

Company's Philosophy on Corporate Governance

IndianOil believes that good Corporate Governance practices would ensure efficient conduct of the affairs of the Company and also help in maximising value for all its stakeholders. The Company endeavours to uphold the principles and practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning, which are vital to achieve its Vision of becoming a major diversified, transnational, integrated energy company.

IndianOil complies with the requirements of the guidelines on Corporate Governance as stipulated in Clause-49 of the Listing Agreement except the provision relating to the composition of the Board of Directors with respect to number of Independent Directors for which the Company has requested the Government of India to induct the requisite number of Independent Directors.

With the adoption of (a) Code of conduct for Directors and senior management personnel, (b) Code of conduct for prevention of insider trading and (c) Policy on risk assessment and minimising procedures, the Company has further enhanced its Governance structure.

BOARD OF DIRECTORS

The Board of IndianOil has set certain strategic goals in order to achieve its Vision and Mission statements. The Board defines the Company's policy and oversees its implementation in attaining these goals.

(a) Composition of the Board of Directors

The Board of IndianOil consists of an optimum complement of executive and non-executive Directors. Part-time non-executive Independent Directors are persons with a proven record in diverse areas like energy policy, academics, finance, marketing, Government and public sector, etc.

As on 31st March 2007, the Board comprised of 14 Directors. These include Chairman and six whole-time Functional Directors, five part-time non-executive Independent Directors, one part-time non-executive nominee Director from the Ministry of Petroleum & Natural Gas (MoP&NG), Government of India, and one part-time non-executive Director being a nominee of ONGC Ltd.

(b) Board Meetings

The dates of the Board Meetings are fixed well in advance and intimated to the Board members so as to enable the Directors to plan accordingly. The agenda papers are circulated to the Directors well in advance before the meeting.

The meetings of the Board of Directors are generally held once in a month, and 13 Board Meetings were held during the financial year 2006-07.

Details of the Board Meetings held during the year 2006-07

S. No.	Date	Board Strength	No. of Directors Present
1.	28.04.2006	15	11
2.	26.05.2006	15	11
3.	28.06.2006	15	13
4.	31.07.2006	14	12
5.	28.08.2006	14	13
6.	21.09.2006	15	13
7.	28.10.2006	15	13
8.	29.11.2006	15	14
9.	22.12.2006	15	12
10.	29.01.2007	15	13
11.	27.02.2007	14	12
12.	17.03.2007	14	12
13.	29.03.2007	14	13

(c) Attendance of each Director at Board Meetings held during 2006-07, last Annual General Meeting and number of other Directorships and Chairmanship / Membership of Committees of each Director in various companies is as under:

Name of the Director	Number of Board Meetings attended out of 13 meetings held	Attendance at the AGM on 22.09.2006 (Yes/No)	Number of Directorships in other Companies	Membership in Committees in other Companies	Chairmanship of Committees of other Companies
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Whole-time Functional Directors

Shri S. Behuria, Chairman	13	Yes	6	-	-
Shri A. M. Uplenchwar, Director (Pipelines)	12	Yes	7	-	-
Shri B. M. Bansal, Director (Planning & Business Development)	9	No	3	-	-
Shri S. V. Narasimhan, Director (Finance)	13	Yes	-	-	-
Shri V. C. Agrawal, Director (Human Resources)	13	Yes	1	1	-
Shri G. C. Daga, Director (Marketing) ¹	7	Yes	3	-	-
Shri B. N. Bankapur, Director (Refineries) ²	6	No	2	1	-
Shri Jaspal Singh, Director (Refineries) ³	5	Yes	-	-	-
Dr. N. G. Kannan, Director (Marketing) ⁴	3	No	4	-	-

Part-time Non-Executive Directors (Govt. nominees)

Shri Anil Razdan ⁵	8	Yes	2	-	-
Shri P. K. Sinha	13	Yes	2	1	-

Part-time Non-Executive Independent Directors

Prof. S. K. Barua	11	Yes	3	1	1
Shri Vineet Nayyar	10	Yes	11	-	-
Shri V. Ranganathan	13	Yes	1	-	-
Shri V. K. Agarwal	11	Yes	-	-	-
Shri P. M. Sinha	11	Yes	4	4	2

Part-time Non-Executive Director (ONGC Nominee)

Shri R. S. Sharma	4	No	13	4	-
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Remarks:

1. Shri G. C. Daga was inducted on the Board w.e.f. 04.09.2006.
2. Shri B N Bankapur was inducted on the Board w.e.f. 01.10.2006.
3. Shri Jaspal Singh ceased to be Director on his superannuation on 30.09.2006.
4. Dr. N. G. Kannan ceased to be Director on his superannuation on 30.06.2006.
5. Shri Anil Razdan ceased to be Director on 31.01.2007.

None of the Directors on the Board is a member on more than 10 committees or Chairman of more than five committees across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding committee position occupied by them in other companies.

A brief resume of the Directors, who are being appointed/re-appointed at the forthcoming AGM is given in the notice of the AGM.

(d) Code of Conduct:

The Code of Conduct for the Directors and senior management personnel of the Company has been laid down by the Board and has been circulated to all concerned and the same is also hosted on the website of the Company.

AUDIT COMMITTEE:

The Audit Committee has been constituted in line with the provisions of Clause 49 of the Listing Agreement and also meets the requirements of Section 292A of the Companies Act, 1956. The members of the Audit Committee have requisite financial and management expertise. The Audit Committee comprises of three part-time non-executive Independent Directors viz. Prof. S. K. Barua, Chairman of the committee, Shri V. K. Agarwal and Shri V. Ranganathan as members.

The terms of reference of Audit Committee cover all matters specified under Clause 49 of the Listing Agreement of the Stock Exchanges, which *inter alia* includes the following:

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- Reviewing with the management the annual financial statements before submission to the Board;
- Reviewing with the management and statutory and internal auditors, the adequacy of internal control systems;
- Discussing with internal auditors any significant findings and follow-up on such issues;
- Discussion with statutory auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern;
- Reviewing the Company's financial and risk management policies.

The attendance at the eleven meetings of the Audit Committee held during the year 2006-07 is given below:

AUDIT COMMITTEE MEETINGS HELD DURING 2006-2007

Dates of the Meetings	Prof. S. K. Barua (Chairman)	Shri V. K. Agarwal (Member)	Shri V. Ranganathan (Member)
25-05-06	Yes	-	Yes
12-06-06	Yes	-	Yes
23-06-06	Yes	-	Yes
30-07-06	Yes	Yes	Yes
21-09-06	Yes	Yes	Yes
13-10-06	Yes	Yes	Yes
27-10-06	Yes	Yes	Yes
25-11-06	Yes	Yes	Yes
27-01-07	Yes	Yes	Yes
26-02-07	Yes	Yes	Yes
15-03-07	Yes	Yes	Yes

The Audit Committee meetings are also attended by the Director (Finance) and the head of Internal Audit as special invitees. The representatives of the Statutory Auditors are invited to the meetings as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

The minutes of the meetings of the Audit Committee are circulated among members of the Audit Committee and the special invitees and are also submitted to the Board.

REMUNERATION COMMITTEE:

The remuneration of the whole-time Functional Directors is decided by the Government of India since IndianOil is a Government company. The part-time non-executive Independent Directors are not paid any remuneration except sitting fees for attending the meetings of the Board or Committees thereof. However, the Board has constituted a Remuneration Committee to approve certain perquisites for whole-time Functional Directors and below Board-level executives, which are within the powers of the Board.

The Remuneration Committee comprises of Shri P. K. Sinha, part-time non-executive Director as Chairman of the Committee, Shri Vineet Nayyar and Shri V. K. Agarwal, part-time non-executive Independent Directors, Shri S. V. Narasimhan, Director (Finance) and Shri V. C. Agrawal, Director (Human Resources), whole-time Functional Directors as members.

Two meetings of Remuneration Committee were held during the year. The details are as follows:

Sl. No.	Name of the Director	Attendance at Meeting held on	
		28.08.06	22.12.06
1.	Shri P. K. Sinha, Chairman	Yes	Yes
2.	Shri Vineet Nayyar, Member	-	Yes
3.	Shri V. K. Agarwal, Member	Yes	Yes
4.	Shri S. V. Narasimhan, Member	Yes	Yes
5.	Shri. V. C. Agrawal, Member	Yes	Yes

Remuneration paid to whole-time Functional Directors during the financial year 2006-07 is as under:

(Rs. in Lakh)					
Name of the Director	Designation	Salaries & Allowances	Contribution to Provident & other Funds	Other Benefits & Perquisites	Total remuneration
Shri S. Behuria	Chairman	8.78	0.83	2.79	12.40
Shri A.M. Uplenchwar	Director (Pipelines)	10.72	0.83	2.38	13.93
Shri Jaspal Singh	Director (Refineries) Up to 30.09.2006	11.99	0.66	11.04	23.69
Shri N.G. Kannan	Director (Marketing) Up to 30.06.2006	10.27	0.20	4.04	14.51
Shri B.M. Bansal	Director (Plg. & BD)	9.49	0.92	3.75	14.16
Shri S.V. Narasimhan	Director (Finance)	8.93	0.86	2.63	12.42
Shri V.C. Agrawal	Director (HR)	12.24	0.91	1.25	14.40
Shri G.C. Daga	Director (Marketing) w.e.f. 04.09.2006	5.36	0.49	1.66	7.51
Shri B.N. Bankapur	Director (Refineries) w.e.f. 1.10.2006	4.33	0.41	0.73	5.47
TOTAL		82.11	6.11	30.27	118.49

Note:

1. Performance Linked Incentives are payable to the whole-time Functional Directors as employees of the Company as per the policy applicable to all employees of the Company.
2. During the year, no stock options have been issued to whole-time Functional Directors.
3. The terms of appointment of the whole-time Functional Directors, as issued by the Government of India, provides for three months, notice period or salary in lieu thereof for severance of service.

Sitting fees paid to part-time non-executive Independent Directors during the financial year 2006-07 is as under:

(Rs. in Lakh)	
Name of the Director	Sitting Fees
Shri Vineet Nayyar	2.40
Prof. S.K. Barua	3.30
Shri V.K. Agarwal	2.40
Shri V. Ranganathan	2.70
Shri P.M. Sinha	1.60
TOTAL	12.40

Note: The above does not include the remuneration of Rs. 11.70 Lakhs and sitting fees of Rs. 0.90 Lakhs paid to the Directors of erstwhile IBP Co. Ltd.

None of the part-time non-executive Independent Directors holds any share in the Company as on 31st March 2007.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

Shareholders' / Investors' Grievance Committee examines the grievances of shareholders/investors and advises for redressal of the same. The Committee comprises of three members with a part-time non-executive Independent Director as Chairman, Director (F) and Director (HR) as members. The Company accords top priority to resolve complaints/grievances/queries of shareholders within a reasonable period of time.

The composition of the Shareholders' / Investors' Grievance Committee and the attendance at two meetings held on 31st July '06 and 29th Jan '07 is given below:

Name of the Member	No. of Meetings attended
Shri V. K. Agarwal, Chairman of the Committee	2
Shri. S. V. Narasimhan, Director (Finance)	2

Shri V. C. Agrawal, Director (Human Resources)

2

Shri Raju Ranganathan, Company Secretary is the Compliance Officer.

Details of complaints received and redressed during the year ended 31st March, 2007:

During the year 585 complaints were received and all have been settled. As on 31st March 2007, no complaints are pending.

Further, during the year, 1214 request for change of address, recording of nomination and issuance of Duplicate Dividend warrant/share certificates were received and all have been attended prior to 31st March 2007.

OTHER COMMITTEES OF THE BOARD

In addition to the above committees, the Board has delegated certain powers to various committees with distinct roles and responsibilities, the details of which are as under:

S.No.	Name of the Committee	Role & Responsibilities	Members
1.	Planning & Projects Committee	For approval of capital investments up to Rs. 100 crore.	Chairman and all whole-time Functional Directors.
2.	Contracts Committee	For award of contracts.	Chairman and all whole-time Functional Directors.
3.	Projects Evaluation Committee	For evaluating and recommending for Board approval, projects costing over Rs. 250 crore.	Three part-time non-executive Independent Directors, one part-time Non-Executive Government Director, Director (F) and concerned whole-time Functional Director.
4.	Establishment Committee	To take decisions in respect of creation, selection, appointment and promotion to the posts of General Managers and above and Conduct, Discipline and Appeal Rules.	Chairman and all whole-time Functional Directors, one part-time non-executive Govt. Director and one part-time non-executive Independent Director.
5.	Committee for Deleasing of Immoveable Properties	To consider requests for deleasing of Company-leased immovable properties.	Chairman, Director (Human Resources), Director (Finance) and a part-time non-executive Government Director.
6.	Marketing Strategies Committee	To provide direction to the Corporation on marketing strategies and policies.	Two part-time non-executive Independent Directors and Director (Finance) and Director (Marketing).
7.	Upstream Committee	To take all decisions regarding upstream acquisitions.	Two part-time non-executive Independent Directors, Director (Finance) and Director (Planning & Business Development).

ANNUAL GENERAL MEETINGS (AGMs):

The Annual General Meetings of the Company are held at Mumbai where the Registered Office of the Company is situated. The details of the AGMs held for the past three years are as under:

	2003-04	2004-05	2005-06
Date & Time	24.09.2004 11.00 A.M.	22.09.2005 10.30 A.M.	22.09.2006 10:30 A.M.
Venue	Ravindra Natya Mandir, Prabhadevi, Mumbai - 400 025	Ravindra Natya Mandir, Prabhadevi, Mumbai - 400 025	Nehru Centre Auditorium Discovery of India building Worli, Mumbai - 400 018.
No. of special resolutions passed	Nil	Nil	Nil

Shareholders' Meeting:

During the year, a meeting of shareholders was held on 29.05.2006 convened by the Ministry of Company Affairs, Government of India, to seek approval of shareholders to the Scheme of Amalgamation for merger of IBP Co. Ltd. with Indian Oil Corporation Limited.

Postal Ballot:

There was no item, which warranted postal ballot, as stipulated under the Companies Act, 1956.

DISCLOSURES:

- a. There have been no materially significant related party transactions, pecuniary transactions or relationship between the Company and its Directors for the year ended 31st March, 2007 that may have a potential conflict with the interests of the Company at large.
- b. There were no cases of non-compliance by the Company and no penalties/strictures were enforced on the Company by Stock Exchange/SEBI or any other statutory authority on any matter related to the capital markets during the last three years.
- c. The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement as applicable except composition of the Board of Directors for which the Company has requested the Government of India to induct requisite number of Independent Directors.
- d. The Company has also laid down the Risk Management Policy and Procedures thereof for periodically informing Board Members about the risk assessment and minimising procedures.
- e. The Company has so far not adopted the non-mandatory requirements of Clause 49 of the Listing Agreement except constitution of the Remuneration Committee and unqualified financial statement.
- f. Chairman and Director (Finance) of the Company have given the "CEO/CFO Certification" to the Board in accordance with Clause 49 (v) of the Listing Agreement.
- g. Pursuant to the Scheme of Amalgamation of the erstwhile IBP Co. Ltd. with the Company as approved in the members' meeting held on 29th May, 2006 and subsequently by the Ministry of Company Affairs, Govt. of India vide its order dated 30th April, 2007, copy of which were filed with the ROC on 2nd May, 2007, the erstwhile IBP Co. Ltd. is merged with the Company and ceased to exist effective 2nd May, 2007.

MEANS OF COMMUNICATION:

The quarterly financial results of the Company are announced within a month of the end of the respective quarter and the audited financial results are announced within three months of the end of the financial year. The results are published in leading national dailies like The Times of India (all editions), The Hindu, Maharashtra Times (Marathi newspaper), etc. and are also hosted on our website www.iocl.com. The Company also issues news releases on significant corporate decisions/activities and posts them on its website. A separate report on Management Discussion & Analysis is annexed to the Directors' Report.

The Company makes presentations to institutional investors and analysts which are also hosted on the Company's website.

Investor Service Cells exist at the Registered Office in Mumbai and Corporate Office, New Delhi to address the grievances/queries of shareholders.

In order to enable investors to raise queries and grievances, the Company has created a separate e-mail ID investors@indianoil.co.in.

The Company also posts its shareholding pattern and financial results in the EDIFAR system of SEBI at the website www.sebiedifar.nic.in.

GENERAL SHAREHOLDER INFORMATION

(a) Annual General Meeting:

Date, Time & Venue of the Annual General Meeting	24 th September 2007 at 1030 hrs at Ravindra Natya Mandir, Prabhadevi, Mumbai - 400 025
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(b) Financial Calendar for 2007-08 to approve quarterly / annual financial results:

Quarter ending 30 th June 2007	On or before 31.07.2007
Quarter ending 30 th September 2007	On or before 31.10.2007
Quarter ending 31 st December 0707	On or before 31.01.2008
Quarter and Audited Annual Financial Results ending 31 st March 2008	On or before 30.06.2008

(c) Book Closure Dates for Final Dividend:

Book Closure for Final Dividend 12.09.07 to 24.09.07, inclusive of both days.

(d) Dividend Payment Date:

The Final dividend shall be paid/despatched to the eligible shareholders by 7th October 2007.

Interim Dividend at the rate of 60% was paid by the Company in January 2007.

(e) Listing on Stock Exchanges:

The shares of the Company are listed on the Stock Exchange of Mumbai, and the National Stock Exchange.

The Company has paid listing fees to both the exchanges.

(f) Stock Code at Stock Exchange of Mumbai: 530965

(g) Stock Code at National Stock Exchange: IOCEQ

(h) Demat ISIN Number at NSDL / CDSL: INE 242A01010

(i) Market Price Data:

Month	Mumbai Stock Exchange Price			National Stock Exchange Price		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
April '06	622.00	525.00	20,56,710	621.95	520.00	51,11,834
May '06	598.40	444.00	13,97,965	600.30	442.05	48,75,827
June '06	469.90	310.00	28,40,138	462.90	309.00	84,46,467
July '06	439.00	352.10	10,75,845	438.00	350.00	29,59,514
Aug '06	501.00	375.10	23,35,412	501.00	371.05	61,49,465
September '06	549.85	449.90	29,27,294	549.85	482.00	86,21,270
October '06	585.00	510.00	10,73,688	572.75	510.00	48,43,206
November '06	530.50	440.00	13,06,502	531.85	436.00	54,79,758
December '06	461.00	389.00	9,93,134	468.00	388.05	50,00,794
January '07	515.00	444.05	13,52,061	514.95	445.00	56,04,418
February '07	497.00	400.00	5,41,984	496.85	405.00	24,94,813
March '07	442.50	395.50	7,32,619	425.00	395.10	23,93,485
52 Week	622.00	310.00		621.95	309.00	

(j) Share price performance in comparison to broad-based BSE Sensex:

The comparison of the monthly closing share price of IndianOil with the monthly closing BSE Sensex during the period April 2006 - March 2007 is given below:

(k) Registrar & Transfer Agents

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar,
Madhapur
Hyderabad - 500 081
Tel. Nos. : (040) 23420815 / 828
Fax No. : (040) 23420814
E-mail Address : mailmanager@karvy.com
Website : www.karvycomputershare.com

(l) Share Transfer System

The shares of the Company are compulsorily traded in dematerialised form. Shares received in physical form are transferred within a period of 30 days from the date of lodgement subject to documents being valid and complete in all respects. In order to expedite the process of share transfer and in line with Clause-49 of the Listing Agreement, the Company has delegated the power of share transfer to R&T Agent "M/s Karvy Computershare Pvt. Ltd.". There are no overdue share transfers pending as on date.

(m) Distribution of shareholding as on 31st March 2007:

Sl.No.	No. of Equity Shares held	Number of Shareholders	% of Shareholders	Amount	% of Amount
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1.	1-5000	35332	63.23	38691860	0.33
2.	5001-10000	6493	11.62	50441080	0.43
3.	10001-20000	13606	24.35	221168350	1.89
4.	20001-30000	176	0.31	4257040	0.04
5.	30001-40000	59	0.11	2111160	0.02
6.	40001-50000	26	0.05	1211950	0.01
7.	50001-100000	43	0.08	3093790	0.03
8.	Above 100001	145	0.26	11359146770	97.25
	Total	55880	100.00	11680122000	100.00

(n) Categories of Shareowners as on 31st March 2007:

Sl. No.	Category	No. of Shareholders	No. of Shares	% of Shares
1.	President of India	1	958077855	82.03
2.	Governor of Gujarat	1	1350000	0.12
3.	Government Company (ONGC Ltd.)	1	106453095	9.11
4.	Corporate Bodies	891	2966403	0.25
5.	FII's/NRI	458	22595420	1.93
6.	Banks	15	499117	0.04
7.	Mutual Funds	35	8464645	0.72
8.	Insurance Companies	9	35802297	3.07
9.	Public	54371	31731856	2.72
10.	Clearing Members A/c (NSDL / CDSL)	80	65429	0.01
11.	Trusts	18	6083	0.00
	Total	55880	1168012200	100.00

(o) Dematerialisation of Shares and Liquidity

The shares of the Company are compulsorily traded in dematerialised form. In order to facilitate the shareholder to dematerialise the shares, the Company has entered into an agreement with NSDL and CDSL. The President of India holds 82.03 % of the total equity share capital in the physical form and out of the balance 17.97 % equity, 95.08% is in dematerialised form as on 31st March 2007.

(p) Plant locations

The addresses of the plant locations are given in the Annual Report.

(q) Address for Correspondence

Company Secretary
Indian Oil Corporation Limited
IndianOil Bhavan
G-9, Ali Yavar Jung Marg
Bandra (East)
Mumbai - 400051
Tel. No. : (022) 26427363 / 26447616 / 26447528
Fax : (022) 26447961
E-mail ID : investors@indianoil.co.in