

चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड

(इंडियनऑयल की ग्रुप कम्पनी)

Chennai Petroleum Corporation Limited

(A group company of IndianOil)



CS:01:049

24.08.2017

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

Dear Sir,

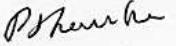
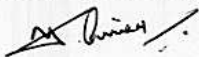
**Sub: Chairman's Speech at the 51st Annual General meeting of the Company
held on 24.08.2017**

The Chairman's Speech delivered at the 51st Annual General Meeting of the company held on 24.08.2017 at "Kamaraj Arangam", Chennai is enclosed for your information and records. The same has also been uploaded on the website of the company.

Kindly acknowledge receipt of the same.

Thanking you,

Yours Faithfully,
For **Chennai Petroleum Corporation Limited**,


P.Shankar
Company Secretary


Encl.: a/a

Chennai Petroleum Corporation Limited
Chairman's Address – 51st Annual General Meeting
24th August, 2017 at 3.00 pm, Kamaraj Arangam, Chennai

Dear Shareholders of CPCL, Ladies & Gentlemen:

On behalf of the Board of Directors and on my own behalf, I extend a warm welcome to you all at the 51st Annual General Meeting of your Company. At the outset let me congratulate you for your unstinted support in enabling your company to continue to perform exceedingly well. The notice convening the meeting, the Directors' Report and the Audited Annual Accounts have been mailed to you. With your permission, I take them as read.

ECONOMIC SCENARIO

In 2016, the global economy witnessed a slowdown in growth, slipping to 3.1% from 3.4% recorded in 2015. Global GDP growth is projected to be at 3.4% in 2017 and 3.6% in 2018. As per IMF, with the envisaged higher growth in advanced economies, the Global GDP growth is likely to be higher at 3.6% in 2018. Rapid growth in energy demand is increasingly coming from developing economies, particularly within Asia.

The Indian economy registered a healthy growth rate of 7.1% during 2016-17, reflecting the inherent strength and long term potential growth that has been enabled due to many economic initiatives such as Make in India, Implementation of Goods and Service Tax (GST) reform, better utilisation of resources, etc.

The Indian economy has delivered a better performance on inflation front, registering lower increase in Consumer Price Index (CPI) at 3.81 % as on March 2017 against 4.83% at the end of March 2016. This is likely to improve private consumption in 2017-18, contributing to better economic growth. With the introduction of GST, the Indian economy is expected to grow further in 2018-19. The new initiatives of the Government such as PMUY, Give It Up,

Infrastructure Development, initiatives to reduce NPAs, and others are expected to contribute towards inclusive growth for all citizens. The Indian economy is likely to achieve 8% or more growth in the coming years and even in the long term, it is expected to grow at a healthy CAGR of 6.5% till 2040, as per IMF Report.

OIL & GAS SCENARIO

As the world population and economies are expected to grow in the future, the demand for energy will increase to support higher level of living standards for people in the developing and emerging economies. As per the World Energy Outlook 2016 published by International Energy Agency (IEA), the world's population is expected to increase from 750 crore in 2017 to 915 crore by 2040. To meet the energy needs of growing population, the world primary energy demand is likely to grow at 1% CAGR till 2040. To satisfy the increasing demand for energy in future, huge investments are required in setting up new facilities in energy sector. However, the energy mix may undergo a major change due to climate pledges made at Conference of the Parties 21 (COP) in Paris during 2016, aimed to improve the environment.

The global primary energy consumption in 2016 increased only by 1% compared to 10 year average of 1.8%. The global oil demand rose to 96.8mb/d in 2016-17 compared to 95.3mb/d in 2015-16. The growth in road freight, aviation and petrochemical sectors is likely to contribute to growth in the oil demand in future. While the demand for Oil in the next 20 years is expected to decrease in advanced economies due to various technological and alternative energy factors, the same is expected to increase significantly in China, India and African countries. India is likely to be one of the major contributor for increase in oil demand for the next 25 years.

I am happy to inform that Crude oil and Natural Gas will continue to be the major providers of energy accounting for 51% of share. Also, the share of Natural Gas in the energy mix is likely to increase from 21% at present to 24%

by 2040, mainly to support environment improvement initiatives to reduce CO2 emissions in future. In addition, with generation of renewable energy projected to grow during this period, the contribution by renewable sources of energy is expected to increase significantly. The demand for electricity as fuel for automobiles is expected to increase in future due to many technological developments which may impact the demand for petroleum products also.

The demand for petroleum products in India continues to be strong with a growth rate of 5.8% during 2016-17. The demand for petroleum products increased from 183.5 MMT in 2015-16 to 194.2 MMT in 2016-17. Similarly, the production of petroleum products has increased from 231.2 MMT in 2015-16 to 242.6 MMT in 2016-17, at a growth rate of 4.9%. The refining capacity has also increased from 215.5 MMTPA as on March 2016 to 230.5 MMTPA during the year 2016-17 with the commissioning of Paradeep Refinery by Indian Oil.

The prices of crude oil and petroleum products experienced an upward trend during the year with Indian basket of Crude oil price increasing from \$39.88 /bbl in April 2016 to \$51.47/bbl in Mar 2017. However, the average Crude oil price for Indian basket of crudes during the year 2016-17 was \$47.56 / bbl which is almost similar to average Crude oil price of \$46.17 / bbl in 2015-16. High crude oil inventories prevalent across major countries and increased production of Shale Oil are expected to create downward pressure on Crude Oil Prices which may remain around an average of \$50 / bbl for the next two years.

PERFORMANCE DURING 2016-17

Now let me brief you about the performance of your Company during 2016-17.

Operational Performance:

Your company has turned out a robust and resounding physical performance during the year 2016-17 and some of the prominent features of its operations are as under:

- Achieved MOU Excellent crude thruput target after a span of 7 years by recording a crude thruput of 10.256 MMT during the year 2016-17 as against the MoU target of 10.250 MMT
- Clocked the highest ever total distillates yield of 72.6% as compared to the previous best of 72.5% in 2015-16.
- Registered the Lowest Energy Intensity Index (EII) of 101.3 as against the previous lowest of 101.9 in the year 2014-15.
- Implemented various energy conservation measures during the year resulting in a benefit of 14000 SRFT/annum.
- Attained the highest MS production of 1105 TMT as compared to the previous best of 1050 TMT in 2014-15.
- Recorded the highest isomerase production of 166 TMT as against the previous best of 135 TMT in 2011-12
- Launched a new product viz., Micro Crystalline Wax in June 2017
- In line with the Government guideline to switch over to BS IV Quality Auto Fuel w.e.f.01.04.2017 in whole Country, your Company has started supplying total petrol and diesel complying with BS IV quality from end Jan 2017.

Your company had faced some operational problems due to the severe cyclone Vardah on 12th December 2016 which hit Chennai directly. Your company's employees have once again shown great courage and commitment in ensuring safe operations of major units and utilities systems. They also ensured that affected units were restarted within the shortest possible duration, meeting the energy needs of customers without any interruption.

Financial Performance

I am happy to inform that Your Company has achieved noteworthy financial performance over the previous year. The improvement was mainly due to excellent operational performance and financial prudence, support from the Holding Company Indian Oil Corporation Ltd., and good margins across the

slate of products. The major highlights of financial performance during the year 2016-17 are as under:

- Profit Before Tax registered the second highest of Rs.1,365 crore in 2016-17 as compared to Rs.759 crore in 2015-16.
- Profit After Tax witnessed a steep increase at Rs.1,030 crore in 2016-17 as against Rs.742 crore in 2015-16.
- The turnover of the Company for 2016-17 registered a significant increase of 16% at Rs.40,586 crore as compared to Rs. 34,953 crore in 2015-16., mainly on account of increase in both the quantity of products sold and price.
- Your Company has shown very good financial prudence by achieving a reduction in the interest cost, from Rs.352 crore in 2015-16 to Rs.273 crore in 2016-17, by way of optimising the borrowings cost through judicious mix of borrowings
- Book value per share registered an increase of 40% from Rs.159 as on 31.03.2016 to Rs.223 as on 31.03.2017
- The debt- equity ratio of your Company has improved to 1.66 as on 31.03.2017 as compared to 1.93 in the previous year.
- Your Company has come out of BIFR reporting effective 01.04.2016 and the networth of your company has improved to Rs.4314 crore as on 31.03.2017 registering an increase of 28% over the previous year.

Dividend

In view of the excellent financial performance, your Board is happy to recommend a dividend of 210% on Equity Share Capital for the financial year 2016-17 amounting to Rs. 21/- per equity share, which is the highest ever.

The Board recommended a Preference dividend of 6.65% payable to Indian Oil Corporation Ltd., the holding Company, as per the terms and conditions of the offer document, on the paid-up Preference Share Capital of the Company for the financial year 2016-17, which amounts to Rs. 0.665 per preference share, and the same has been accounted for as part of Finance Cost in line with IndAS requirements.

DIGITAL INDIA INITIATIVE

In line with the Government's initiative on digitalisation, your Company has implemented 100% e-payment and e-collection system through digital means for all its stakeholders viz., employees, vendors, contractors, service providers etc., In addition, awareness camps were also conducted for the CISF personnel who are providing security to our Refinery at Manali and their families, students of the CPCL Polytechnic College, family members of CPCL employees at the township in CPCL CBR Refinery, women contract labourers etc.,

During the year, through constant persuasion and campaigns, your company has ensured opening of bank accounts by all contract workmen.

PROJECTS COMPLETED

Your company has successfully installed 150 KW Roof Top Grid connected Solar Power at Cauvery Basin Refinery.

Projects under implementation:

Manali Refinery

Resid Upgradation Project

Your Company is executing the Resid Upgradation Project at an estimated cost of Rs. 3,110 Crore to increase distillate yield and maximise the processing of high-sulphur crudes and thereby improve profitability of the company. The project consists of new secondary processing units like Delayed Coker Unit (DCU), Sulphur Recovery Unit, Revamp of Once-through Hydrocracker Unit (OHCU) and addition of associated utilities and offsite facilities. The revamp of OHCU has been completed and commissioned during March 2017. SRU, Cooling Tower and DCU have already been mechanically completed. Cooling Tower has already been commissioned. Commissioning of DCU and other facilities will start progressively from September 2017.

New Crude Oil Pipeline

Your company is implementing a new crude oil pipeline with additional safety features from Chennai Port to Manali Refinery, as a replacement for the existing 30-inch pipeline, at an estimated cost of Rs. 258 crore. About 7.5 KMs out of 17 KMs crude oil pipeline has been laid till July 2017. All efforts are being made to mechanically complete this project by February 2018.

This project will improve the safety and security aspects of crude transportation from Chennai Port to Manali as the old Crude Pipeline is more than 45 years old and passing through highly congested areas

Diesel Hydrodesulphurisation (DHDS) unit Revamp Project

Your Company is revamping the existing DHDS unit from 1.80 MMTPA to 2.34 MMTPA at an estimated cost of Rs. 367 crore, to enable production of entire diesel from Manali Refinery meet BS-IV quality norms, All major equipment, including a new reactor, have been received and erected. The project is likely to be mechanically completed by September 2017.

BS-VI Auto Fuels Quality Project

As per the directives of the Government of India, the entire production of MS and HSD from CPCL, along with other refineries in the rest of the country, has to meet BS-VI quality norms with effect from 1st April 2020. For complying with the requirement of BS-VI diesel norms, the existing Diesel Hydro-treating (DHDT) unit is being revamped to increase the capacity from 1.8 to 2.4 MMTPA along with a new Sulphur Recovery Unit and other associated facilities. Further, to meet the requirement of BS-VI petrol norms, installation of a new FCC Gasoline Desulphurisation unit with a capacity of 0.6 MMTPA along with other associated facilities is under implementation. The project is being targeted for its mechanical completion by September 2019

FUTURE PROJECTS

Re-Gasified Liquefied Natural Gas (R-LNG)

Your Company propose to revamp Hydrogen Generation Units (HGU), Gas Turbines (GT) and Boiler at an estimated cost of Rs.421 crores, in order to utilise natural gas as feed in Hydrogen units and also as a fuel in Manali refinery, The Natural Gas will be supplied by the LNG Project being set up by IOCL at Ennore. The project is expected to be mechanically completed phasewise from next year end onwards .

RLNG being a cleaner fuel will not only improve environment but also improve flexibility and profitability of the Company.

Refinery Expansion Project at CBR

Your Company is examining the feasibility of a new 9-MMTPA Refinery Expansion Project at CBR. Pre-feasibility study for the same was carried out through M/s. Engineers India Ltd. The project is under active consideration of your Company to take it forward for further approvals.

SAFETY

Your Company accords high priority for safety in operations and project implementation and adheres to the best safety standards and statutory guidelines for ensuring safety of its employees and also for stakeholders such as employees of contractors, customers and community at large.

Your Company has undertaken the following significant safety initiatives during the year:

- Provision of automatic rim-seal fire detection and protection system for all Class-A large-scale floating-roof storage tanks in Manali and CBR Refineries

- Inspection and audits are done for usage of spark arrestors approved by Petroleum and Explosives Safety Organisation (PESO) for all vehicles, including bitumen trucks, contractors' vehicles and transport cabs entering the refinery.
- Safety Audits done such as third-party occupational health & safety audit by M/s. Bureau Veritas Certification India Private Ltd., Chennai; Pre-commissioning safety audits by OISD teams for the revamped OHCU plant and DCU-Resid Project; First comprehensive safety audit by PESO.
- Onsite emergency mock-drills were conducted at Manali Refinery in addition to monthly mock-drills conducted with creation of different scenarios.

HUMAN RESOURCES

Your Company maintains a harmonious relationship with the employees by encouraging participative culture by the collectives. In line with this philosophy, your Company has organised three communication meetings with the collectives by the Functional Directors and the Managing Director to facilitate information-sharing.

Your company endeavours to provide excellent health care for its employees with the help of in-house Occupational Health Services Centre. Health Awareness programmes were conducted for the benefit of the employees.

In recognition of its efforts in the area of women empowerment, Women In Public Sector (WIPS), a forum under the aegis of the Standing Conference of Public Enterprises (SCOPE) awarded your Company the Best Enterprises Award for the year 2016 under Mini Ratna category.

Your company gives utmost importance to prevention of sexual harassment of women in workplace. I am happy to inform that there were no complaints of sexual harassment during the year.

CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABLE DEVELOPMENT (SD)

Your Company believes in the concept of inclusive development and aligns its objectives and business goals by looking beyond financial considerations while discharging its social obligations. The CSR and Sustainable Development activities of your Company focus on education, health, sanitation and community initiatives.

Even though the Company was not mandatorily required to incur any expenditure on CSR during 2016-17 in view of losses suffered in the past, a sum of Rs.188 lakh was spent during the year 2016-17 on various CSR & SD projects and initiatives under broad categories like health, education, skill development, etc.

Your Company has played a responsible role during and after Cyclone Vardah by extending assistance in terms of providing food, clothes and other necessities. In addition, sewing machines, tri-cycles for the disabled, brass iron boxes, etc., were also distributed among the poor and needy dwelling in the neighbourhood of Manali Refinery. Your company also contributed a sum of Rs.1 lakh to the District Collector, Nagapattinam towards purchase of lifebuoys and life jackets.

Your Company has taken a number of *Swachh Bharath* initiatives in line with the principles of Government of India. Some of these initiatives include maintaining of about 256 units of toilets in 39 schools, contribution to Clean Ganga Fund and contribution to Chennai Corporation for procuring materials for construction of toilets for downtrodden people in and around Manali. The total amount spent during the year for Swatchh Bharath was Rs.68 lakh, which represents 36% of the total CSR Expenditure for the year.

CORPORATE GOVERNANCE

Your Company strives to meet the highest standards of Corporate Governance and adherence to the regulatory framework, financial prudence, transparent processes and reporting systems.

Your company complied with all mandatory requirements of the Corporate Governance guidelines issued by SEBI and the Dept of Public Enterprises for the year except the clause relating to the appointment of additional Independent Directors, including one woman director. The appointment of additional Independent Directors including one woman director is under the consideration of the Government of India.

A separate section giving further details on Corporate Governance in your company is provided in the Annual Report 2016-17.

AWARDS & RECOGNITIONS

In recognition of its contribution to exports, your Company was conferred with the Export Excellence Award for the year 2014 under "Top Exporter in Southern Region" in Gold category by Federation of Indian Exports Organisation (FIEO).

Your company was awarded the Highest Tax Payer Award 2015-16 by the Central Excise Department for being the top Assessee in the Chennai Zone, recognising the company's contribution towards revenue and industrial growth.

Your Company has been awarded the OGCF-2016 Award for Furnace/Boiler Efficiency by the Centre for High Technology, in recognition of its efforts to minimise energy consumption,

WAY FORWARD

Companies today are operating in a competitive environment and CPCL needs to be agile, environment friendly and innovative to stay ahead. Your Company is in the right path of growth and will continue to perform well in all areas of operations.

ACKNOWLEDGEMENTS

In conclusion, I would like to thank all our stakeholders for their wholehearted support and guidance in turning the Company around, especially IndianOil and the Ministry of Petroleum & Natural Gas. I would like to place on record my sincere thanks to Naftiran Intertrade Company Limited, an affiliate of the National Iranian Oil Company, our co-promoters; the Government of Tamil Nadu; the Ministry of Environment & Forests; the Ministry of Road Transport and Highways; the Comptroller & Auditor General of India; the Central Vigilance Commission; banks and financial institutions for their valuable support and guidance.

My thanks and appreciation to all employees of CPCL for their valuable contribution in the strong physical and financial performance of the Company. My sincere thanks to all my colleagues on the Board for their continuous support, valuable contribution and guidance.

I would also like to take this opportunity to place on record the appreciation of the excellent services and guidance rendered by our past Chairman Mr.B.Ashok and other past directors viz., Mr.G.Ramaswamy, Mr.Yasin Rezazadeh, Mr.Alireza Zamani, and Mr.S.Venkataramana during their tenure.

I thank each and every one of you present here and look forward to your support in further enhancing the Company's performance in the coming years.

Thank you,

(SANJIV SINGH)
Chairman