

A LOOK BACK AT HISTORY

Revisiting the glorious journey of HPCL.

Origin

Hindustan Petroleum is one of the oldest oil marketing companies in India, tracing its origin back to the Standard Oil Company of the USA. In fact, its history is rightfully the history of Indian petroleum marketing. The Standard Oil operation in India started in the 1880s, with marketing of kerosene, called "case oil" – two standard-sized square tins enclosed in a pinewood box. After the Sherman Anti-Trust Act mandated the break-up of Standard Oil, three of its successor companies were closely associated with India, namely, the Standard Oil Company of New York (SOCONY), the Standard Oil Company of California (SOCAL) and the

Standard Oil Company of New Jersey. The second largest of the Standard Oil successor companies was SOCONY, which initially inherited its assets in India and continued its marketing operations. In 1931, Socony merged with Vacuum Oil Company to form Socony-Vacuum. This company later changed its name to Mobil.

The largest company to emerge out of Standard Oil was the Standard Oil Company of New Jersey, or the Jersey Standard (which was known as Esso and eventually became Exxon). In the Asia-Pacific region, Esso Standard Eastern had oil production and refineries in Indonesia but no marketing network. In 1933, Esso Standard Eastern and Socony-Vacuum merged their interests in the region into a 50-50 joint venture, namely, Standard-Vacuum Oil Company or StanVac. StanVac operated in 50 countries, from East Africa to New Zealand, including India.

While Texaco Inc of the USA operated an office in India since 1911, it was only after it combined with SOCAL (later known as Chevron) to form Caltex that a significant marketing presence was established. Caltex was incorporated for operations in the Eastern hemisphere in 1936, and India was notably the first country selected for commencing operations.

Post-Independence

Following independence, the Government of India encouraged a policy of indigenous development of heavy industries. Accordingly, StanVac and Caltex were invited to set up refineries in the country. StanVac incorporated an Indian company in 1952 to set up India's first modern refinery at Trombay, which was commissioned in 1954. Caltex Oil Refining (I) Ltd was incorporated in 1956 and its refinery in Visakhapatnam on the East Coast of India was commissioned in 1958. These modern refineries nurtured Indian technocrats and provided a platform for their professional growth.

Marketing operations of StanVac and Caltex also expanded from marketing of kerosene to automotive and industrial fuels - in cities as well as rural areas.

Their distribution networks were extended all over the country to cater to growing demand. From relatively primitive logistics, the infrastructure developed to world scale standards.

Retailing of transportation fuel that had started with cans of Motor Spirit (MS) and Power Alcohol, moved through establishment of retail outlets with manually operated



INDIA'S FIRST PRIME MINISTER, PANDIT JAWAHARLAL NEHRU, VISITED THE MUMBAI REFINERY IN 1955



FIRST TANKER TO DISCHARGE CRUDE OIL AT VISAKHAPATNAM REFINERY ARRIVED IN 1957

"dry-hose" pumps, to electrically operated "clock-face" dispensing units. In the mid-20th century, a new retail fuel made its appearance – High Speed Diesel (HSD). HSD quickly gained acceptance as a fuel-of-choice for commercial vehicles. The setting up of the refineries contributed to the industrial growth of both the States of Maharashtra and Andhra Pradesh.

In 1962, the StanVac partners decided to part ways and the company's operations in India came to be wholly owned by Esso.

In the early 1960s, the Public Sector Indian Oil Refineries Ltd and Indian Oil Marketing Ltd were merged to form Indian Oil Corporation Ltd. In an effort to develop the Indian Oil brand, the Government encouraged the fledgling company to tie up with Mobil for lubricants, in the joint venture Indian Oil Blending Ltd. Soon thereafter, the Government of India requested Esso to set up a plant to manufacture lubricant oil base stocks in India for use by Indian Oil Blending. A joint sector company – Lube India Ltd – was incorporated with equal stakes of Esso and the Government of India. The manufacturing plant was constructed adjacent to the Mumbai refinery, and commissioned in 1968.

In the early 70s, both companies, and especially Caltex, undertook extensive network rationalization after Indian Oil stopped supplying products from its refineries to other marketing companies. Being uneconomical to service, large parts of the retail outlet network in Punjab, Haryana and Delhi was surrendered to Indian Oil.

Government take over

World over, the Oil industry went through seismic changes in the 1970s. In the aftermath of the first oil shock in 1973, oil prices quadrupled and the process of nationalization that had started prior to the shock accelerated in a number of countries. The Government of India also decided to bring the oil industry in India under its control so as to keep the country secure and insulated from the vagaries of international prices and product/crude availability. To this end, the Indian assets of Esso were taken over in 1974 by an Act of Parliament, and Hindustan Petroleum Corporation Ltd came into being in its present form; through integration of fuel refining known as Esso Standard Refining Company, lube refining known as Lube India Ltd and marketing operations under Esso Eastern Inc. The Indian assets of Caltex were taken over in 1976 and vested with Hindustan Petroleum in 1978. Kosan Gas Company, the concessionaires of Esso in the domestic LPG market, were taken over and merged with Hindustan Petroleum in 1979. Similarly, management of Parel Investment and Trading Company Limited (PITCL) and Domestic Gas Private Limited (DGPL), concessionaires of Caltex in the domestic LPG market, was handed over to Hindustan Petroleum.



◀ SHRI D. K. BAROOAH, MINISTER FOR P&C, UNVEILS THE HP SIGN ON 15TH JULY, 1974 ALSO PRESENT ARE SHRI V. P. NAIK, CHIEF MINISTER OF MAHARASHTRA AND OUR THEN C&MD, SHRI S. KRISHNASWAMI



△ BOATMAN PLYING LUBE OIL DRUMS ALONG THE GANGA IN WEST BENGAL, 1964

Rapid Growth

Through the 60s and 70s the Government of India had followed a policy of development of industry under the aegis of the Public Sector, and the Private Sector did face certain constraints. After coming in the Public Sector fold, HPCL has seen a rapid expansion. Processing capacity of the two refineries at Mumbai and Visakhapatnam has risen from about 5 MMTPA to about 16 MMTPA and work is underway to expand capacity further. Work has also commenced on the new 9 MMTPA Refinery and Petrochemical Complex in Rajasthan. The capacity of the lube oil base stock plant has risen to highest in India. Starting with only an ATF pipeline in the early 1980s, from the Mumbai Refinery to Santa-Cruz Airport, the Pipelines group set up the Mumbai-Pune cross-country, multi-product pipeline in 1985. It now operates, and has



INDIA'S CURRENT PRIME MINISTER, SHRI NARENDRA MODI, AT THE WORK COMMENCEMENT OF HRRL'S REFINERY & PETROCHEMICAL COMPLEX AT PACHPADRA, BARMER ON 16TH JANUARY, 2018



EMPLOYEES AT WORK, MUMBAI REFINERY

under implementation, a network of more than 3000 km of product pipelines, transporting MS, HSD, Superior Kerosene Oil (SKO), Aviation Turbine Fuel (ATF), Light Diesel Oil (LDO) and Furnace Oil (FO).

In the 1980s, the Government of India entrusted to Hindustan Petroleum the task of examining the feasibility of a refinery at Mangalore. Later, as part of Government

policy to involve the Private Sector in infrastructure projects, the project was commissioned as India's first Joint Venture (JV) refinery between Hindustan Petroleum and the Aditya Birla group of companies, namely, Mangalore Refinery & Petrochemicals Ltd (MRPL) – now a subsidiary of ONGC with minority Hindustan Petroleum equity interest.

Post - Liberalization

In the decades following nationalization, Government had a say in all facets of the oil industry. The Government slowly started withdrawing its all-pervasive presence from the Sector following the beginning of economic reforms in the early 1990s. As part of its reform process, the Government also decided to divest its holding in some PSUs. The Government of India's equity holding in the Corporation was brought down to 51.06%. In 1998, as part of its plan to grant greater autonomy to PSUs, the Government identified Hindustan Petroleum as one of the 'Navratnas' (nine jewels) – a company that has potential to grow into a global giant.

In anticipation of the onset of a competitive environment, the Corporation went through Business Process Re-engineering that involved, inter-alia, creation of business units, decentralization, and delayering, to improve the decision-making process. IT-backed solutions such as Enterprise Resource Planning (ERP) have been utilized to seamlessly integrate the company's operations across the board.

Hindustan Petroleum has continued to consolidate its core business of refining and marketing following liberalization of the Sector. With a retail outlet network of more than 15000 covering the length and breadth of the country and supported by over 80 depots and terminals, Hindustan Petroleum caters to a significant proportion of the retail transportation fuel market, the range consisting of traditional fuels like MS and HSD to newer fuels like Auto LPG and CNG. Retail outlets have been modernized, with RFID technology, automation, convenience stores, multi-product dispensers, loyalty programmes and other retail innovations. Hindustan Petroleum is India's largest lube marketer, known for quality and value-for-money. Starting with very small operations, servicing just about a million customers in 1980, Hindustan Petroleum's LPG business has expanded to cater to more than 6 crore customers.

Way Ahead

The history of the Company dating back to more than hundred years is a testimony to its resilience and ability to respond to change. The underlying ethos of commitment to objectives and spirit of enterprise have survived myriad changes and are still alive to carry the company to a bright future – Delivering Happiness at every step along the way.

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