the most crucial aspects of Business Operations, that is Safety**

Your Company always accords utmost priority to achieve the highest standards in safety performance by following stringent safety standards and putting in place Standard Operating Procedures.

**Let me share with you some of CPCL's recent CSR endeavours.**

During the year 2020-21, your Company spent Rs 519 lakhs on community development activities comprising of CSR & Corporate Environment Responsibility.

- We are running two Community Health Care Centres at Manali and Thirunalai in Chennai that provide free primary health care for the economically underprivileged.

- We have also been regularly contributing towards the CPCL Education Trust to support the dreams of the underprivileged.

**Ladies and Gentlemen, this was an exceptional year, and our operational successes were built on seamless COVID MANAGEMENT.**

Undeterred by the pandemic, your Company ensured smooth refining operations. SOPs on social distancing and other hygiene concerns were stringently implemented at the workplaces. Safe temporary shelters were arranged to ensure the availability of adequate workforce for the ongoing projects.

Careful initiatives were taken to support various stakeholder groups and the local healthcare infrastructure was strengthened. A 60-bed makeshift COVID Care Hospital was set up at the Company's R&D centre in Manali during June 2021 that offered uninterrupted oxygen supply from the refinery.

We are also setting up oxygen generation plants in four Government Hospitals and are also supplying three plasma cluster air purifier systems and mobile x-ray machines to Government hospitals. We have also contributed Rs. 1.5 crore towards putting in place Vaccine storage facilities and Cold Chain Equipment.

### **Now, a word about Corporate Governance,**

Your Company complies with the guidelines issued by the Department of Public Enterprises as applicable to public sector undertakings, the details of which are provided in the Corporate Governance Report forming part of the Annual Report.

### **Coming to the recent accolades earned by CPCL**

I am happy to share that your Company has won the Business Today and Government of Tamil Nadu's Achiever's award in the "Biggest Public Sector Investment" category. The award recognises your Company's contributions for three years, from 2017-18 onwards. It was presented by the Hon'ble Chief Minister of Tamil Nadu on 16th February 2021 in Chennai.

### **I would also like to share with you Improvement Initiatives taken at CPCL**

Your Company has successfully implemented several profitability improvement initiatives. Some of the major schemes that we undertook include:

- Improved Lube Oil Base Stock (LOBS) production,
- Maximised Hexane production
- Naphtha Segregation facilities to produce High Paraffin Naphtha
- MTO production and
- Reduction in Operating Costs

I would like to inform that with the relaxation in lockdown guidelines, your Company has commenced the Shutdown of Refinery III in the second half of this month.

**Finally, let me dwell on your Company's unwavering focus to pursue Sustainable Development**

As an environmentally conscious corporate, your Company remains committed to a sustainable, low carbon future. We have already replaced the use of FO (Furnace Oil) and Naphtha with environment friendly RLNG as fuel, in some refinery operations. We have also implemented a 50 KW roof-top solar project during 2020-21 and plan to install an additional roof-top solar unit for around 1.5 MW.

Moreover, as part of the green belt development initiative, your Company is developing an Eco Park in 40 acres of CPCL land in Amullaivoyal village near the Manali Refinery site. This Eco Park will provide shelter to a wide variety of flora and fauna, including several rare species. I am happy to share that around 10,000 saplings have already been planted here through Tamil Nadu Forest Department.

**Coming to Human Resources,**

I have always believed that people are a company's greatest asset. At CPCL too, we acknowledge that people are at the core

of our excellence and need to be nurtured for creating a future-ready organisation. Accordingly, several initiatives have been taken for ensuring the development and growth of the employees and create a learning ecosystem. E-Learning Modules were developed and rolled out to encourage continuous learning. Training programs are being conducted through prestigious institutions like IIM Ahmedabad, IIM Kozhikode, XLRI Jamshedpur to enhance the leadership quotient of our employees.

Your Company also signed the Memorandum of Settlement under sections 18 (1) and 2 (p) of the Industrial Disputes Act, 1947, on supplementary promotion policy for non-supervisory employees with Chennai Petroleum Employees Union last February.

### **Summing Up,**

To sum up, I strongly believe that India's energy demand is poised for robust growth in the long-term. And that disruptions like Covid-19 will only change the form in which the energy demand manifests itself.

I must acknowledge the unstinted support and co-operation of all the CPCL employees. On behalf of the CPCL Board, I compliment the commitment and passion of the CPCL employees who made invaluable contributions amidst the

pandemic and ensured uninterrupted supply of petroleum products in Tamil Nadu and neighbouring states.

The Board is grateful to the Government of India, particularly our parent Ministry, the Ministry of Petroleum & Natural Gas, our holding Company Indian Oil Corporation Ltd and Naftiran Intertrade Company Ltd., an affiliate of the National Iranian Oil Company, for their continued support.

I must also thank the Government of Tamil Nadu, the Union Ministry of Road Transport and Highways, the Union Ministry of Environment & Forests, Comptroller & Auditor General of India, Central Vigilance Commission, Petroleum Planning and Analysis Cell, Oil Industry Development Board, Oil Industry Safety Directorate, Centre for High Technology, Petroleum & Explosives Safety Organization, other regulatory and statutory authorities, banks and financial institutions for their guidance and valuable support.

Let me also convey my sincere gratitude to all our valued stakeholders, including our customers, contractors, and vendors for their patronage and support. The Board members of CPCL share their appreciation for the valuable contributions made by the earlier Managing Director Mr S N Pandey and other Directors, Mr R Srikanthan, Mrs Perin Devi, Mr. Sukh Ram

Meena and Mr. D. Duraiganesan, during their tenure on the CPCL Board.

In the end, I want to thank each one of you, our valued shareholders for joining us today and look forward to your continued support in strengthening and improving your Company's performance in the coming years.

Stay healthy, stay safe.

(Shrikant Madhav Vaidya)

**Chairman**

Date: 20<sup>th</sup> August 2021