

Chairman's Statement  
*at the 51<sup>st</sup>*  
Annual General Meeting



ऑयल इंडिया लिमिटेड

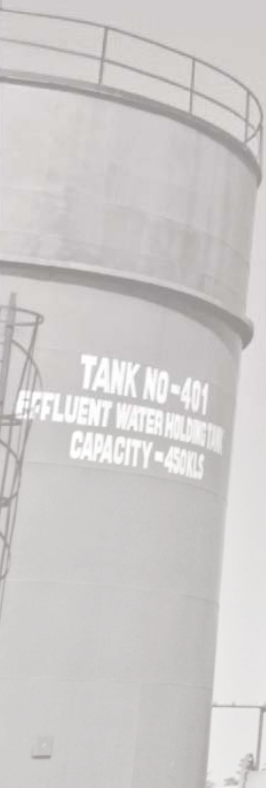
( भारत सरकार का उद्यम )

**Oil India Limited**

(A Government of India Enterprise)



SHRI N.M. BORAH  
*Chairman & Managing Director*



Dear Members and Shareholders,

It gives me great pleasure to extend a very warm welcome to each and every one of you to the 51st Annual General Meeting of your Company. This is a historic occasion as it is the first General Body meeting of your valued Company after listing of its shares on the Stock Exchanges. Post this listing, we have become a bigger family with induction of a large number of new members – “**The new Oil Indians**” from across the Globe and I take it as a great privilege to welcome all of them to the **OIL** family. We are very happy that the new additions to the family have brought in luck for all – Your Company was elevated to the prestigious status of “Navratna” in the first quarter of the current fiscal.

**Dear Oil Indians,**

The Annual Report for the accounting period ending on 31<sup>st</sup> March, 2010, along with the Report of the Directors and Audited Accounts for the year ending 31<sup>st</sup> March, 2010 are already in your hands. With your permission, I shall take these as read.

The fiscal 2009-10 for your Company has been marked with a number of very significant achievements. These include:

- Highest ever annual production of crude oil and natural gas in the history of the Company at 3.572 MMT and 2415 MMSCM respectively.
- Highest turnover of ₹ 7905 crores.
- Highest ever Profit after Tax (PAT) of ₹ 2610.52 crores, an increase of 20.76% over previous year.
- Earnings per share increased to ₹ 113.78 as compared to ₹ 101.01 in 2008-09.
- Highest ever Dividend of 340%.
- Launch of one of the most successful IPOs in the history of all PSUs of the country. With current market capitalisation of about ₹ 37,900 crore, this development has propelled your Company to amongst the top forty most prominent corporate entities in India.
- Six new hydrocarbon discoveries in Upper Assam basin.
- Hydrocarbon reserve accretion of 9.69 MMTOE against the target of 9.50 MMTOE leading to a healthy Reserve / Replacement Ratio of 1.65.
- Acquiring a share in two discovered heavy oil blocks in the Orinoco belt in Venezuela as a partner of an international consortium.

- Successful production of heavy oil from two of the existing wells in Rajasthan.
- Higher drilling meterage of 1,44,862 leading to 25 % increase in drilling activities in comparison to the previous fiscal.
- Crude oil delivery to refineries was 3.563 MMT which is also the highest ever, an increase of 3.7% over 2008-09. Natural Gas sale was 1862.53 MMSCM, an increase of 7.2% over the previous year.
- Last but not the least, based on its excellent physical and financial performance, MoU Excellent Rating by Government of India is anticipated for the year 2009-10.

## PERFORMANCE RECOGNITION

Apart from being declared a Navratna Company by the Government of India, your Company received appreciation and recognition, for its achievements in different fields during the year, from different organisations /agencies etc.

These awards and recognitions demonstrate total dedication and concerted efforts of all Oil Indians, not only towards ensuring energy security of the country, but also towards promoting a cleaner environment, a richer society and a better quality of life for all stakeholders of your Company. Salient amongst these are:

- a. Oil India Limited was accorded the ‘**Heavyweight Miniratna**’ award by Dalal Street, the Financial and Investment Journal.
- b. Oil Industry Safety Directorate declared Oil India Limited as the Winner of the Safety award for its Assam assets under the “Oil & Gas Assets (Onshore)” category.
- c. An active Youth Club of Dibrugarh district has presented the ‘**Rupkar Bota Award**’ in recognition of the CSR activities of your Company.

Let me now focus on the broader environment and how it is shaping our priorities and overall strategy for growth.

## ECONOMY

The year 2009-10 brought in a ray of hope as the global economy showed signs of recovery from the worst global economic recession, which had hit the advanced economies, particularly in the north-western hemisphere. However, it went to the credit of the sound fiscal policies of our Government that, even

in this period, the Indian economy demonstrated a remarkable resilience and could achieve a growth rate of 6.7% in 2008-09 against the projected growth trajectory of 6.5% (Source IMF-WEO-2009). The real challenge, now, is to meet the growth target of 9 %. The resilience shown by the continued growth makes it evident that our Corporate Sector is functioning in a dedicated manner to achieve this goal.

Your Company too is committed to this task and is poised to undertake investments, both for organic and inorganic growth, in order to ensure the energy security of the nation, so crucial to our development agenda.

## **INDUSTRY SCENARIO**

The global economic recession had driven the energy consumption lower by 1.1% in 2009 in comparison to 2008. Consumption of only hydroelectric output and other renewable forms of energy increased in 2009. Yet we continued to witness continued high demand for oil in emerging markets like India and China. Price of crude oil which remained quite volatile during 2008 now appears to be stabilizing around US\$ 70-75 per barrel.

In our country the consumption of crude oil recorded a growth of 3.4% as it increased from 143.6 MMT in 2008 to 148.5 MMT in 2009. India (sharing 3.8% of world Consumption) now stands at fourth place in oil consumption after USA, China and Russian Federation.

In comparison, there has been a very modest increase in the country's crude oil production from 33.51 MMT in fiscal 2009 to 33.69 MMT in fiscal 2010. This is around 0.9% of total world production and is sufficient to meet only around 30% of our total demand for oil with the remaining being imported. In case of natural gas, we are comparatively in a better position as India registered a production growth of 44.84% from 32.85 BCM in fiscal 2009 to 47.57 BCM in fiscal 2010. However, our natural gas consumption also recorded an increase of 25.9% as it increased to 51.9 BCM in 2009 from 41.3 BCM in 2008.

Here, I would like to draw your attention to the fact that the days of easy hydrocarbon are over. As such, exploration in logistically difficult areas with state-of-the-art technology will require huge inputs owing to the capital intensive nature of the investments. In this context, the Government's decision to reform petroleum fuel prices and recent revision of APM Gas price is a welcome step as it is bound to ease the subsidy burden faced by upstream public sector companies like yours and allow such companies to generate additional revenue to pursue exploration activities.

## STRATEGY FOR GROWTH

With the above global economy and the E&P industry scenario in mind, I would now like to dwell upon the strategy for growth of your Company.

The broad Growth Strategy for your Company rests on the following cornerstones:

- Highest emphasis on People, HSE and Corporate Governance.
- Continue focus on Core business of E&P and Pipeline Engineering with selective foray to Hydrocarbon value chain segments.
- Spread wings from North-East to Pan India and Global presence to have a diversified Acreage Portfolio.
- Intensify IOR / EOR to improve Recovery Factors and enhance production.
- Overseas Acquisitions of E&P blocks as a vehicle of inorganic growth.
- Secure position as a key player in New Initiatives like CBM, Shale gas opportunities etc.
- Continue to deploy the philosophy of “More Technology per Barrel” in all operational activities to reduce cost and improve efficiency.

## COMPANY SCENARIO

Your Company continues to be the second largest national oil and gas Company in India in terms of total proved plus probable oil and natural gas reserves and production for the year 2009-10. Under the eight rounds of NELP bidding completed so far, your Company has participating interests in thirty blocks. Of these, it is the operator in twelve blocks.

In the just concluded NELP VIII round your Company has been awarded nine more blocks strategically located with operatorship in three of them. For the first time in the NELP regime, your Company has acquired operatorship in an offshore block and joint operatorship in a deepwater block in this round.

## Physical Performance

It is indeed a pleasure to inform you all that during 2009-2010, your Company achieved the highest ever production of crude oil at 3.572 MMT. This is an increase of 3.61% over the previous year's production. Similarly, the production of natural gas too was an all time high at 2415 MMSCM showing an increase of 6.43 percent over 2008-09. It is gratifying to note that growth in oil production

rate has been sustained beyond March, 2010 also. Your Company, as on date, is producing over 10,170 tonnes of crude oil per day corresponding to a rate of 3.71 MMTPA. The daily rate of natural gas production is also at the highest, at 6.7 MMSCMD, in the North East and a potential of 0.93 MMSCMD in Rajasthan. Growth in drilling meterage was also heartening at 25% when compared to the previous year.

As of March 31, 2010, the Company's estimated independent proved (1P) crude oil reserves were approximately 44.78 MMKL and proved (1P) natural gas reserves were approximately 37.98 BCM.

Your Company made six new oil and gas discoveries during the year in the State of Assam. These discoveries have also opened up new avenues for further exploration.

## Financial Performance

With such excellent performance on the crude oil and gas production and sales front, your Company earned a Profit after tax of ₹ 2610.52 crore, which is the highest ever, in spite of having to provide discounts to the tune of ₹ 1548.82 crore to PSU Oil Marketing Companies in the price of Crude Oil and LPG as per the administrative order of the Ministry of Petroleum and Natural Gas. With Government's latest policy reform on prices of petroleum fuels, this subsidy burden is expected to ease in future.

Improved financial performance has helped your Company to increase its net worth to ₹ 13,745 crores as against ₹ 9331 crore the previous fiscal. You will be happy to learn that for the year 2009-2010, your Board of Directors has recommended a final dividend of 160% over and above the interim dividend of 180% declared earlier. The total dividend declared for the year works out to 340% on paid up capital, which is ₹ 817.54 crore in absolute terms (excluding dividend tax). Dividend payout during the previous fiscal was 305% amounting to ₹ 652.71 crores (excluding dividend tax).

Your Company also made substantial contribution both to the State and Central exchequer in terms of Cess, Royalty, Sales Tax etc. The contribution to the State Exchequer during the year was ₹ 1425.11 crore and that to the Central Government was ₹ 3105.68 crore. It is also a matter of great pride that for the seventh successive year, your Company's audited annual accounts have "Nil" comments from the Comptroller and Auditor General of India.

## STRATEGY AND THRUST

### Exploration and Production

Your Company continues to pursue its aggressive Exploration, Development and Production Strategy through stepping up seismic survey activities, augmenting exploratory, delineation and development drilling, optimal exploitation of production potential and induction of the latest technology in each phase of these activities. Achievements in these fronts have been excellent with almost 25% growth in drilling meterage (144862m in 2009-2010 compared to 115867m in 2008-09), 244% achievement of annual target in the area of in-house 2D seismic acquisition and acquisition and processing of first ever 4D seismic in Dikom field.

In Baghewala field in Rajasthan, which has heavy oil reserves, your Company has completed the pilot project of producing two of the drilled and completed wells under cold production conditions. Both these wells had sustained production at a rate of around 30 bopd each for about 30 days, which are positive signs. Steps have been initiated to develop this potential.

Your Company has also undertaken a number of measures, including erection of additional facilities, to increase productivity in its main producing fields in Assam and Arunachal Pradesh. Some of these include:

- Dehydration Plant at Moran CTF
- Construction of additional EPSs at Berekuri and at Makum
- Setting up of a State-of-the-art OCS at Berekuri
- Augmentation of Storage capacity at ITF Tengakhat
- Construction of Secondary Tank Farm etc.

All these works are at different stages of completion.

### NATURAL GAS

Natural Gas is another area of priority for your Company. Your Company is presently producing around 6.7 MMSCMD of natural gas from its Upper Assam & AP fields to meet its internal requirement and market commitments. Your Company plans to enhance its production potential from the present level to 10.0 MMSCMD in the next 2-3 years in the north-east, mainly from development of Non-Associated Gas fields. For supply of the produced gas to new consumers, additional gas distribution networks are being created.

**LNG – Project :** Your Company has drawn up a plan for monetizing the associated gas available in its remotest production areas, not connected by gas transportation network, by setting up a small Liquefied Natural Gas (LNG) plant in Mechaki area on a pilot scale basis. Based on the success of this small scale LNG plant, your Company will consider extending the technology to its other fields.

**CBM:** I am happy to inform you that your Company is also venturing into the Coal Bed Methane exploration. In the last bid round for CBM your Company won a CBM block along with M/s Arrow Energy (now Dart Energy Ltd), who will act as the operator.

**Shale Gas:** Shale gas represents another source of unconventional hydrocarbon and is being explored widely in a number of places across the globe. Your Company has also made a modest beginning and undertaken a study to assess the potential for shale gas in its fields in the North-East. Simultaneously efforts are in hand to look for shale gas opportunities jointly with other companies in other parts of the globe.

**Business Commitment:** Your Company has committed to supply 1.0 MMSCMD natural gas to Numaligarh Refinery by 2010 and 1.35 MMSCMD natural gas (feedstock+fuel) to Brahmaputra Cracker and Polymer Ltd. from 2011-2012.

## RESEARCH & DEVELOPMENT

Given the fact that the days of easy oil are over, your Company is actively pursuing a strategy which is focused on strengthening the “**Critical Mass**” by improving productivity through induction of advanced and world class technology and innovation of new processes. In its well equipped R&D centre, your Company continues to undertake applied research activities to find solution to different field problems.

## OVERSEAS PARTICIPATION

As mentioned earlier your Company now has overseas presence in nine countries, with acreage of 41656 Sq Kms. During the year 2009-10 your Company in consortium with ONGC Videsh Limited, Indian Oil Corporation Limited, Repsol YPF of Spain and Petroliam Nasional Berhad (PETRONAS) of Malaysia was awarded 40% ownership interest in a Mixed Company to develop two blocks (under one project) in Orinoco Heavy Oil Belt, **Carabobo, Venezuela**. The Corporacion Venezolana del Petroleo (“CVP”), a subsidiary of Petroleos de Venezuela S.A. (“PDVSA”), Venezuela’s national oil Company, will hold the

remaining 60% equity interest. OIL's Participating Interest is 3.5%. The First Oil is expected by 2012.

In Areas 86 and 102/4 in Libya (comprising of 5 Blocks), your Company has 50% Participating Interest (PI) as operator. Your Company has completed 2D and 3D seismic API of both the acreages i.e. Area 86 and Block 102/4. Two exploratory wells have been drilled in Area 86. Both these wells indicate presence of hydrocarbons, but not of commercial quantity. The third well is under drilling in Block 102/4. In Gabon, OIL as an operator has completed Acquisition, Processing and Interpretation of 2D seismic and currently preparatory works are on for 3D seismic acquisition, which will start by October, 2010. In Timor Leste, Yemen and Nigeria, where OIL is non-operator, exploratory activities are in different stages as per the defined work programmes. In Iran the Master Development Plan for the Farsi Block discovery is under negotiation with Iranian authorities, and, in Egypt, your Company will sign the contract agreement for two blocks with Egyptian Government authorities shortly. To enlarge its overseas presence, your Company, in addition to acquisition of E&P blocks, is also seriously looking into acquisition of companies owning E&P assets.

## **NRL-Siliguri Product Transportation Pipeline**

The Numaligarh- Siliguri Product pipeline which was commissioned in late 2008 has generated additional revenue of ₹ 5530 lakhs from transportation of refined petroleum products from Numaligarh Refinery.

## **HUMAN RESOURCE – OUR ASSET**

I am proud to say that your Company has a strong team of employees, who, through their competence and commitment, are giving shape to our dreams and building a new future for your Company. The Company's Human Resources philosophy is to establish, build and retain a strong performance and competency driven culture with greater sense of accountability and responsibility. Some significant HR initiatives, recently undertaken by your Company, include:-

- **Introduction of an enriched Reward & Recognition Scheme (R&R)** to foster and nurture a culture of recognition and to enhance the motivation at all levels;
- **Formulation of a Retention Strategy (PRIDE)** for reduction in the attrition rate. It is based on an employee opinion survey with special attention to critical disciplines in Geosciences, Production and Drilling Groups etc.
- **Obtaining ISO 9001-QMS certification for our Employee Relations Department.**

- **Breakthrough Performance initiative for achieving superlative performance.**

Of the different HR initiatives I would like to briefly dwell upon the initiative “Breakthrough Performance”.

## **Breakthrough Performance: A Strategic Intervention**

Many of you may already be aware, that your Company has been undertaking a strategic intervention termed “Breakthrough Performance” for organizational transformation over the last five years. This initiative, focused on transforming the organization into a learning, vision driven and value governed organization, has brought in rich benefits to your Company. Some of the tangible benefits derived from this initiative include:

- Identifying the need for a Centre of Excellence and Virtual Reality Centre
- Developing a comprehensive safety Management System and Manual for the organization
- Creation of OIL behaviour document on Ethics and Value titled “Winning With Trust: Building Excellence with Core Value”
- Significant improvement in inter location movement (ILM) of drilling rigs
- Creation of Crisis Management Team and Crisis Management Manual
- Structured tree plantation programme in and around drilling locations to protect the environment
- Participative creation of your Company’s future plan documents.

Such positive benefits derived out of this intervention have encouraged us to continue with the same with greater vigour.

## **HEALTH, SAFETY, ENVIRONMENT AND CSR INITIATIVES**

Your Company has always committed itself to conducting business with a strong commitment for environment preservation, sustainable development, safe workplaces and enrichment of the quality of life of its stakeholders and the community at large. Sustained focus in these areas has paid rich dividends. Excellent safety records and performance have helped your Company to bag the prestigious OISD Safety Award in the Oil and Gas Onshore Asset Category.

The health of our employees is very close to our heart. We continue to provide excellent quality medical and health services to all our employees and their

families. More importantly your Company focuses on maintaining a very clean and healthy environment in all its areas of operation, in residential colonies etc. to ensure a healthy life for all concerned. Our performance on sustainable development and green environment issues has been largely benefited by selection and adoption of environment friendly technologies in all our operations.

As a responsible Corporate Citizen, the focus of our CSR Policy is to enable us to remain a 'People's Company' with a human face. Your Company's well structured CSR policy has benefited a number of educational, health and socio-cultural institutions of repute.

Your Company's ongoing CSR schemes viz., "Social Welfare Scheme", "Area Development Scheme" and OIL –SIRD initiatives cover a wide range of activities like construction of roads, developing infrastructure of educational institutions, extending the outreach of the mobile dispensary and health care services to newer areas and promotion of various agro-based activities. The above schemes and initiatives aim to cater to the developmental needs of around 1,400 villages under OIL's extended operational areas. All these sustainability initiatives go a long way in strengthening OIL's role as an active member of the Global Compact Programme of the United-Nations.

In this context, it gives me special pleasure to inform you all that the CSR and environment friendly activities of your Company have been admired internationally and your Company has been selected to receive the "Special Commendation" for the **Golden Peacock Environment Management Award 2010**.

## **GROWTH VISION**

With India's energy needs projected to grow by 30% in the next five years, the future is indeed exciting and full of promise for your Company. Initiatives have been taken towards transformation of OIL to a learning organization with inherent flexibility to adapt to changes. We are explorers at heart where prudent optimism is the vehicle for growth. This dear members, is our conviction and our strength.

## **CORPORATE GOVERNANCE**

I would like to take this opportunity to reiterate your Company's commitment towards pursuing the highest standards of Corporate Governance in the overall interests of all stakeholders of the Company. Your Company's commitment to exemplary corporate governance practices is best reflected in the fact that

OIL has been obtaining clean audit reports for several years on a continuous basis. Moreover, your Company's Corporate Governance practices meet the stipulations of Regulators including the DPE Guidelines.

Before I conclude I would like to state that it is my privilege to preside over this historic AGM post the highly successful IPO of your Company. It is indeed an overwhelming and enriching experience for me to be with such a well informed and varied shareholders in attendance. Your belief and faith in **OIL** shall surely help us to scale new heights in coming years. My best wishes to you all.

## **ACKNOWLEDGEMENT**

In conclusion, on behalf of the Board of Directors of your Company, I thank all our stakeholders for their continued support, whose trust and confidence are pillars of strength in all our endeavours.

I would like to thank all members of the OIL family for the tremendous dedication and passion that they have shown in carrying forward all our activities. The Board wishes to thank the Government of India and the various State Governments for their valuable support and guidance in your Company's business.

We are confident of continuing to have the full support and cooperation of all our stakeholders as we make all-out efforts for greater and greater success in future.

**Jai Hind**

Sd/-

**(N.M. Borah)**

Chairman and Managing Director

Date : 25.09.2010

Place : Duliajan



NAME OF EQUIPMENT : EXPANDER-COMPRESSION  
APPROXIMATE COST : Rs. 40' 90 Lacs  
COUNTRY OF ORIGIN : U. S. A.  
DATE OF COMMISSION : M. B. 62

EXPANDER LUBE OIL SURGE TANK



*CMD receiving the Dalal Street Award from Shri Virbhadra Singh, Minister of Steel*



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Regd. Office: P.O. Duliajan, Distt. Dibrugarh, Assam