

चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड

(इंडियनऑयल की ग्रुप कम्पनी)

Chennai Petroleum Corporation Limited

(A group company of IndianOil)



CS:01:049

09.09.2016

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,

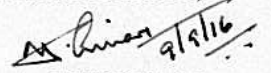
**Sub: Chairman's Speech at the 50th Annual General meeting of the Company
held on 07.09.2016**

The Chairman's Speech delivered at the 50th Annual General Meeting of the company held on 07.09.2016 at "The Music Academy", 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**,



A.S.SRIRAM
SR.OFFICER (S&L)

Encl.: a/a

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 Golden Jubilee Annual General Meeting of your Company. At the outset let me congratulate you for your unstinted support enabling your company to successfully complete fifty years and 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

The global economy registered a modest growth rate of 3.2% during the year 2015-16, with some of the emerging markets and developing economies accounting for a majority share, according to the International Monetary Fund. Domestic growth continues to be robust with India registering a healthy economic growth of 7.6% in 2015-16. However, growth in the advanced economies remained subdued.

The Indian economy is expected to play a key role in the future growth of the global economy and is likely to grow at 7.7% during 2016-17, which augurs well for the Indian refining industry, along with many other sectors. The Government of India's focussed efforts to boost infrastructure development is expected to benefit the manufacturing sector, which is likely to grow at a faster pace, generating much-needed employment for the qualified and skilled manpower in our country. With the Government initiatives to contain inflation below 5% for the next few years and with concerted efforts to support and encourage 'Make in India' initiatives, 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.

OIL & GAS SCENARIO

The global oil & gas industry continues to experience demand-supply imbalances and consequent fluctuations in the prices of petroleum products and natural gas.

The long-term trend for oil & gas remains strong, and the global oil consumption registered a growth of 1.9% and global gas consumption by 1.7% in 2015. However, the recently concluded Conference of Parties, or COP-21, in Paris, is likely to have an impact on oil demand and will increase the percentage of renewables in the energy mix.

The average price of the Indian basket of crude oils has declined from US\$ 84 per barrel in 2014-15 to \$ 46/BBL in 2015-16. It touched the lowest value of \$ 28/BBL in January 2016 but recovered to \$ 36/BBL by March 2016, which is still significantly lower than the levels of the previous year. Crude oil price was hovering around \$45/BBL in August 2016.

Consumption of petroleum products in India recorded an excellent growth rate of 10.9% in 2015-16, as compared to 4.5% in the year 2014-15, with petrol and diesel growing at 14.2% and 7.5% respectively. The production of petroleum products also registered a growth rate of 4.8% during 2015-16 as against nil growth in the previous year. India's refining capacity, which stagnated at 215.1 million tonnes per annum for the past three years, rose to 230.1 million tonnes per annum in 2015-16 with the commissioning of IndianOil's Paradip Refinery, of 15 million tonnes capacity.

The growth in the global oil & gas sector is expected to continue in the coming year with increasing need for energy to improve quality of life in developing countries like India. Additions to refining capacity are required to meet the increasing demand for petroleum products. The expected growth in demand for petroleum products in the coming years is good news for your Company, as it provides an opportunity for capacity expansion. The industry as a whole is working out the refining capacity needed to meet the future demand for petroleum products in the country.

PERFORMANCE DURING 2015-16

Now let me brief you about the performance of your Company during 2015-16.

Financial Performance

With regard to financial performance, I am happy to inform that your Company has achieved a remarkable turnaround during the year, after four years of consecutive losses, by registering a Profit Before Tax of Rs.787.45 crore. I am glad to inform you that your Company will be out of BIFR-reporting from 1st April, 2016. The Profit After Tax during the year was Rs.770.68 crore.

The turnaround was mainly due to improvement in operational performance and excellent financial performance, support from the Holding Company Indian Oil Corporation Ltd., softening of prices and good margins across the slate of products. Softening of crude and product prices in the international market also led to reduced working capital requirement and management of this alongwith borrowings in a judicious manner also contributed to a healthy bottom line.

The turnover of the Company for 2015-16 was Rs.34,953 crore as compared to Rs.47,878 crore in 2014-15. The reduction in the turnover was mainly due to a steep fall in product prices.

Your Company has increased its authorised share capital from Rs.400 crore to Rs.1,400 crore by addition of preference shares to the tune of Rs.1,000 crore in July 2015. Subsequently, your Company has allotted 100 crore non-convertible cumulative redeemable preference shares of Rs.10/- each, amounting to Rs.1,000 crore, to IndianOil on private placement preferential allotment basis on 24th September, 2015.

There has been a reduction in the interest cost, from Rs.403.73 crore in 2014-15 to Rs.353.9 crore in 2015-16, due to positive internal accruals and a judicious mix of borrowings.

On the investment front, your Company has achieved a capital expenditure of Rs.1,342 crore, which is the highest ever.

Dividend

The CPCL Board is happy to share the success with the shareholders by recommending a dividend of 40% on the paid-up equity share capital, amounting to Rs.4 per equity share.

The Board recommended a preference dividend of 6.65% as per the terms and conditions of the offer document, on the paid-up Preference Share Capital of the Company on pro-rata basis from the date of allotment, that is, 24th September, 2015, for the financial year 2015-16, which amounts to Rs.0.345 per preference share.

Physical performance

Your Company experienced many challenges in its physical performance during the year, including unprecedented floods during December 2015. Thanks to the courage and commitment of its employees and other stakeholders, your Company not only protected its infrastructure and equipment but operated critical plants even in the face of heavy rain and rising water levels. Soon after the flood fury, refinery operations were resumed within the shortest possible time and products supply restored so that the general public had access to essential petroleum products. Your Company demonstrated excellent team work and dedication to customer needs in the hour of crisis.

Your Company achieved the highest ever distillates yield of 72.5% in 2015-16, as compared to the previous best of 72.1% in 2014-15, through close monitoring and better operational performance.

ENERGY CONSERVATION

Your Company continuously strives to reduce energy consumption by identifying and implementing energy conservation schemes. Your Company has implemented many energy conservation schemes such as strengthening of insulation in high heat-loss steam and process lines; improvement of PSA-II Hydrogen Recovery, etc. and achieved an annualised savings of 12,000 Standard Refinery Fuel Tonnes (SRFT). Several new schemes are under implementation to further reduce energy consumption.

Effective 1st April 2016, the Government has set stringent targets for energy reduction under Perform, Achieve and Trade (PAT) scheme. CPCL is making all-out efforts to meet these targets by identifying new schemes for implementation.

PROJECTS

Projects Completed

The mounded bullets project was commissioned in a phased manner during 2015-16, and all the bullets are in operation at present, enhancing the safety of LPG storage in the refinery.

Similarly, the crude storage tanks at Cauvery Basin Refinery were also commissioned during 2015-16, increasing crude storage capacity at the refinery.

Projects Under Implementation

Resid Upgradation

In order to increase the distillates yield and maximise processing of high-sulphur heavy crudes, your Company is implementing a Resid Upgradation Project at its Manali Refinery at an estimated investment of Rs. 3,110 crore. As part of the project, new units such as Delayed Coker Unit and Sulphur Recovery Unit are being set up. The required utilities and off-site facilities are also being installed. The project has achieved a physical progress of 88% as of August 2016 and all efforts are being made to achieve mechanical completion during 2016-17.

In addition, capacity revamping of existing Once-Through Hydrocracker Unit is also under progress. The Delayed Coker with the revamped hydro-cracker is expected to be commissioned by end of this fiscal.

New Crude Oil Pipeline

Your Company is replacing the existing old 30-inch diameter crude oil pipeline between Chennai Port and Manali Refinery with a new 42-inch pipeline with enhanced safety features, at an estimated cost of Rs. 258 crore. The pipeline will also reduce the pumping time to achieve better operational performance. The project has achieved physical progress of 43% as of August 2016 and is expected to achieve mechanical completion during the current year.

DHDS Revamp Project

In order to meet BS-IV diesel quality norms from 1st April 2017, your company is revamping the existing DHDS unit capacity from 1.80 to 2.34 million tonnes per annum, at an estimated cost of Rs.367 crore. Physical progress of 44% has been achieved so far, and the project is targeted for completion by March 2017.

FUTURE PROJECTS

The Government of India has announced plans to introduce BS-VI quality norms for petrol and diesel products from 1st April 2020. Accordingly, your Company will be revamping the DHDT unit and increase its capacity from the existing level of 1.8 million tonnes to 2.4 million tonnes per annum, at an estimated cost of Rs.455 crore. Selection of the licensor for the same has been completed and other activities are in progress.

In order to meet BS-VI quality norms for petrol, your Company is setting up an FCC Gasoline Desulphurisation Unit to reduce the sulphur content in petrol, at an investment of Rs.497 crore. Selection of the licensor for this project has also been completed.

Both the BS-VI quality upgradation projects are expected to be mechanically completed by September 2019.

SAFETY

Your Company accords the highest priority to safety in its operations and project implementation. All units are provided with updated Standard Operating Procedures (SOPs) that ensure safe execution of day-to-day operations and maintenance, as well as major shutdowns. Procedures are also in place for minimising the risk and delivering prompt emergency response. On-site emergency drills are being conducted at Manali Refinery to test the efficiency of the system to respond to emergency situations. Employees and contractors are being given regular training on all safety procedures.

System improvement measures like provision of rim-seal fire detection & protection system in large tanks were taken up during the year. External safety audit of the Cauvery Basin Refinery was carried out by the Oil Industry Safety Directorate, and the recommendations emerging out of it are being implemented. Special training programs on safety and environment were conducted in this regard, in addition to regular safety awareness programmes.

HUMAN RESOURCES

Your Company considers its employees as its most valuable resource and continuously develops their skills and competencies to achieve higher levels of performance and growth year after year.

Your Company maintains a harmonious relationship between the employees and management by encouraging participative culture by the collectives. In line with this

Continued...

philosophy, your Company has organised information-sharing and communication meetings by the Functional Directors and the Managing Director in nine departments during the year. In addition, two Open House meetings were also conducted with the Chairman, Managing Director and Directors to deliberate on the challenges faced by the Company at various levels.

International Women's Day was celebrated by your Company on 7th March 2016 with the theme 'Step it Up for Gender Equality.'

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT

Despite losses during the preceding three financial years, your Company spent a sum of Rs.133.02 lakh during the year 2015-16 on various corporate social responsibility and sustainable development projects and initiatives.

Your Company contributes to the overall development of the communities in and around its Manali and Nagapattinam refineries by undertaking health-related services, infrastructure improvement, support to education initiatives and creation of sanitation facilities in Government schools, and crèche facility for working women. CPCL also offers scholarships to meritorious students in Government schools.

Your Company operated four Community Health Centres at Manali, Periyasekkadu, Thirunillai and Muttam village. Assistance was also extended for implementation of Government-sponsored National Pulse Polio Programme.

In the wake of heavy rains and unprecedented floods in Chennai during the first week of December 2015, your Company contributed a sum of Rs. 132.73 lakh to the Chief Minister's Public Relief Fund, which included employees' contribution of Rs.32.73 lakh. Flood relief material like sarees, umbrellas, fish carts, fish nets, etc., valuing Rs.19.80 lakh were distributed among the poor and the needy residing in the neighbourhood of Manali Refinery. Further, the Company conducted three medical camps for the benefit of the flood-affected people.

Your Company has actively participated in the Swachh Bharath initiative of the Government of India. During the year, 10 units of toilets were constructed and are being maintained in good condition. Your Company has taken up several programmes to create awareness for clean and green surroundings among school children and communities in and around its refineries.

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. All mandatory requirements of the Corporate Governance guidelines issued by SEBI and the Dept of Public Enterprises for the year have been complied with, except the clause relating to the appointment of Independent Directors. The appointment of additional Independent Directors is under the consideration of the Government of India. A separate section giving further details on Corporate Governance in CPCL is provided in the Annual Report 2015-16.

AWARDS & RECOGNITIONS

Your Company was awarded the Governance Now 'PSU Award for Green Initiatives' in appreciation of its initiatives in environment protection and research Innovation in the Mini Ratna Category-I of CPSEs. The Cauvery Basin Refinery of your Company was selected for the 'Green Award for Industries' from TNPCB for the year 2014.

In recognition of its commitment to safety, Cauvery Basin Refinery was also bestowed with the Best Safety Practices Award-2015 by the Confederation of Indian Industries.

WAY FORWARD

Companies today are performing in a dynamic environment and it needs to be agile, environment friendly and innovative to stay ahead. I am confident that CPCL is in the right path of growth and will continue to perform well in all these focused areas. I would like to bring to you current year's achievements and also the future plans:

First Quarter Performance

Your company continued its excellent performance during the first quarter of this year also. Your company has achieved a Crude Throughput of 2643 TMT against the target of 2697 TMT during the first quarter of 2016-17.

The Total Distillates production was 71.9% against the target of 72.6% during the first quarter of 2016-17. The FCCU Throughput was higher at 268.7 TMT during the first quarter of 2016-17 as compared to the target of 234 TMT. The FCCU Throughput was also higher as compared to the previous year level of 267.3 TMT.

Golden Jubilee Celebration

During the Golden Jubilee Celebration Function at Manali Refinery Shri Dharmendra Pradhan, Hon'ble Minister of State Independent Charge , Ministry of Petroleum and Natural Gas, Shri Pon Radhakrishnan, Hon'ble Minister of State, Ministry of Road Transport ,Highways and Shipping and Shri M.C.Sampath, Hon'ble Minister for Industries, Govt. of Tamilnadu praised your company for its great service to the nation. Your company besides delivering commendable performance both in terms of Physical and Financial parameters, has also continuously invested in new technologies and units to remain a profitable company in a sustainable manner.

Lifting of Sanctions on Iran

One of the positive developments during the year is easing of European Union sanctions on Iran , which will enable your company to firm up the plans for funding of new projects and capital investments. Your company will also be benefited in terms of lower insurance premium resulting in savings in operating cost besides the possibility of carrying out Risk Management activities and other technical collaborations.

Expansion plans

With the expected robust economic growth in India for the next 20 years, the demand for petroleum products, to support the envisaged economic growth and to meet the aspirations of people for better quality of life, is expected to increase significantly in the short term as well as in the long term. Your company is well placed to utilise this opportunity to set up additional refining capacity to meet the higher demand for petroleum products in Tamilnadu, being a major player in this region for 50 years. I am happy to inform that action has already been initiated to explore the possibility for capacity expansion at CBR, where land and other infrastructure are readily available. The new refinery also will bring many opportunities to invest in Petrochemical Units in the long term. In addition, CPCL is planning to utilize Natural Gas in Manali Refinery as internal fuel which will enable your company to gain experience in handling NG operations and pave the way for investment opportunities in Natural Gas applications, which are expected to grow at a fast pace in the near future.

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 with dedication and commitment. My sincere thanks to all my colleagues on the Board for their continuous support, valuable contribution and guidance. 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.

**(B.ASHOK)
CHAIRMAN**

This does not purport to be a report of the proceedings of the Annual General Meeting



चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड

(एडिपनॉमिन्स की पूर्ण कंपनी)

Chennai Petroleum Corporation Limited

(A group company of IndianOil)

536, Anna Salai, Teynampet, Chennai-600 018

www.cpcl.co.in