

Numaligarh Refinery limited
29th Annual General Meeting, 19th September 2022
Chairman's Address

Introduction

It is a pleasure and privilege to welcome you all to the 29th Annual General Meeting of NRL. It is also a great honour for me to address my first AGM of NRL as Chairman. Notice of AGM, Director's Report and Audited Accounts have been tabled and with your kind permission, I consider them as read.

The Financial Year 2021-22 ended on a positive note despite challenges and uncertainties that was surmounted successfully leveraging on resilience, adaptability and robust systems and procedures. Your Company, during the year, recorded several best ever Parameters and Performances, namely (i) Highest ever Sales Turnover, (ii) Highest ever Profits, (iii) Highest ever Gross Refining Margin and (iv) Highest ever CAPEX.

Performance Highlights:

Physical Performance

On the physical performance front, during the FY 2021-22, your Company achieved a throughput of 2,624 TMT, which included 23 TMT of imported Crude oil. Crude oil processed during the previous year was 2,707 TMT. Lower crude processing compared to the previous year was mainly due to demand destruction of HSD during the first quarter of the year owing to 2nd wave of COVID pandemic. Your Company commenced blending of Ethanol in MS at the Siliguri and Numaligarh Marketing terminals. The first year marked 1,122 KL Ethanol blending and same is gaining momentum in the current financial year. The refinery continued to show impressive performance in the area of Energy Efficiency parameters. Specific Energy Consumption at 63.51 MBN improved further from 64.37 MBN achieved during the previous year. Energy Intensity

Index of the refinery also showed an improvement during 2021-22 at 84.68 vis-à-vis last year's Energy Intensity Index of 86.99.

Marketing Performance

On the marketing front, product sold during the year was 2,799 TMT compared to 2,924 TMT in the previous year. The reduction in sales quantity was mainly due to demand destruction with the onset of 2nd wave of COVID in the month of April 2021. Sales within Northeast at 1,090 TMT marked significant improvement of 39% of total sales against 28% in the previous year at 817 TMT, which contributed towards savings on account of CST and freight under-recoveries. Sales during the year comprised 56 TMT of Gas Oil exported to Bangladesh and 125 TMT Naphtha to Brahmaputra Cracker and Polymer Limited (BCPL) from external sources.

Financial Performance

On the financial front, the FY 2021-22 has been a landmark year, with reason to cheer about. During the year, your Company achieved Highest ever Sales Turnover of ₹23,546 Crore, which was higher by 26.95% as against ₹18,548 Crore in the previous year, primarily on account of increase in product prices. Your Company also achieved Highest ever Profit before Tax at ₹4,848 Crore, which is higher by 18.37%, as compared to ₹4,083 Crore of the previous financial year, mainly due to increase in overall gross margin and higher inventory gains. I am happy to share with you that your Company posted record profits for the year with Profit after Tax of ₹3,562 Crore as compared to ₹3,036 Crore of the previous year, registering an increase of 17% at ₹525 crore. The Compound Annual Growth Rate (CAGR) for PAT stood at 27.41% since commencement of commercial production. The Earning per Share (EPS) for FY 2021-22 stood at ₹48.42 as compared to ₹41.27 in FY 2020-21.

Net worth of the Company has increased to ₹8,388 Crore as on 31st March 2022 as compared to ₹5,596 Crore in the previous year and the Company contributed a total of ₹5,809 Crore to the Government Exchequer in the form of taxes, duties, and dividends.

Your Company recorded the highest ever Standalone Capital expenditure at ₹3,605 Crore, 3 times higher than its previous best of ₹1029 Crore in the FY2020-21. In addition to project CAPEX, NRL has made equity investment of ₹38.54 Crore in the JVs – ABRPL and IGGL.

I am happy to report that your Company has NIL comments from the Comptroller and Auditor General of India continuously since last several years including last FY 2021-22.

Project Performance

Your Company is determined in its pursuit of executing the major ongoing projects in hand; namely, (i) Numaligarh Refinery Expansion Project, (ii) Paradip Numaligarh Crude Oil Pipeline & Crude Oil Import Terminal at Paradip, (iii) 2G Ethanol Project and (iv) India-Bangladesh Friendship Pipeline (IBFPL). In the next 5 years, your Company has planned to invest more than ₹35,000 Crore in completing these projects which will enable long term business growth, both in terms of revenue and profit. Hence, completing these projects without any time and cost overrun remains the core focus area of the Company.

Financial Institutions have shown immense faith on NRL for its ability to execute major project by way of granting a long term loan of ₹18,904 Crore for the Numaligarh Refinery Expansion Project. With this loan, financial closure for the project has been achieved in the year 2021-22.

Environment initiatives

On the environment front, your Company has assiduously embarked on its net zero journey and will have a definite road map to reach its goal by the end of this financial year.

Digital initiatives

Taking its step forward in digital transformation, NRL became the first PSU in Oil & Gas sector to migrate to S/4 HANA ERP from SAP ECC 6.0 ERP. The project was completed with involvement of the implementing agency in full remote mode. Timely completion of the project has demonstrated the commitment of NRL which requires proper project monitoring and channelization of the resources to meet the milestones on time. To enhance the organization's functional capabilities and to keep up with the refinery expansion and foraying into new business, additional features were also implemented, viz. 'Financial Closing Cockpit' for centralizing and making month end closings seamless and faster and 'Contract Lease Management' for full compliance with Ind AS 116 accounting standard requirements.

To cut down the approval and scrutiny cycle of engineering documents, an electronic data and document management system has been put in place using cloud-based technology for Numaligarh Refinery Expansion Project. This solution is enabling the company to secure a collaborative environment among engineering consultants engaged in the project and has fully automated the process of document management.

Corporate Governance

Your Company has been very resolute in practicing the highest levels of integrity, transparency, accountability, and ethics in all its spheres of business activities and has ensured to continue travelling in its growth trajectory. During the year under review, your Company complied the Corporate Governance

Guidelines issued by DPE to the extent applicable for a non-listed PSU. You will be glad to know that the Company has been consistently achieving an “Excellent” score as per the DPE Corporate Governance grading since introduction of the grading methodology.

Synergy with OIL

Both NRL and OIL have a strong presence in their respective segments of the oil and gas value chain and there are endless possibilities of synergy between the two organizations. I look forward to create and promote a conducive environment for such synergies and I am optimistic that such synergy will add value to both the companies.

Acknowledgements

On behalf of the Board of Directors of the Company, I would like to express my sincere appreciation for the hard work and efforts put in by every employee of NRL in face of the unprecedented challenges and adversities presented due to the pandemic. The Board also acknowledges the contribution of all the stakeholders including customers, dealers, contractors, suppliers and bankers for their unrelenting support and continuous cooperation.

I would also like to place on record my sincere gratitude for the support extended by the Central Government, particularly the Ministry of Petroleum & Natural Gas, the Government of Assam and other Government Departments. The Board would like to thank all the present and past shareowners of NRL - Oil India Limited, Government of Assam, Engineers India Limited including the erstwhile promoter, Bharat Petroleum Corporation Limited for the trust reposed on the company in executing major projects.

I also take this opportunity to extend my sincere appreciation to all the colleagues on the NRL Board for their passionate support, co-operation, and deep focus in keeping your company in a high growth trajectory. I sincerely wish to express my sincere gratitude for reposing your faith and confidence in the Company's Management.

We are on a path of rapid growth and progress. With your renewed trust and support, I am sure we can achieve greater heights and constantly create value for all the Stakeholders and the Nation by aligning ourselves with the Hydrocarbon Vision 2030 for NE India.

Thank you and Jai Hind!

Dr. Ranjit Rath

Chairman