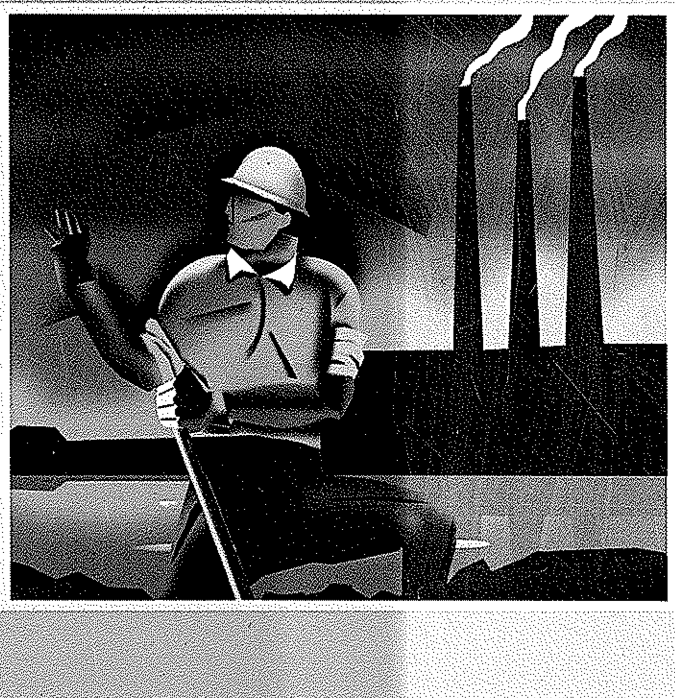
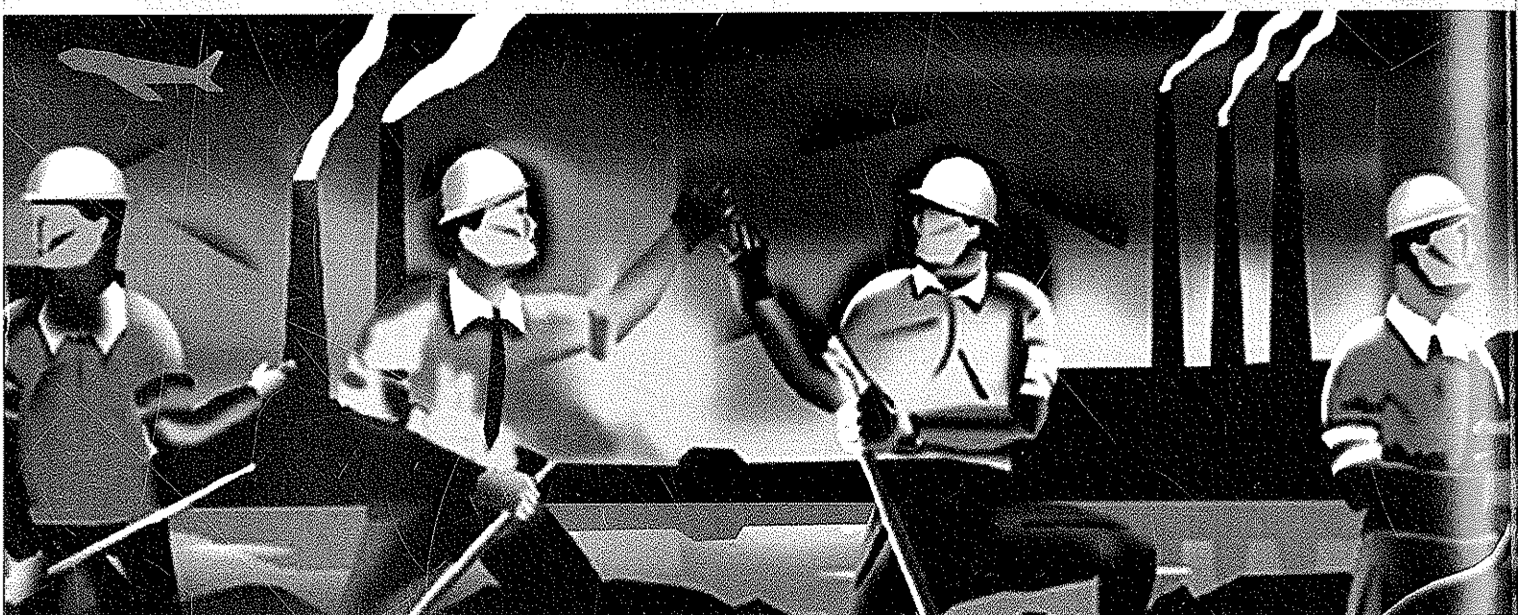
ANNUAL REPORT

1998-99

Bharat Petroleum



Bharat Petroleum Corporation Limited



Business performance through people

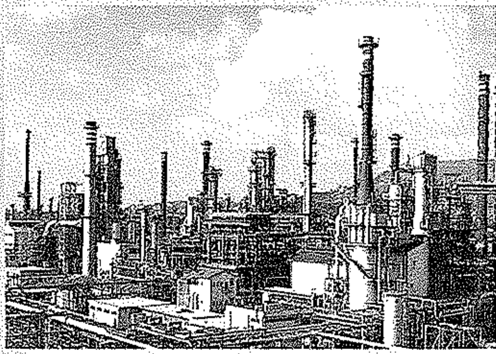
The individual. The team.
The individual on a team.
The team effectively delivering
on the stated business objective.
Exploiting opportunities,
exceeding customer expectations.
All this and more
is the fabric of human dynamics
at Bharat Petroleum.

Converting vision into action
this past year has better prepared us
to confront the challenges
of the millennium.

The collective commitment of our people
to deliver on our business promise will
nurture customer and stakeholder value.

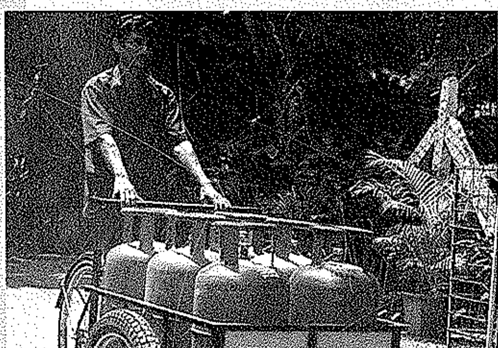
BPC - where people make the difference.

performance highlights

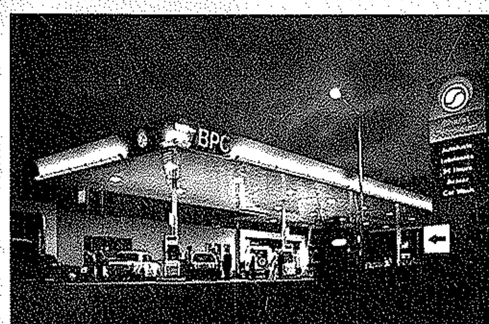


Record crude throughout of 8.94 MMT-
a remarkable increase of 1 MMT

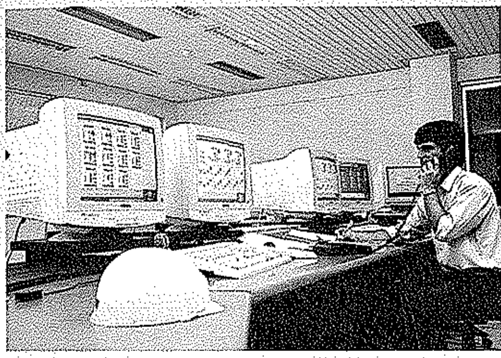
Gross profit of Rs. 15.57 billion



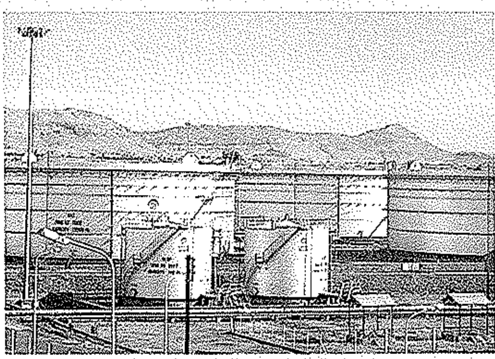
Increase in market share to 20.55 %



An impressive sales turnover of
Rs.256.5 billion



Net profit of Rs. 7.01 billion



Earnings per share of Rs.46.75

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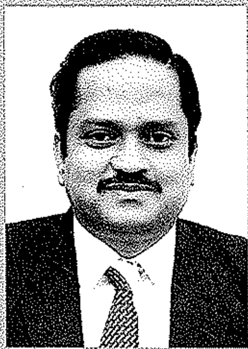
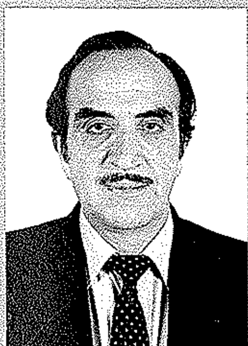
board of directors



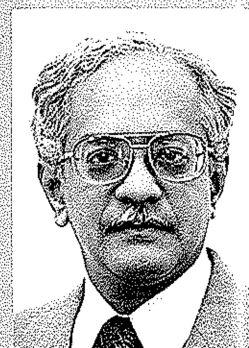
U. Sundararajan
Chairman &
Managing Director



V. K. Raina
Director
(Marketing)
upto 30.04.1998

M.B. Lal
Director
(Refineries)

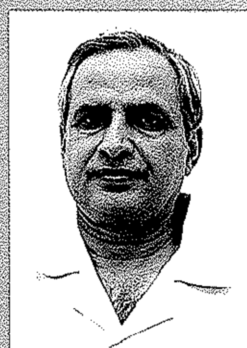
Ashok Sinha
Director
(Finance)



S.A. Narayan
Director
(Human Resources)
w.e.f. 10.06.1998

K.V. Rao
Joint Secretary (Ports),
Ministry of Surface
Transport

B. Mohanty
Joint Advisor
(Finance),
Ministry of Petroleum
& Natural Gas
w.e.f. 16.11.1998



Naresh Narad
Additional Secretary,
Ministry of Petroleum
& Natural Gas
w.e.f. 06.07.1999

S. M. Datta
Director
w.e.f. 24.01.1999

D.M. Naik Bengre
Company Secretary

S. Behuria
Director
(Marketing)
w.e.f. 23.11.1998

Devi Dayal
Additional Secretary
Ministry of Petroleum
& Natural Gas
upto 12.05.1999

Nirmal Singh
Joint Secretary
(Refineries)
Ministry of Petroleum
& Natural Gas
upto 23.10.1998

P.P. Kaliaperumal
Director
w.e.f. 24.01.1999

P.N. Khandwalla
Director
w.e.f. 24.01.1999

K. Vasudeva
Director
w.e.f. 24.01.1999

BANKERS

State Bank of India
Central Bank of India
Standard Chartered Bank
Indian Bank
Bank of India
State Bank of Patiala
ANZ Grindlays Bank
ABN Amro Bank N.V.
Union Bank of India
Corporation Bank
State Bank of Travancore

AUDITORS

RSM & Co
Mehra Goel & Co

REGISTERED OFFICE

Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
Mumbai 400 001

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 46th Annual General Meeting of the Shareholders of Bharat Petroleum Corporation Ltd., will be held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020 on Tuesday, the 28th day of September, 1999 at 10 A.M. to transact the following Ordinary and Special Business:

A. Ordinary Business

1. To receive and adopt the Directors' Report along with the Addendum thereto and the Audited Profit & Loss Account for the year ended 31st March, 1999, and the Balance Sheet as at that date with the Reports of the Statutory Auditors and the Comments and the Review of the Comptroller & Auditor General of India thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri K.V. Rao, Joint Secretary (Ports), Ministry of Surface Transport, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri K.V. Rao, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashok Sinha, Director (Finance), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri Ashok Sinha, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri S.A. Narayan, Director (Human Resources), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S.A. Narayan, being eligible, offers himself for re-appointment.

B. Special Business

6. **Appointment of Director.**

   To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:-

   "RESOLVED that Dr. B. Mohanty, Joint Advisor (Finance), Ministry of Petroleum & Natural Gas be and is hereby appointed as a Director of the Company till he holds office in the MOP&NG or till he retires by rotation whichever is earlier".

7. **Appointment of Director.**

   To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:-

   "RESOLVED that Shri S. Behuria be and is hereby appointed as a Director of the Company".

8. **Appointment of Director.**

   To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:-

   "RESOLVED that Dr. P.N. Khandwalla be and is hereby appointed as a Director of the Company".

9. **Appointment of Director.**

To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution :-

"RESOLVED that Shri P.P.Kaliaperumal be and is hereby appointed as a Director of the Company".

10. **Appointment of Director.**

To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:-

"RESOLVED that Shri S.M.Datta be and is hereby appointed as a Director of the Company".

11. **Appointment of Director.**

To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:-

"RESOLVED that Prof. K. Vasudeva be and is hereby appointed as a Director of the Company".

12. **Appointment of Director.**

To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:-

"RESOLVED that Shri Naresh Narad, Additional Secretary, Ministry of Petroleum & Natural Gas be and is hereby appointed as a Director of the Company till he holds office in the MOP&NG or till he retires by rotation whichever is earlier".

13. **Amendments to Articles of Association of the Company.**

To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a Special Resolution:-

"RESOLVED that the Articles of Association of the Company be and are hereby amended by way of replacements, modifications and additions as under:

(A) Replacements :-

(i) The existing Article 77 be replaced by the following:-

Appointment, remuneration, retirement, removal of directors etc.

(1)(a) Not less than two-thirds of the total number of Directors of the Company shall be persons whose period of office shall be liable to determination by retirement of Directors by rotation, and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting. The remaining Directors shall not be liable to retire by rotation and may, subject to the provisions of these Articles, be appointed by the Company in General Meeting.

(1)(b) So long as the Company is a Government Company, the President shall be entitled to appoint at any time not more than one-third of the total number of Directors holding office for the time being or to remove any such Director appointed by him and to fill any vacancy in the office of any of these Directors from whatever cause arising. Such appointment by the President may include the appointment of part-time Directors from Govt. Departments on an ex-officio basis, who shall cease to be a Director on ceasing to be an officer of that Department.

(2)(a) At every Annual General Meeting of the Company, one-third of such of the Directors as are liable to retire by rotation and if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office.

(2)(b) Directors to retire by rotation at every Annual General Meeting shall be those (other than the Chairman-cum-Managing Director of the Company and such other non-retiring directors, if any) who have been longest in office since their last appointment but as between persons who became Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, be determined by lot.

(3) So long as the Company is a Government Company,

(a) the President may, from amongst the Directors appoint the Chairman, Chairman-cum-Managing Director or the Managing Director and, in consultation with the Chairman of the Company, one or more Functional Directors, subject to terms and conditions as may be determined by the President and such Chairman, the Chairman-cum-Managing Director or Managing Director and Functional Directors shall be whole-time employees of the Company,

(b) the Directors shall be paid such remuneration (whether by way of salary or otherwise) as the President may, from time to time, determine. Subject to the provisions of Section 314 of the Act, such reasonable additiional remuneration as may be fixed by the President may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise,

(c) the President may, from time to time or at any time, remove any Director appointed under sub-clause (a) above viz. Chairman, Chairman-cum-Managing Director, Managing Director or any Functional or whole-time Director from office at his absolute discretion and such Chairman, Chairman-cum-Managing Director, Managing Director or Functional or whole-time Director may be removed from office by the President in accordance with his terms of appointment or, if no such terms are specified, on the expiry of 3 months' notice issued in writing or with immediate effect on payment of the salary in lieu of the notice period,

(d) the Chairman-cum-Managing Director may transfer functions and responsibilities of Functional Directors/whole-time Directors as he may deem necessary in consultation with the Secretary of the Government of India of the Administrative Ministry-Department.

(4) A Director retiring by rotation shall be eligible for re-appointment. The Company at the Annual General Meeting at which a Director retires, may fill-up the vacancy by appointing the retiring Director or some other person thereto.

(5) The Board of Directors may, subject to the provisions of Section 313 of the Act, appoint an alternate Director to act for a Director during his absence for a period of not less than three months from the state in which meetings of the Board are ordinarily held.

(6) The Chairman, Chairman-cum-Managing Director, Managing Director or Functional Directors shall exercise such powers and discretion in relation to the affairs of the Company as may be specifically delegated to him / them by the Board and are not required to be done by the Board of Directors or the Company at the General Meeting under the Act. The Chairman, Chairman-cum-Managing Director, Managing Director or Functional Directors may sub-delegate such of their powers, as they think fit, to other officers of the Company.

(7) Subject to the provisions of Section 262 of the Act, the Board of Directors shall, at a meeting of the Board, have the power, at any time, and from time to time, to appoint any person to be a Director to fill casual vacancy caused in the office of Director, appointed by the Company in General Meeting, by his vacating the office before his term of office will expire in the normal course. Any person so appointed to fill a casual vacancy shall hold office up to the date up to which the Director, in whose place he is appointed, would have held office if it had not been vacated as aforesaid.

(8) Subject to the provisions of these articles, if it is provided by any Trust Deed securing or otherwise in connection with any issue of debentures of the Company that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of Debentures, the person or persons having such power may exercise such power, from time to time, and appoint a Director accordingly. Any Director so appointed is herein referred to as a Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares. A Debenture Director shall ipso facto vacate such office immediately after the money owing by the Company to the Debenture - Holders is paid off or on satisfaction of the liability of the Company on this account.

(9) Subject to the provisions of these articles, in case the Company obtains any loans and / or other facilities from financial institutions / banks and it is a term thereof that the said financial institution / bank shall have a right to nominate one Director, then subject to such terms and conditions, the said financial institution / bank shall be entitled to nominate one Director, on the Board of Directors of the Company, and to remove from office any such Director so appointed and to nominate another in his place or in place of the Director so appointed who resigns or otherwise vacates his office. Any Director or Directors so nominated shall not be required to hold any qualification shares.

(ii) The existing clause (4) of Article 91 be replaced by the following :-

(4) To incur capital expenditure on purchase of new items or for replacement without any monetary ceiling.

(B) Modifications :-

(i) In the Article 4, the words "and to the rights of the President" be deleted.

(ii) In the Article 10, the words "Subject to the approval of the President" be deleted.

(iii) In the Article 11, the words "Subject to the approval of the President" be deleted.

(iv) In the Article 12, the words "Subject to the approval of the President" be deleted.

(v) In the Article 18, the words "Subject to the approval of the President" be deleted and further the words "not exceeding, without the sanction of the Company in General Meeting, six percent per annum as may be agreed upon between the Member paying the sum in advance and the Directors" be replaced with the words "as may be agreed upon by the Directors".

(vi) In the Article 19, the words "to the rights of the President and" be deleted and further the words and figure "of Section 111" be also deleted.

(vii) In the Article 29, the words "Subject to the rights of the President" be deleted.

(viii) In the Article 39, the words "Subject to the approval of the President" be deleted.

(ix) In the Article 40, the words "Subject to such directions as may be issued by the President in this behalf" be deleted.

(x) In the Article 42, the words "Subject to the approval of the President" be deleted.

(xi) In the Article 43, the words "with the approval of the President" be deleted.

(xii) In the Article 45, the words "Subject to the approval of the President and" be deleted and further the Proviso to the Article also be deleted.

(xiii) In the Article 46, the words "subject to the approval of the President" be replaced with the words "subject to the provisions of the Act" and further the Proviso to the Article also be deleted.

(xiv) In the Article 48, the words "subject to the rights of the President" be deleted.

(xv) In the Article 49, the words "Subject to the approval of the President and" be deleted.

(xvi) In the Article 76, the words "The President shall from time to time determine in writing" and further the word "which" be deleted.

(xvii) In the clause (1) of Article 90, the words "and the directives or instructions, if any, the President may issue from time to time as contained in Article 94" be deleted.

(xviii) In the clause (20) of Article 91, the figure "58" be replaced with the figure "60" and further the words "exceeds Rs 2500/- or the post to which appointment is to be made is in the scale of Rs. 2500-3000 or above" be replaced with the words "exceeds the starting salary in the scale of pay approved to a whole-time Director or the post to which the said pay scale applies".

(xix) In the clause (1) of Article 110, the words "Subject to the approval of the President" be deleted.

(C) Additions :-

(i) The following new Article 3A be inserted after the existing Article 3:-

"Subject to the provisions of the Act, the Company may by its Resolution, authorise the issue of equity shares, with differential rights as to dividend, voting or otherwise."

(ii) The following new Article 7A be inserted after the existing Article 7 :-

"Notwithstanding anything contained in these Articles, the Company shall have power, subject to the provisions of the Act, to purchase or buy back its own shares or other specified securities."

By Order of the Board of Directors

Registered Office:
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
Mumbai – 400 001.
Date: 29th August, 1999

Sd/-
(D.M.Naik Bengre)
Company Secretary

Note :

1. Explanatory statements under Section 173 of the Companies Act, 1956, in respect of the above items of Special Business are annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies in the alternative to attend and vote instead of himself and such proxy need not be a member. Proxies, in order to be effective, should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Following are the Explanatory Statements in respect of Special Business indicated in the Notice dated 29th August, 1999:

Item No. 6 Appointment of Director.

Dr. B. Mohanty, Joint Advisor (Finance), Ministry of Petroleum & Natural Gas was appointed with effect from 16.11.1998 as Additional Director, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India.

Dr. B. Mohanty being an Additional Director, holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment by the Company as Director at the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a member, proposing the name of Dr. B. Mohanty as Director of the Company. The Directors recommend appointment of Dr. B. Mohanty as Director of the Company.

None of the Directors, except Dr. B. Mohanty, is interested in the Resolution.

Item No. 7 Appointment of Director.

Shri S. Behuria was appointed with effect from 23.11.1998 as Additional Director, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India. Shri S. Behuria has further been appointed as Director (Marketing) under the provisions of the Article 77(1)(d)(i) of the Articles of Association of the Company.

Shri S. Behuria, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment by the Company as Director at the ensuing Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, from a member, proposing the name of Shri S. Behuria as Director of the Company. The Directors recommend appointment of Shri S. Behuria as Director of the Company.

None of the Directors, except Shri S. Behuria, is interested in the Resolution.

Item No. 8 Appointment of Director.

In accordance with the intentions of the Government of India, Dr. P.N. Khandwalla , a Professor in the Indian Institute of Management (IIM), Ahmedabad, was appointed with effect from 24.1.1999, as Additional Director, by the Board of Directors under the provisions of Article 77A of the Articles of Association of the Company, to broadbase the Board of BPCL, being a Navratna Company.

Dr. P.N. Khandwalla being an Additional Director, holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment by the Company as Director at the Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, from a member, proposing the name of Dr. P.N. Khandwalla as Director of the Company.

The Directors recommend appointment of Dr. P.N. Khandwalla as Director of the Company.

None of the Directors, except Dr. P.N. Khandwalla, is interested in the Resolution.

Item No. 9 Appointment of Director.

In accordance with the intentions of the Government of India, Shri P. P. Kaliaperumal, Ex-MP, was appointed with effect from 24.1.1999, as Additional Director by the Board of Directors under the provisions of Article 77A of the Articles of Association of the Company, to broadbase the Board of BPCL, being a Navratna Company.

Shri P. P. Kaliaperumal being an Additional Director, holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment by the Company as Director at the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a member, proposing the name of Shri P.P. Kaliaperumal as Director of the Company.

The Directors recommend appointment of Shri P.P. Kaliaperumal as Director of the Company.

None of the Directors, except Shri P.P. Kaliaperumal, is interested in the Resolution.

Item No. 10 Appointment of Director.

In accordance with the intentions of the Government of India, Shri S.M. Datta, former Chairman of Hindustan Lever Limited and Management Consultant, was appointed with effect from 24.1.1999 as Additional Director by the Board of Directors under the provisions of Article 77A of the Articles of Association of the Company, to broadbase the Board of BPCL, being a Navratna Company.

Shri S.M. Datta being an Additional Director, holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment by the Company as Director at the Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, from a member, proposing the name of Shri S.M. Datta as Director of the Company.

The Directors recommend appointment of Shri S.M. Datta as Director of the Company.

None of the Directors, except Shri S.M. Datta, is interested in the Resolution.

Item No. 11 Appointment of Director.

In accordance with the intentions of the Government of India, Prof. K. Vasudeva, Retired Professor, Indian Institute of Technology (IIT), New Delhi and Consultant, was appointed with effect from 24.1.1999 as Additional Director by the Board of Directors under the provisions of Article 77A of the Articles of Association of the Company, to broadbase the Board of BPCL, being a Navratna Company.

Prof. K. Vasudeva being an Additional Director, holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment by the Company as Director at the Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, from a member, proposing the name of Prof. K. Vasudeva as Director of the Company.

The Directors recommend appointment of Prof. K. Vasudeva as Director of the Company.

None of the Directors, except Prof. K. Vasudeva, is interested in the Resolution.

Item No. 12 Appointment of Director.

In accordance with the intentions of the Government of India, Shri Naresh Narad, Additional Secretary (MOP&NG), was appointed with effect from 6.7.1999 as Additional Director by the Board of Directors under the provisions of Article 77A of the Articles of Association of the Company after Shri Devi Dayal, former Additional Secretary, (MOP&NG) resigned.

Shri Naresh Narad being an Additional Director, holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment by the Company as Director at the Annual General Meeting. The Company has received a notice u/s 257 of the Companies Act, 1956, from a member proposing the name of Shri Naresh Narad as Director of the Company.

The Directors recommend appointment of Shri Naresh Narad as Director of the Company.

None of the Directors, except Shri Naresh Narad, is interested in the Resolution.

Item No. 13 Amendments to Articles of Association of the Company

Pursuant to partial disinvestment by the Government of India of its holding, the status of the Company has changed from a wholly owned Government Company to a Government Company. As a result, certain exemptions which were available earlier under the Companies Act, 1956, are no longer available to the Company and therefore suitable amendments in those Articles of the Company, which are based on such exemptions are required to be made. Moreover, BPCL has been declared as one of the Navratna Public Sector Undertakings (PSUs), therefore it has been desired that the existing articles need be amended. The amendments now proposed are intended to conform with the new status of the Company and also certain provisions of the said Act. The explanations for changes in various Articles are given below :-

(a) Reference to the rights of the President is proposed to be deleted in the following Articles in view of addition of new shareholders, whose rights are also to be protected :-

Articles No. 4, 19, 29, 48

(b) In view of addition of new shareholders whose rights are to be protected and BPCL being one of the Navratna Companies, some of the approvals are not required to be sought. Moreover, the approval of the President is sought as the shareholder in General Meetings:-

Articles No. 10, 11, 12, 18, 39, 42, 43, 45, 46, 49, 110(1)

(c) Reference to the compliance with the directions to be issued by the President is proposed to be deleted in the following Articles, as the directions which can be issued by the President under the separate Article 94 are required to be complied with, whether a reference to comply to such directives is made or not in other Articles. Moreover, the approval of the President is sought as the shareholder in General Meetings :-

Articles No. 40 & 90(1)

(d) Reference to the specific Section of the Act, which has since been modified, is also proposed to be deleted from the Article No. 19.

(e) The ceiling on the rate of interest appearing in Article 18 is proposed to be deleted so as to authorise the Directors to decide the interest rate .

(f) Rights reserved to the President in Article 76 to increase or decrease the number of Directors for the time being in office are proposed to be deleted in view of the change in status of the Company.

(g) In view of applicability of the provisions of Sections 255 & 256 to the Company in view of change in its status, some of the existing clauses of Article 77 have become inconsistent with the said Sections 255, 256 and 313. Moreover, there is a necessity to provide for appointment of Nominee Directors by the Lending Institutions or Debenture Trustees. The provisions of Article 77 are therefore, proposed to be comprehensively modified through the replacement by a new Article.

(h) Limitations on the powers of the Directors in the following Articles are proposed to be modified, in view of change in the Government policy in the matter and the change in the status of BPCL of becoming a Navratna Company.

Articles No. 91(4) – 91(20)

(i) To empower the Company to buy back its own shares / securities as provided in the new Section 77A of the Companies Act, 1956, a new Article 7A is proposed to be added and also to issue shares with differential voting rights as and when permitted by the Companies Act, 1956, a new Article 3A is proposed to be added.

Under Section 31(1) of the Companies Act, 1956, approval of the Shareholders, by way of a Special Resolution, is required to amend the Articles of Association of the Company.

The Directors recommend the amendments to the Articles.
None of the Directors of the Company is interested in the Resolution.

A copy of the Memorandum and Articles of Association of the Company is open for inspection by the Members during 14:30 hrs to 16:30 hrs on all the working days, at the Registered Office of the Company.

By Order of the Board of Directors

Registered Office:
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
Mumbai – 400 001.
Date : 29th August, 1999

Sd/-
(D.M.Naik Bengre)
Company Secretary

The Directors hereby present their report on the performance of Bharat Petroleum Corporation Limited (BPC) for the year ended March 31, 1999.

PREPARING FOR THE FUTURE

Standing on the threshold of deregulation of the oil industry, BPC appreciates that the future will not be an extrapolation of the past. While the future is full of opportunities, it is also full of challenges. The fast increasing demand for energy in India provides the opportunities that few oil companies can have elsewhere. At the same time, the opening up of the markets to competition will provide challenges like never before.

In order to convert the challenges presented by the competition into opportunities, it became necessary for BPC to totally change its way of doing business. The company realised that incremental improvements in the processes and results would not be enough - fundamental improvements were required and that too on a continual basis. A far greater level of customer focus and efficiency were required. A much more energetic organisation was needed. Above all, a rapid cultural change, involving a radical shift in attitudes and behaviours was essential.

In recognition of the need to create a culture of change, BPC embarked upon an ambitious restructuring programme two years ago with the assistance of Arthur D. Little Inc. The whole exercise began with a pragmatic and powerful process of co-creation of the vision, an expression of the aspirations of the staff for themselves and for the organisation as a whole. Staff at all levels were involved in creating the shared vision for BPC. A candid assessment was also made of the current reality. To bridge the gap between the vision and the current reality, a detailed change plan was drawn up.

The change plan identified three key thrust areas. Firstly, it was necessary to create a new organisation structure aligned with and focused on the customer. Secondly, the culture of empowerment through adoption of the organisational learning methodologies needed to be imbibed. Finally, new organisational capabilities, like building a strong brand, and developing a strategic formulation, were required. Implementation of the change plan is well underway and the efforts taken are discussed in the ensuing paragraphs.

BPC receives the Silver Shield from ICAI for the best presented accounts amongst the public and joint sector companies in 1996-97.

Re-designing of the organisation structure

A complete re-configuration of the organisation design was undertaken to make it more aligned and focused on the customer. BPC moved from the earlier functionally oriented structure to one that is process based. The re-designed organisation, which was put in place in May 1998, comprises five customer-facing Strategic Business Units (SBUs), one asset based SBU and other back office entities. All the critical resources like Finance and Human Resources have been embedded within the business units. Transactional services are handled by Shared Services. Necessary integrating mechanisms have been put in place. Within the businesses, small self-managing teams comprising of staff with different functional orientations have been formed to achieve a common set of objectives. The teams have been adequately empowered so that they can respond promptly to the changing needs of the customer.

From the indications available so far, the new organisation is working well. Focus on the customer has increased and the speed of decisions has improved. It is, however, recognised that a lot more work needs to be done in some areas, particularly in respect of Support Services.

Empowerment of people

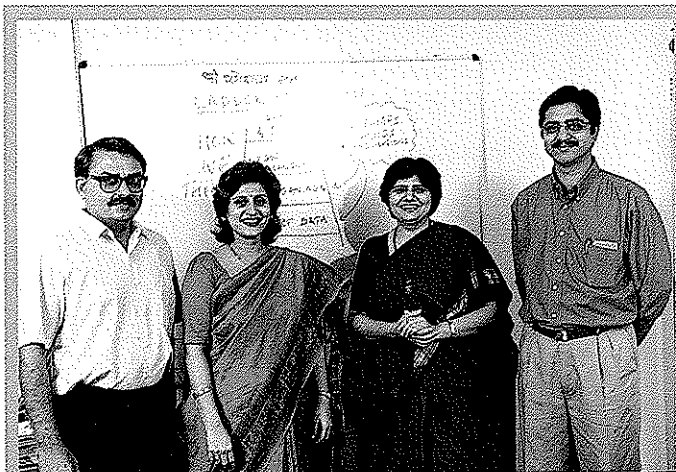
Early in the process of restructuring, BPC realised that introducing a new organisation structure, by itself would not be sufficient. It was necessary to bring about a change in the mental models, introduce a collaborative way of working, and enable employees to think systemically. In short, it was necessary for BPC to become a learning organisation. To facilitate this effort, a group of line managers were trained as internal coaches by Innovation Associates, a company of Arthur D. Little Inc. USA. These coaches have been working full time with the businesses. Their work centres mainly around facilitating two types of programmes designed by Innovation Associates - a workshop on 'Visionary Leadership and Planning' (VLP), and a training programme on 'Foundations of Organisation Learning' (FOL).

The VLP programme helps teams to clarify and understand their own unique reason for existence, co-create their aspirations for themselves, honestly assess the current position vis-à-vis those aspirations, and finally, build a strategy to bridge the gap. A clear set of team operating principles emerge at the end of the workshops by which each team member agrees to abide. The teams select 'high leverage results' to which they are passionately committed and some of them take responsibility for making it happen based on their individual passion with yet others agreeing to support them. FOL programmes are geared towards creating a common language of learning in the organisation. The coaches have so far undertaken more than 100 VLPs. Over 2000 management and non-management staff have been trained through FOLs. Across the organisation, there is a great 'pull' for these workshops.

The response to this intervention has been amazing. The most rewarding outcome has been the realisation by the teams that their future will be what they make of it. This has almost eliminated the need for supervision and direction from the top. The process of empowerment through aspirations, for the first time gave individuals the feeling of freedom to visualise beyond their role and also link their personal aspirations to their work. They began to feel that their existence was acknowledged. The intense process of the workshop also created a tremendous amount of team bonding.

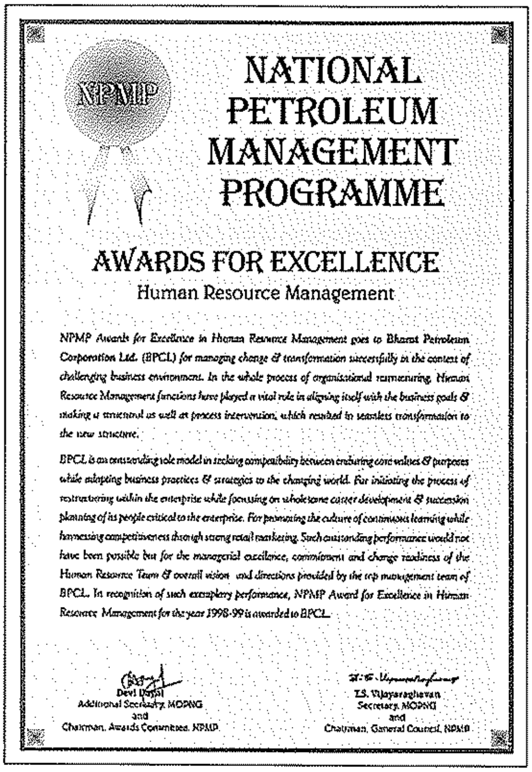
The joint ownership of the aspirations inspired individuals to go far beyond their own roles. Leaders through 'dialogue' with team members appreciated that it was not essential for them to have all the answers and that it was all right for them to surface their vulnerability and seek help.

Today, ownership and commitment are high. A culture of openness and collaboration is beginning to take root. The new structure has lead to a sharp focus on the customer and provided depth to understanding of the ever-increasing



The internal coaches.

complexity of the marketplace. It has also been very conducive to nurturing innovations and there is a willingness to express new ideas and experiment with them. In fact, employees now routinely contribute ideas and make changes that reach beyond their own job. Each team is voluntarily experimenting with - big or small - measures to improve the offerings to the customer. The power of ideas is beginning to overshadow the power of position and 'we' is



NATIONAL PETROLEUM MANAGEMENT PROGRAMME

NPMP

AWARDS FOR EXCELLENCE

Human Resource Management

NPMP Awards for Excellence in Human Resource Management goes to Bharat Petroleum Corporation Ltd. (BPCL) for managing change & transformation successfully in the context of challenging business environment. In the whole process of organisational restructuring, Human Resource Management functions have played a vital role in aligning itself with the business goals & making a structural as well as process intervention, which resulted in seamless transformation to the new structure.

BPCL is an outstanding role model in seeking compatibility between enduring core values & purposes while adopting business practices & strategies to the changing world. For initiating the process of restructuring within the enterprise while focussing on wholesome career development & succession planning of its people critical to the enterprise. For promoting the culture of continuous learning while harnessing competitiveness through strong retail marketing. Such outstanding performance would not have been possible but for the managerial excellence, commitment and change readiness of the Human Resource Team & overall vision and directions provided by the top management team of BPCL. In recognition of such exemplary performance, NPMP Award for Excellence in Human Resource Management for the year 1998-99 is awarded to BPCL.

Devi Dayal
Additional Secretary, MOPNG
and
Chairman, Awards Committee, NPMP

T.S. Vijayaraghavan
Secretary, MOPNG
and
Chairman, General Council, NPMP

truly becoming more important than 'I'. Collective wisdom is respected and valued. A new organisational ethos has emerged and new capabilities are developing.

A new 'Performance Management System' has just been put in place. This system has three objectives: firstly, to facilitate achievement of the shared vision and business plans; secondly, to foster development of the staff and thirdly, to imbibe values and ethics. A number of other HR initiatives are also underway. The objective is to relentlessly strive towards making BPC 'a great place to work'.

BPC has come a long way in the last two years and enthusiasm is clearly visible across all levels of the organisation. However, this is just the beginning and it will take many years before the new behaviours become an irreversible part of the corporate culture. Some of the businesses have made major strides - yet others need to do a lot more. The journey is long and arduous but the passion is so high that the whole effort is bound to succeed.

The Directors are proud to report that BPC's efforts have been well recognised, within the country and abroad.

BPC was conferred with the prestigious award for Excellence in the area of human resource management by the National Petroleum Management Programme for the year 1997-98. The organisation was adjudged on all aspects of Human Resource Management. In particular, BPC was commended 'for managing change and transformation successfully and for the vital role the HR function played in aligning itself with the business goals and making structural as well as process interventions resulting in seamless transformation to the new structure'.

In the CIO-100 annual awards issue on "Leaders for the next Millennium" released on August 15, 1999, BPC has been selected as one of the 100 companies most likely to excel in the 21st century because of innovative practices and leveraging of people and technology. The CIO magazine is a widely circulated publication for executives in charge of technology and information systems. BPC was chosen as one of the companies who are making technology-influenced changes in workplace attitudes and values and re-thinking policies to attract, motivate and retain the best people. Other recipients of the CIO-100 award include AT&T, Bank of America, BP Amoco, CNN, Citigroup, Coca-Cola, Microsoft, Motorola, General Electric, Wal-Mart and Unilever.

Implementation of an Enterprise-wide Resource Planning Solution

One of the key recommendations of the change plan was to use Information Technology as an enabler of change. In furtherance of this objective, BPC has embarked on implementation of an Enterprise-wide Resource Planning solution (ERP). The project is one of the largest of its kind undertaken in India. SAP R/3 software has been selected for this purpose. With the tightly integrated nature of the ERP solution, the implementation is expected to bring in considerable benefits in all areas of operations. In particular, with real time information becoming available, efforts can be focused on value added services leading to better customer satisfaction and enhanced shareholder value.

Building a strong brand

The change plan also brought out that in order to succeed in a competitive environment, it is necessary to acquire new organisational competencies like building and sustaining a strong brand.

A dedicated team has been concentrating on brand development over the last two years. Being reliable, caring and innovative have been identified as the three values around which the brand needs to be built, with the ultimate objective of building a strong relationship with the target customer.

The thrust is on transforming BPC from being a product-driven organisation to a customer-driven organisation. Emphasis is being laid on developing and continuously maintaining a better understanding of the customers' evolving needs and expectations. Initially, efforts are being made to meet the customers' professed and implied needs - like correct quality and quantity of products, friendly and courteous service and prompt deliveries. Efforts are also being directed towards identifying and meeting the inferred needs, which even the customer himself may not be able to articulate.

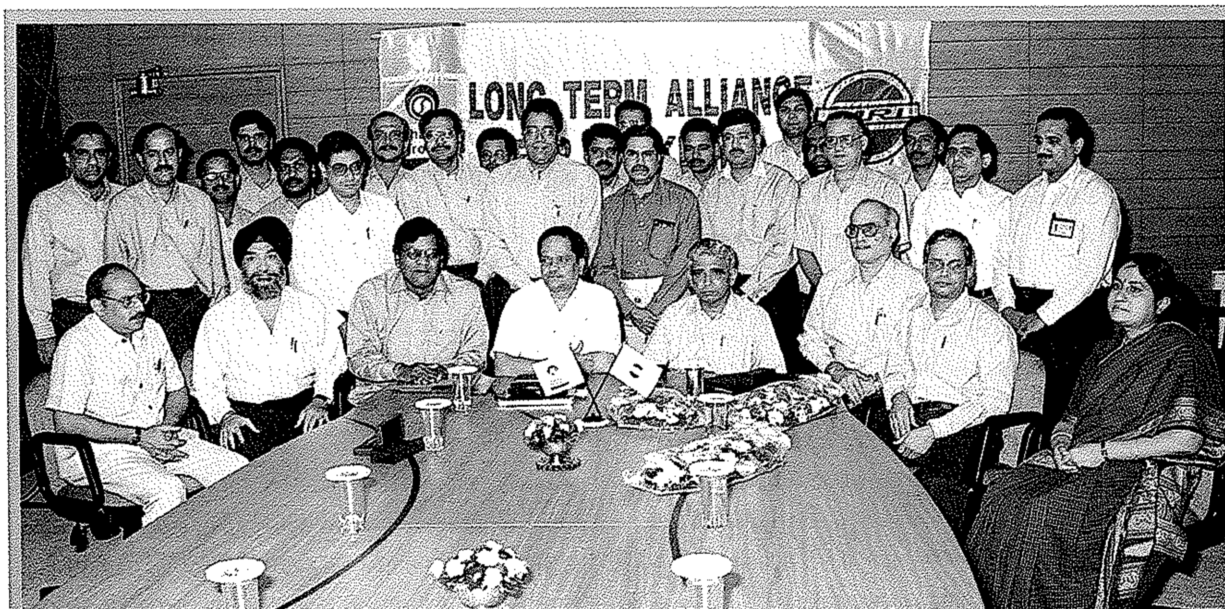
Comprehensive market research has been conducted based on which customers have been profiled and target segments identified. An action plan has been drawn up to provide services and offerings focused on the target segments. A loyalty strategy is also being implemented so as to retain the high value customers.

BPC's endeavour is to ultimately offer a delightful experience to the customers at every point of contact and become a preferred brand.

Strategic Alliance with Madras Refineries Limited

While BPC believes that remaining short on refining capacity can be a strength, the gap between the company's sales requirements and production, which is as high as nine million tonnes per annum today, is also not desirable. BPC produces less than half of what it sells, and this gap will increase by nearly one million tonnes each year with the growth in sales. To address this anomaly, many options, including the creation of new refining capacities are being pursued.

As one of the steps in this direction, a strategic alliance was entered into with Madras Refineries Limited (MRL) in July 1999. In terms of this alliance, BPC will market the products produced in MRL's 6.5 million tonnes per annum Manali



BPC's strategic alliance with MRL

Refinery. The agreement is valid for ten years and is extendable by another ten years by mutual agreement. MRL would benefit from maximisation of its crude throughput resulting in enhancement of their refiner's margin. BPC on the other hand, will reduce its susceptibility to product insecurity.

To sum up, BPC has undertaken a series of initiatives to ensure success in a deregulated scenario. The organisation structure has been re-configured to bring about a greater focus on the customer. Staff have been empowered so that they are able to address customer needs. A brand promise has been created and is being acted upon. The power of new IT systems is being harnessed as an enabler of change. Product security issues are being addressed. Reinforced with these measures, BPC is confident of successfully taking on the competition. In fact, the results of the changes initiated are already beginning to get translated into better bottom line performance. The year under review was propelled by better all round performance - higher refinery throughput, higher sales and better profits.

C & MD BPC and Officiating C & MD MRL exchange greetings.

PERFORMANCE OVERVIEW

Performance of the Refinery during 1998-99 was at its best ever. There was a commendable increase in the crude throughput - the refinery processed an additional one million tonne of crude over that in the previous year, taking the throughput to 8.94 million tonnes.

Due to an improvement in the industrial growth, the overall growth in sales of petroleum products improved from 3.6% during 1997-98 to 6.7% during 1998-99. BPC's performance was still better with a growth of 6.9%. Sales volume during the year 1998-99 was 17.50 million tonnes as compared to 16.37 million tonnes during 1997-98. BPC's market share has grown marginally from 20.5% to 20.55%. The gross sales turnover (market sales plus sales to other oil companies) of Rs. 256.50 billion was 23.9% higher than that of the previous year. Besides the increase in sales volume, the main factor that contributed to this phenomenal increase was the increase in ex-refinery prices due to deregulation of the refining sector and the increase in duties. During the year, gross profit before interest, depreciation and taxes increased by 28.2% to Rs. 15.57 billion and net profit increased by 31.6% to Rs. 7.01 billion. Return on capital employed increased from 14.9% to 17.3%. Similarly, the return on average networth increased from 23.1% to 25.3%.

Over the last five years BPC's sales volume has increased at a compounded annual growth rate (CAGR) of 7.2%, while its gross profit and net profit have increased at a CAGR of 19.6% and 24.8% respectively.

An amount of Rs. 11.86 billion was incurred as capital expenditure during the year (excluding Rs. 994 million invested on joint ventures).

The Directors recommend a dividend of Rs. 12.50 per share, which will absorb Rs. 1.87 billion. This would translate to a dividend pay-out ratio of 29.7%. After

PERFORMANCE AT A GLANCE

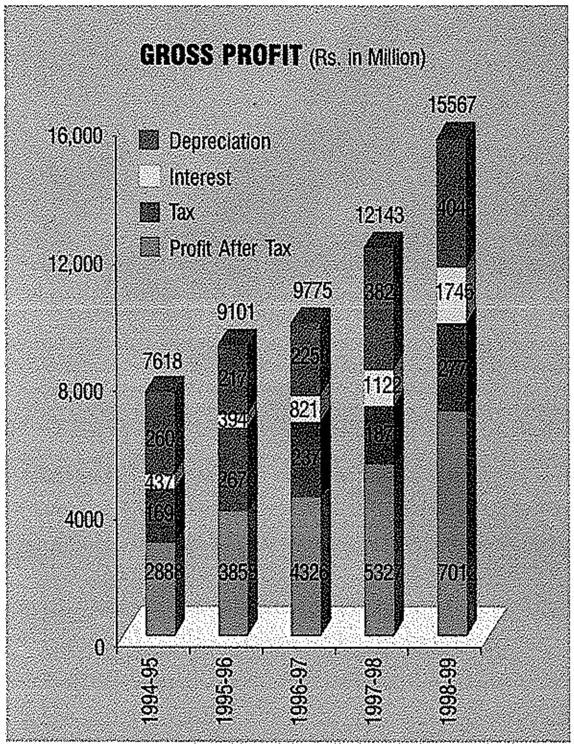
Rs. in million

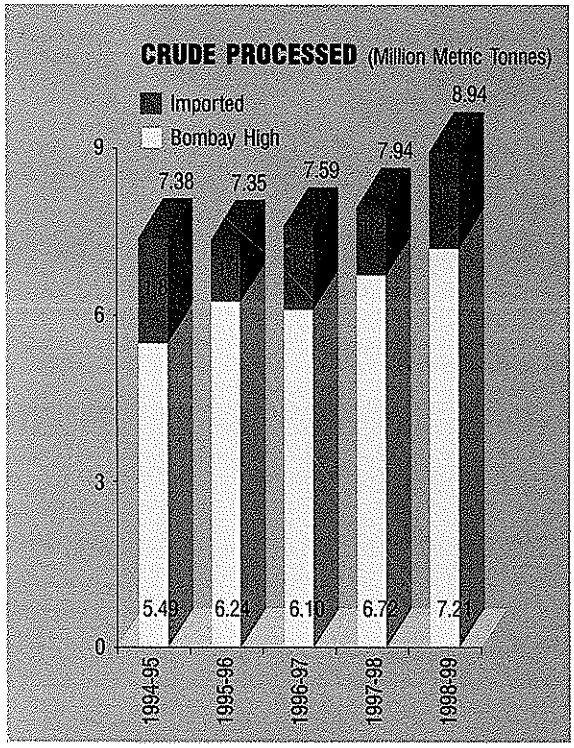
	1998-99	1997-98
Sales Turnover	**256498.42**	206974.67
Gross Profit before Depreciation, Interest and Tax	**15567.42**	12142.86
Interest	**1745.18**	1122.38
Depreciation	**4039.89**	3823.45
Profit before tax	**9782.35**	7197.03
Provision for taxation	**2770.00**	1870.00
Profit after tax	**7012.35**	5327.03
Excess/(Short) Tax provision in earlier years written back/provided for	**47.78**	(113.04)
Transfer from Investment Allowance Reserve	—	284.63
Balance brought forward from the previous year	**0.01**	0.01
Amount available for disposal	**7060.14**	5498.63
Proposed Appropriations		
Towards Dividend	**1875.00**	750.00
Towards Corporate Dividend Tax	**206.25**	75.00
Transfer from Capital Reserve (* Rs.2969)	**(0.17)**	*
For transfer to General Reserve	**4979.05**	4673.62
Balance carried to Balance Sheet	**0.01**	0.01

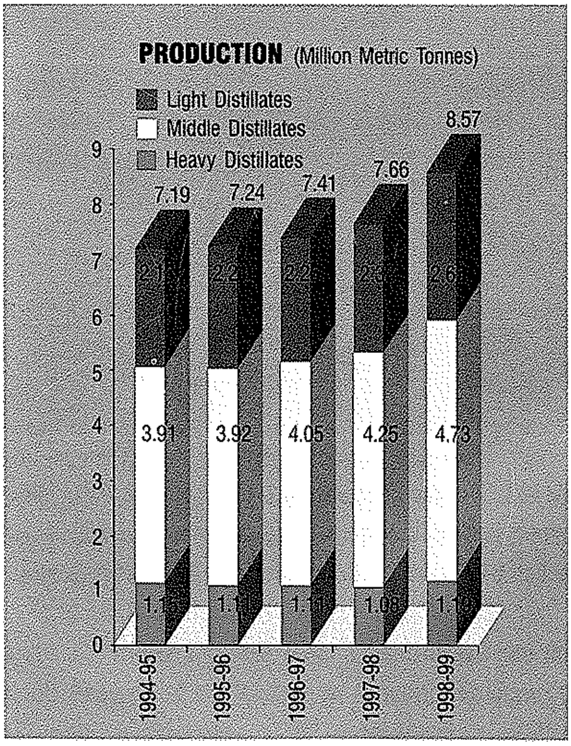
providing Rs. 206.25 million for tax on distributed profits, an amount of Rs. 4.98 billion is proposed to be transferred to the general reserve. With this, BPC's net worth as on March 31, 1999 would increase to Rs. 30.22 billion from Rs. 25.24 billion as at the end of the previous year. Earnings per share was Rs. 46.75. Internal cash generation during the year increased to Rs. 8.99 billion.

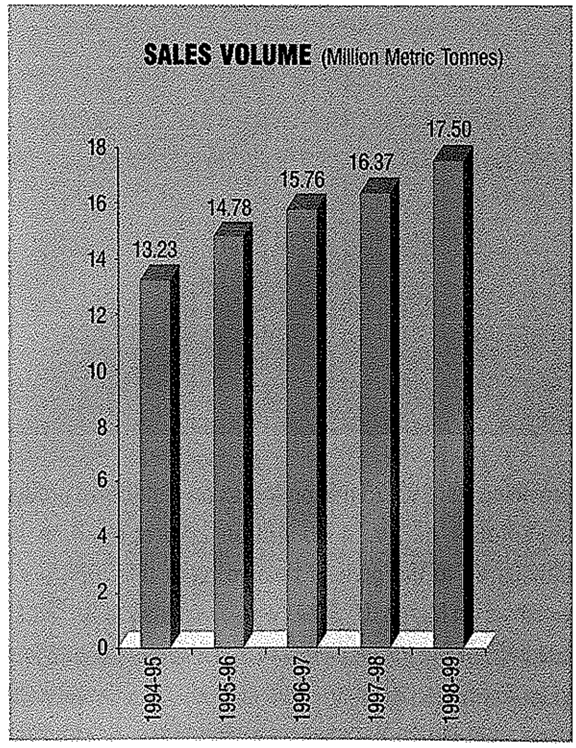
The review of the accounts by the Comptroller and Auditor General of India, together with his comments thereon, under section 619 (4) of the Companies Act, 1956 is annexed.

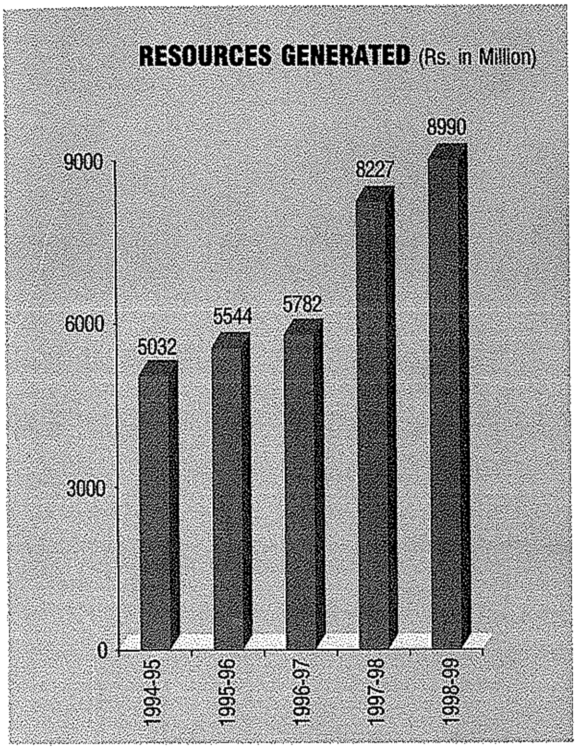
The impressive results were achieved due to excellent all round performance by each of the businesses. Each of these is discussed in the following paragraphs.

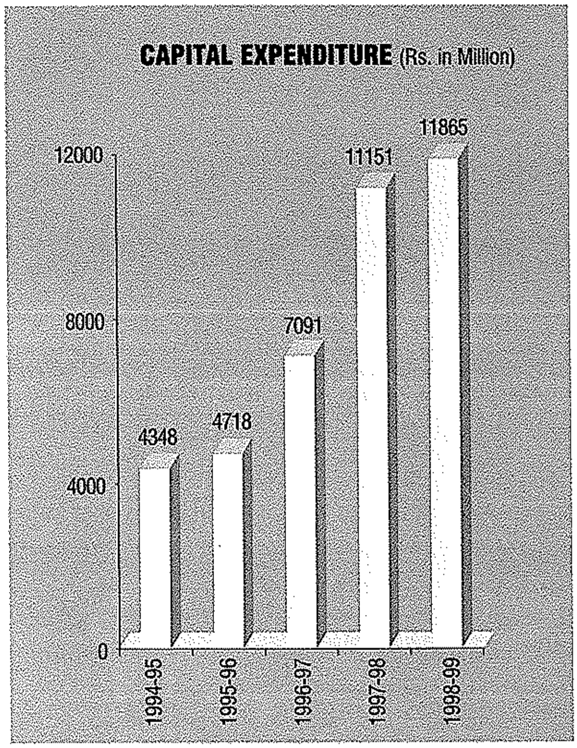

GROSS PROFIT (Rs. in Million)
Depreciation
Interest
Tax
Profit After Tax
16,000
12,000
8,000
4000
0
7618
9101
9775
12143
15567
260
437
394
821
225
1122
2888
4326
1994-95
1995-96
1996-97
1997-98
1998-99

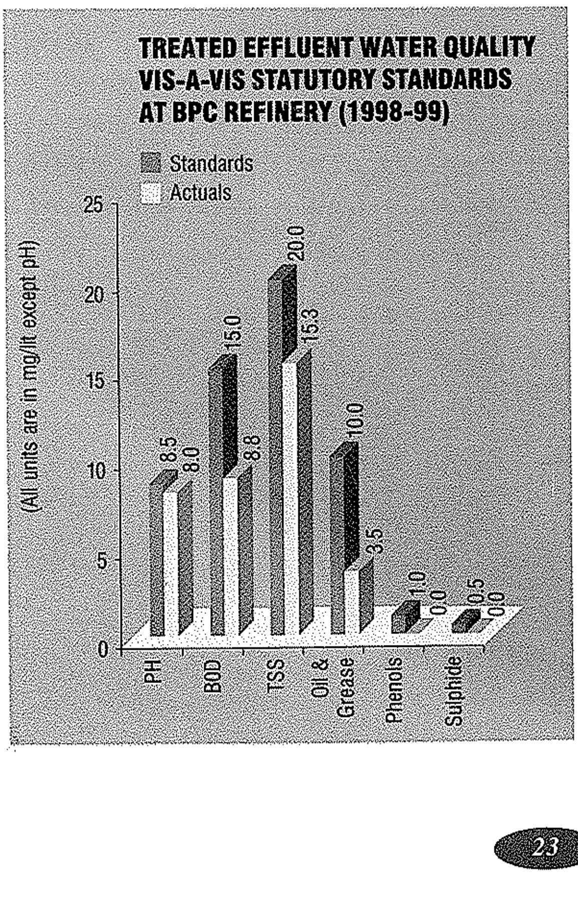

CRUDE PROCESSED (Million Metric Tonnes)
Imported
Bombay High
9
6
3
0
7.38
7.35
7.59
7.94
8.94
6.10
1994-95
1995-96
1996-97
1997-98
1998-99

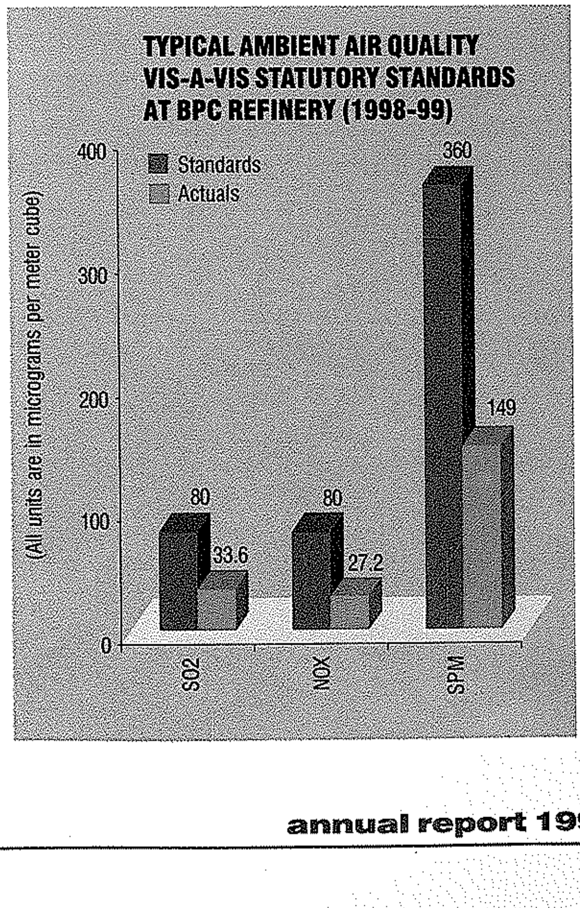

PRODUCTION (Million Metric Tonnes)
Light Distillates
Middle Distillates
Heavy Distillates
9
8
7
6
5
4
3
2
1
0
7.19
7.24
7.41
7.66
8.57
3.91
3.92
4.05
4.25
1.08
1994-95
1995-96
1996-97
1997-98
1998-99

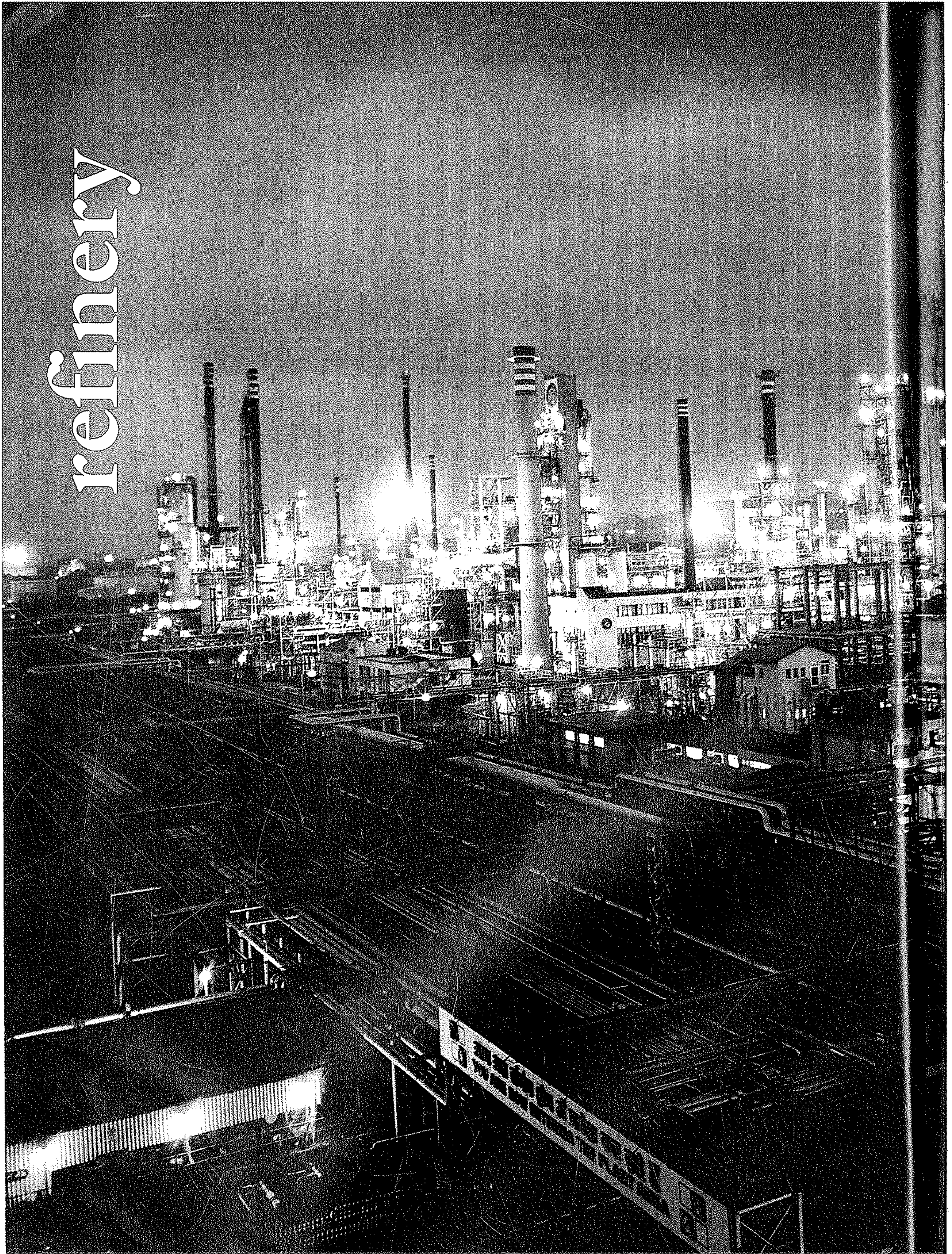

SALES VOLUME (Million Metric Tonnes)
18
16
14
12
10
8
6
4
2
0
13.23
14.78
15.76
16.37
17.50
1994-95
1995-96
1996-97
1997-98
1998-99


RESOURCES GENERATED (Rs. in Million)
9000
6000
3000
0
5032
5544
5782
8227
8990
1994-95
1995-96
1996-97
1997-98
1998-99


CAPITAL EXPENDITURE (Rs. in Million)
12000
8000
4000
0
4348
4718
7091
11151
11865
1994-95
1995-96
1996-97
1997-98
1998-99


TREATED EFFLUENT WATER QUALITY VIS-A-VIS STATUTORY STANDARDS AT BPC REFINERY (1998-99)
Standards
Actuals
(All units are in mg/lit except pH)
25
20
15
10
5
0
8.5
8.0
15.0
8.8
20.0
15.3
10.0
3.5
1.0
0.0
0.5
0.0
PH
BOD
TSS
Oil & Grease
Phenols
Sulphide


TYPICAL AMBIENT AIR QUALITY VIS-A-VIS STATUTORY STANDARDS AT BPC REFINERY (1998-99)
Standards
Actuals
(All units are in micrograms per meter cube)
400
300
200
100
0
80
33.6
80
27.2
360
149
SO2
NOX
SPM


refinery

REFINERY

This asset based SBU comprises the Refinery and International Trade & Supplies.

As stated earlier, there was a record increase in crude throughput by one million tonnes during the year 1998-99. This was possible because of 100% on-stream factor with no unplanned interruptions in the secondary processing units. Of the crude processed, 80.5% was from Bombay High. BPC's refinery is one of the most flexible in the country. Though Bombay High crude is predominantly processed, the operation of the refinery can be adjusted to process various different types of crude. In fact, so far 47 different types of crude have been processed. This flexibility will be an advantage in a deregulated scenario and will enable BPC to decide on the most optimum crude-mix.

Against the throughput of 8.94 million tonnes, the total production of refined products during the year was 8.57 million tonnes. Production of Liquefied Petroleum Gas, Motor Spirit, Mineral Turpentine Oil and High Speed Diesel were the highest ever. In fact, BPC's refinery produced the highest quantity of LPG and Motor Spirit amongst all the refineries in the country. Low Sulphur High Speed Diesel with 0.25% Sulphur by weight, produced at the refinery met the entire demand of the city of Mumbai.

The refinery has consistently been improving its product mix. Over the last five years, for instance, production of light distillates improved from 25.5% during 1993-94 to 29.3% during 1998-99. Middle distillates improved from 51.9% to 53.4% during the same period. In 1998-99, the distillate production improved by 1% over 1997-98 mainly due to increased processing of atmospheric residue in one of the Fluid Catalytic Cracking Units and depletion of intermediate components. BPC's refinery is the only one in the country processing residue in Fluid Catalytic Cracking Unit.

The refinery has been reducing fuel and loss through various energy conservation and loss reduction schemes and through close monitoring of the operations. Some of the projects implemented in these areas are installation of high efficiency utility boilers, augmentation of heat exchanger trains, installation of plate type heat exchangers and addition of additional heat recovery coils in the process heaters. The energy conservation and loss control measures adopted during the year at a cost of approximately Rs.17 million have already resulted in a fuel & loss saving equivalent to Rs.5.5 million. Fuel and loss (including Bombay High Associated Gas) was 5.1% in 1998-99 as against 6.2% during 1993-94 and 5.4% during 1997-98. During the next three years, the refinery plans to implement a number of energy conservation and loss control projects at an estimated cost of about Rs. 264 million.

The existing safety management system in the refinery has been augmented in line with the International Safety Rating System (ISRS). ISRS is a tool owned by Det Norske Veritas, UK, (DNV) for comparison, benchmarking and development of safety management systems world-wide. A base line audit of the refinery safety systems was carried out by DNV during 1997 when the refinery was rated at Level 3 on a scale of 10. DNV considered this to be robust at the base level with potential for improvement. Further development of the Safety Management System was undertaken through a team of employees trained by DNV. The Safety Management System was again audited in April 1999 and the refinery achieved an ISRS level 7. This is the highest rating achieved by any refinery in India. In fact it is the highest rating achieved by any industrial site in India using ISRS. It is worthy to note that only 15% of the 228 refineries using ISRS in the world have attained level 7.

BPC receives the Golden Peacock Environmental Management Award.

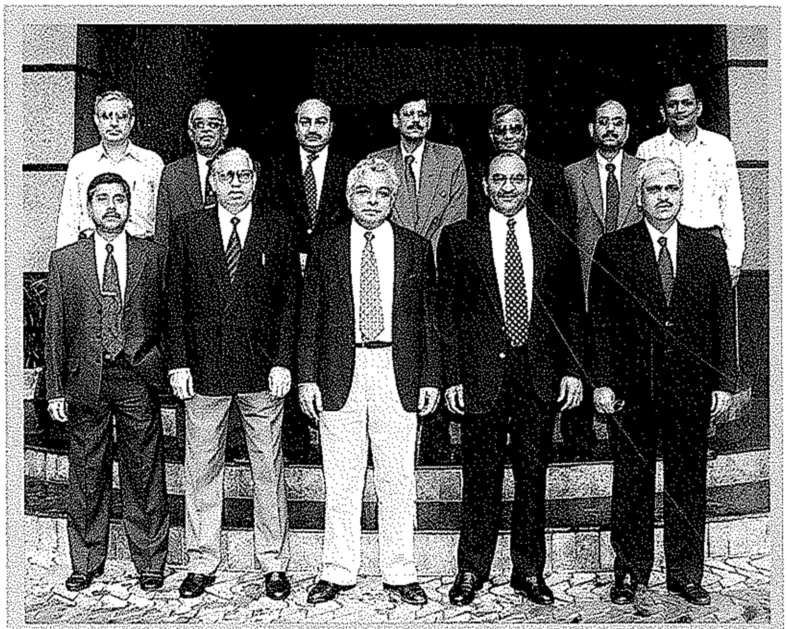
Over the last few years, safety performance at the refinery has undergone significant improvement. The number of occupational injuries has reduced by 75% during the period from 1995-96 to 1998-99. On July 30, 1999 the refinery employees achieved a continuous run of 7 million man-hours without lost time accident after a gap of more than 12 years. It is only for the third time in the 45-year-history of the refinery that this landmark has been achieved.

The level of safety performance achieved will be further enhanced through a structured system of periodic internal audits of the Safety Management System by a team of safety auditors. Action plans are being formulated for attainment of a still higher level of safety under the ISRS.

Efforts are constantly made to enhance environment management through implementation of improved technologies. To increase the frequency of testing of environmental parameters, the refinery installed a number of instruments at the quality assurance laboratory. These include auto BOD analyser, multi parameter analyser for parameters like COD, Ammoniacal Nitrogen, Sulphides, Chlorides & Phenol and an auto oil content analyser for effluent water samples.

Major environmental conservation measures implemented during 1998-99 included: centralised data acquisition system for continuous ambient and stack monitoring stations; continuous ambient hydrocarbon monitoring analysers at two air monitoring stations; new portable noise monitoring instrument to monitor the noise levels; oil absorbent booms for improved oil spill management; and, use of bio-remediation technique on a trial basis for bio-degradation of crude oil sludge.

The refinery received ISO-14001 accreditation for its environmental management systems during 1998-99 from DNV. In recognition of the efforts put in, BPC received a special commendation award under the Golden Peacock Environmental Management Award Scheme 1998 instituted by the World Environment Foundation. The refinery also received the Best Environmental & Ecological Implementation Gold Award under the Jawaharlal Nehru Memorial National Awards 1998-99 for excellence among Indian industries.



The Refinery team.

A major portion of the increase in profits during the current year was attributable to the jump in refinery margin. 1998-99 was the first year after deregulation of the refining sector. The refiner's margin, which was hitherto based on the administered pricing mechanism, now represents the differential between product realisation (valued at import parity prices) and crude acquisition costs. As a result of this shift, the refiner's margin increased from Rs. 3.09 billion during 1997-98 to Rs. 9.29 billion during 1998-99. The higher distillate yield, better product pattern and higher capacity utilisation also contributed to the increase in margins. Since March 1999, however, there has been a sharp run-up in global crude oil prices and Asian refining margins have been extremely volatile. Although refining margins are now becoming increasingly unpredictable, the Refinery is relentlessly striving to enhance value by improving the crude-mix, product pattern and through improved operational efficiencies.

After the commissioning of the 250 kilometer Mumbai-Manmad product pipeline, the despatch facilities by rail and road became fully operational during the year. Both, rail despatches from the refinery and bridging of product from the Sewree Installation have now been stopped. The pipeline has contributed substantially towards decongestion of traffic in Mumbai. The pipeline operations stabilised towards the last quarter of the year when its throughput was nearly 75% of the designed capacity.

The total capital expenditure on refinery projects incurred during the year under report was Rs.4.28 billion. A major portion of this is attributable to the Diesel Hydro Desulphurisation project. This unit reduces the sulphur content in High Speed Diesel to a maximum of 0.25% by weight and has been fully commissioned on August 4,1999 at an estimated cost of Rs.6.22 billion.

During 1999-2000, the capital expenditure is likely to be Rs. 3.54 billion. Some of the projects under execution are described in the following paragraphs.

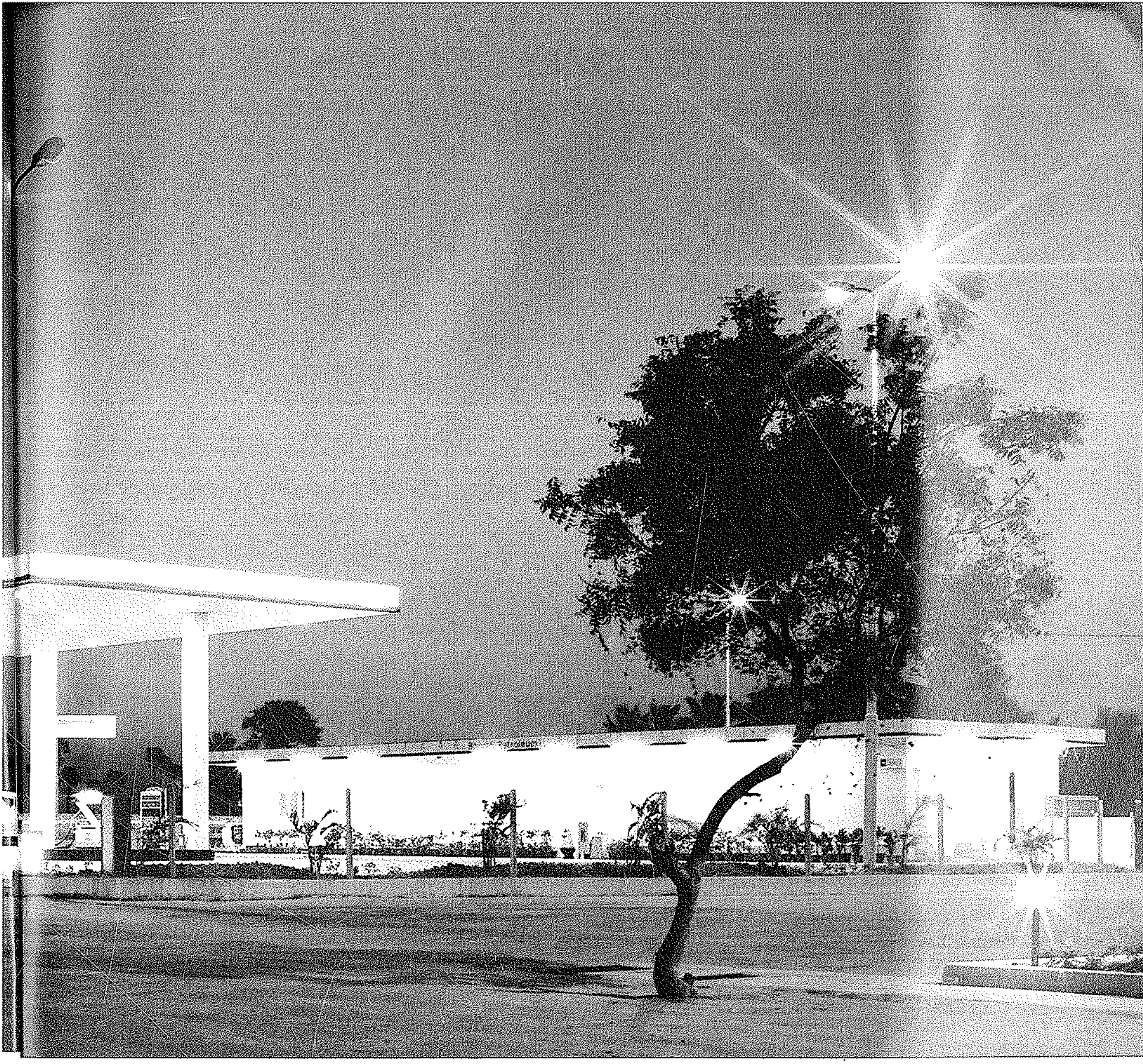
In order to reduce the risk associated with storage of LPG in aboveground spheres, the refinery is working on a project to replace these spheres with mounded storage bullets. The project is expected to cost Rs. 500 million and is scheduled for completion by June 2000. Additional LPG safety systems are envisaged which will ensure safe handling of LPG import parcels. These will cost Rs. 95.5 million and the project is scheduled for completion by November 1999.

With an aim to improve distillate yields, the Fluid Catalytic Cracking Unit is being revamped at an estimated cost of Rs.195 million. This project is scheduled for completion by May 2000. The Bitumen-Blowing Unit is being upgraded to enhance its capacity at an estimated cost of Rs.192 million. The project is scheduled for completion by December 2000. It is proposed to provide auto-tank-gauging systems in all storage tanks, on-line blending systems and custody meters. This will achieve optimum product quality and automated selection of product movement routes. The estimated cost of this project is Rs. 548 million and it is scheduled for completion by March 2001.

RETAIL

The Retail SBU is engaged in retailing of Motor Spirit, High Speed Diesel and Kerosene. Sales of these products to retail customers are governed by the administrative pricing mechanism. With over 4400 retail outlets (petrol stations) spread across the length and breadth of the country, Retail represents BPC's face to the outside world. Therefore, this sector has always been an area of special focus for the company.

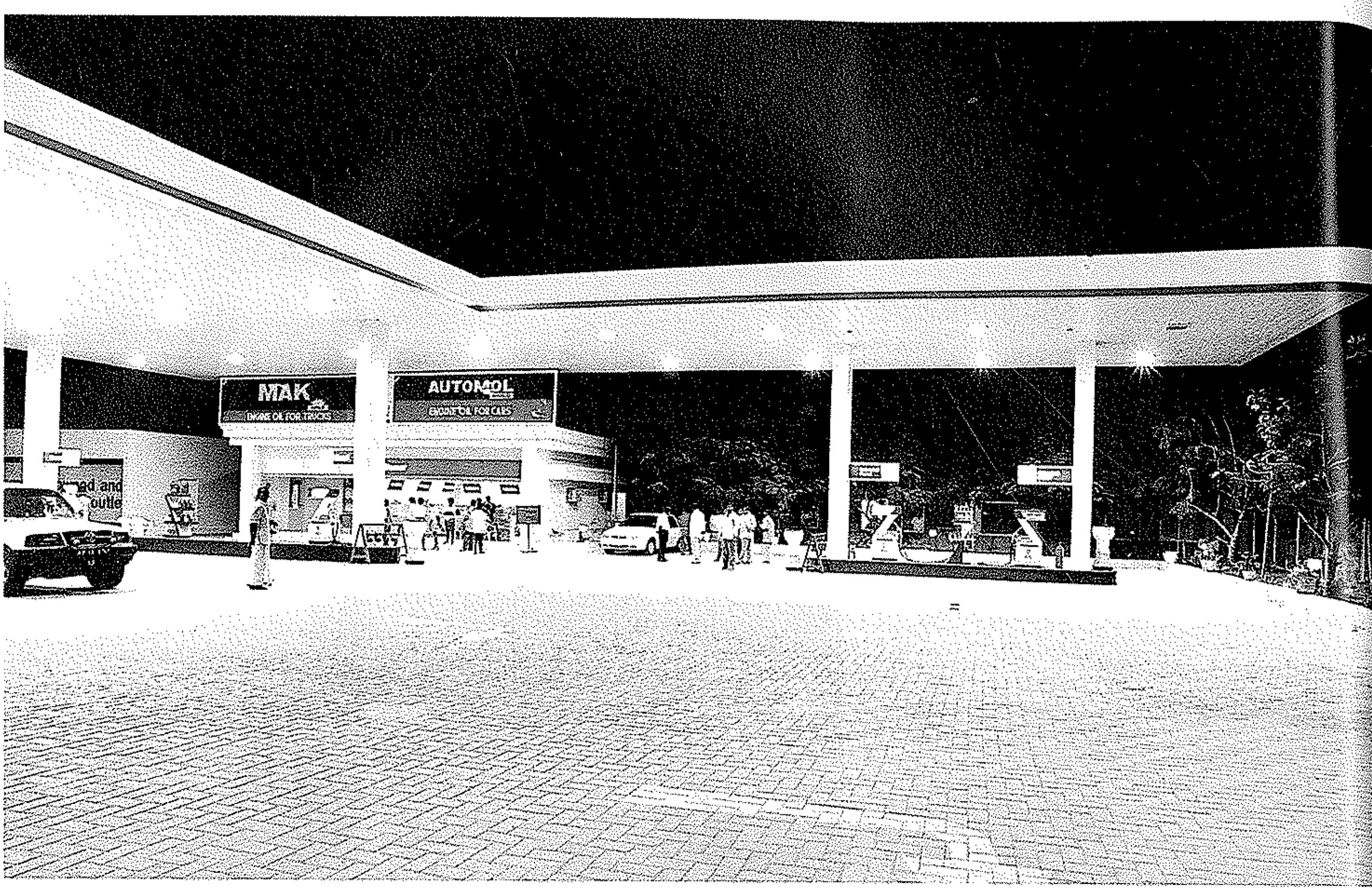
With the market moving towards complete deregulation and



with the entry of private players, the customer will soon have a wide choice. BPC realises the necessity to have a strong retail brand, which will enable customers to differentiate the offerings from those of other suppliers. The emphasis is on moving from being purely a purveyor of fuel to a retailer meeting a wider range of customer needs like convenience goods, banking and communication.

Convenience stores - 'Bazaars' have been set up at select retail outlets and this concept is being extended to many other outlets across the country. These stores provide a wide range of convenience items and fast foods to the customer in a delightful ambience. BPC is also introducing a convenient pre-paid payment system using state-of-the-art technology. Automatic teller machines are being provided at select outlets. BPC plans to provide Internet kiosks at some of the retail outlets so as to give the customer easy and convenient access to e-mail facilities. In due course, the network will also facilitate the provision of other facilities like Internet banking, e-commerce etc.

To provide the customer a better experience, many outlets



are being upgraded with facilities like multi-product dispensing units, canopies, better driveways, auto air gauges etc. A total of 268 outlets have already been upgraded. BPC hopes to upgrade the majority of its outlets over the next few years.

In an effort to enliven the experience of the long distance highway traveller, BPC is setting up retail outlets with multiple associated facilities alongside highways. During 1998-99 these facilities were provided at three outlets. The facilities offered include a restaurant, rest room, vehicle repair shop, secure parking space, convenience store, spare-part shop and a tyre shop. Response from the customers has been highly encouraging. Ten more such outlets are planned during the year 1999-2000.

BPC has laid down and documented the minimum customer service standards to be followed at all the retail outlets. These encompass providing the correct quality and quantity, ensuring courteous and friendly service and providing a clean and attractive ambience. Substantial investments are being made in providing training to the dealers and their staff. BPC has been proactively engaged in ensuring that the customer gets the correct quality and quantity of product with the help of the dealer community and the driveway salesmen. Among other measures, periodic inspections are being carried out, and, tamper-proof seals are being used. Stringent punitive action is being taken against the erring parties. BPC is determined to pursue these efforts relentlessly to ensure a fair deal to the customers. With these efforts, the services are slowly but distinctly improving. The customer too is beginning to perceive the difference.

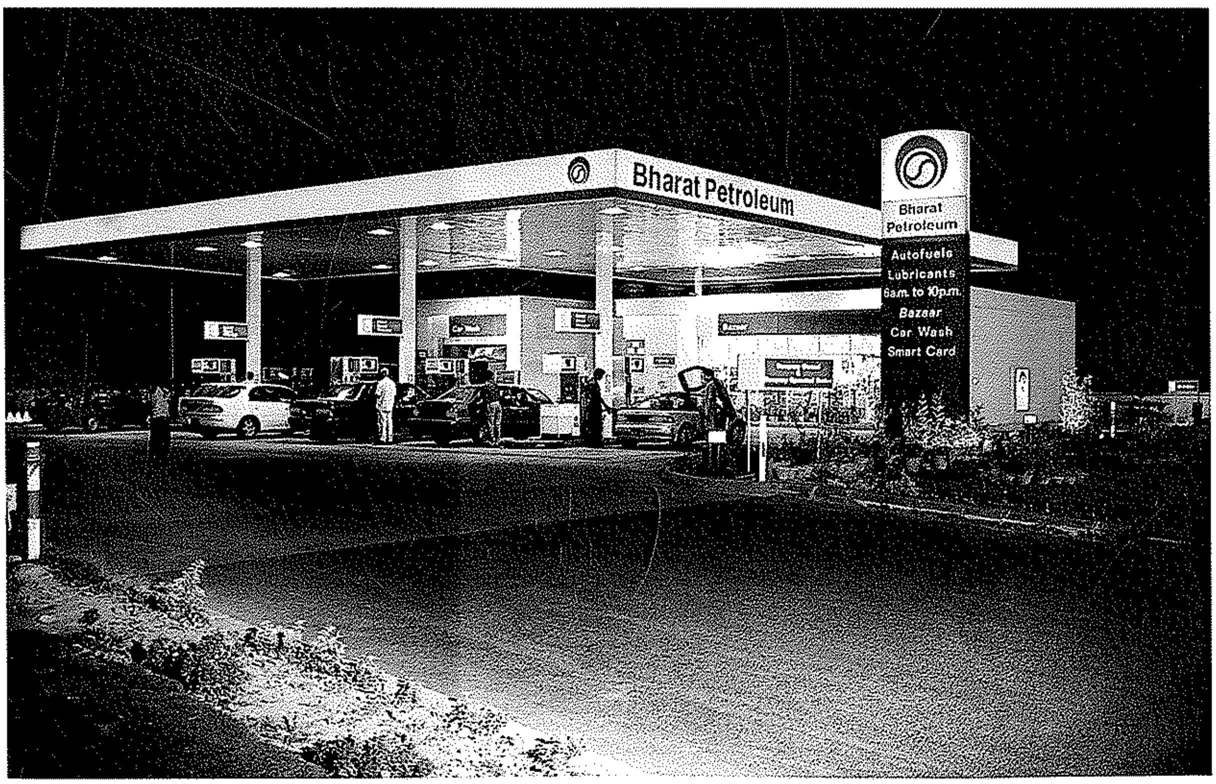
An area having long term impact for the Retail business is security of the sites on which retail outlets are constructed. Although BPC has control on a majority of these sites, efforts are underway to gain control over the others. A dedicated team is working towards this and 430 sites have been secured during 1998-99.

With a gross sales turnover of Rs. 139.16 billion, Retail contributes 62.5% of BPC's total sales volume and 28.6% of the gross marketing margin. The 5.8% growth achieved in retail sales is the highest amongst the oil industry. Sales of Motor Spirit at 1.67 million tonnes increased by 7.7% against an industry growth of 6.8%. Retail sales of High Speed Diesel at 7.53 million tonnes increased by 4.9% against an industry growth of 4.2%. Retail sales of Kerosene at 1.71 million tonnes increased by 8.6% against an industry growth of 7.3%. Due to this performance, BPC's market share in the country's total retail sales increased from 24.5% during 1997-98 to 24.7% during 1998-99.

The Retail team.

The average throughput per retail outlet per month has increased to 216 kiloliters (kls) from 206 kls in the previous year. This is substantially higher than the industry average of 202 kls.

During March 1999, BPC has entered into a strategic alliance with IBP Co. Ltd., for product assistance to IBP at 56 of BPC's supply locations, covering an annual throughput of approximately 1.4 million tonnes.



i & c

INDUSTRIAL & COMMERCIAL (I & C)

This SBU deals with direct marketing of products like Motor Spirit, High Speed Diesel, Furnace Oil, Bitumen, Naphtha, Hexane, Special Boiling Point Spirits, and Benzene. All the products marketed by I & C are deregulated with the exception of Motor Spirit and High Speed Diesel. As there are no controls on marketing these products, there is stiff competition not only from existing players but also from traders directly importing products.

For the first time, due to the changed organisation structure, dedicated staff were put in place to cater to this segment of customers. A three layered structure and adequate empowerment was provided so as to ensure a quick response to customer's needs. Customer focus has been sharpened multi-fold. Customer feedback and redressal mechanisms like establishment of Customer Advisory Boards have been effective. These Boards have helped to chalk out comprehensive customer service standards, which are being progressively implemented.

In order to enhance customer convenience, BPC is embarking on an e-commerce strategy for the business-to-business sector. Once this is implemented, industrial customers would be able to place and track indents on

BPC's facilities for NTPC, Kayankulam.

the Internet. They would also be able to query their statement of accounts.

Inspite of the stiff competition, during 1998-99, the sales by I & C were 4.8 million tonnes which works out to 27.4% of BPC's total sales volume. As against the average industry growth of 8.6% over the previous year, the growth achieved by I & C was higher at 9.5%. BPC's market share in this segment increased from 14.5% to 14.7%. With a gross sales turnover of Rs. 40.05 billion, I & C contributed 34.7% of gross marketing margin.

The I & C team.

LUBRICANTS

The Lubricants SBU operates in a totally competitive environment. Ever since this sector was deregulated, BPC's volumes were falling. Sales dropped from 104,423 tonnes in 1992-93 to 86,038 tonnes in 1996-97. In 1997-98 BPC was able to arrest this decline and sold 86,640 tonnes. During the year under report, the lubricants sales showed a growth of 16.2% with sales of 100,665 tonnes and a gross sales turnover of Rs. 4.93 billion.

This heart-warming performance could be achieved due to the formation of a separate business unit for lubricants, which enabled the staff to work with undivided attention on the lubricant business.

The Lube Plants at Wadilube, Budge-Budge, Shakurbasti and Tondiarpet organised themselves as close-knit teams to achieve the highest ever levels of production and despatch. Additionally, with workmen participation, a number of new initiatives were implemented in each plant.

The initial sales strategy was to improve BPC's product offering and increase its market presence. The R&D team developed a number of new products in the automotive and industrial categories. Towards higher visibility, substantial investments were made in revitalising the brands through product quality and packaging improvements. The entire distribution system was

revamped to ensure that products were more conveniently available and distinctively visible in the marketplace. Exclusive branded Lube-shoppes were opened all over the country which are becoming popular. Many innovative and unconventional methods were used to create brand awareness especially in the diesel oils segments.

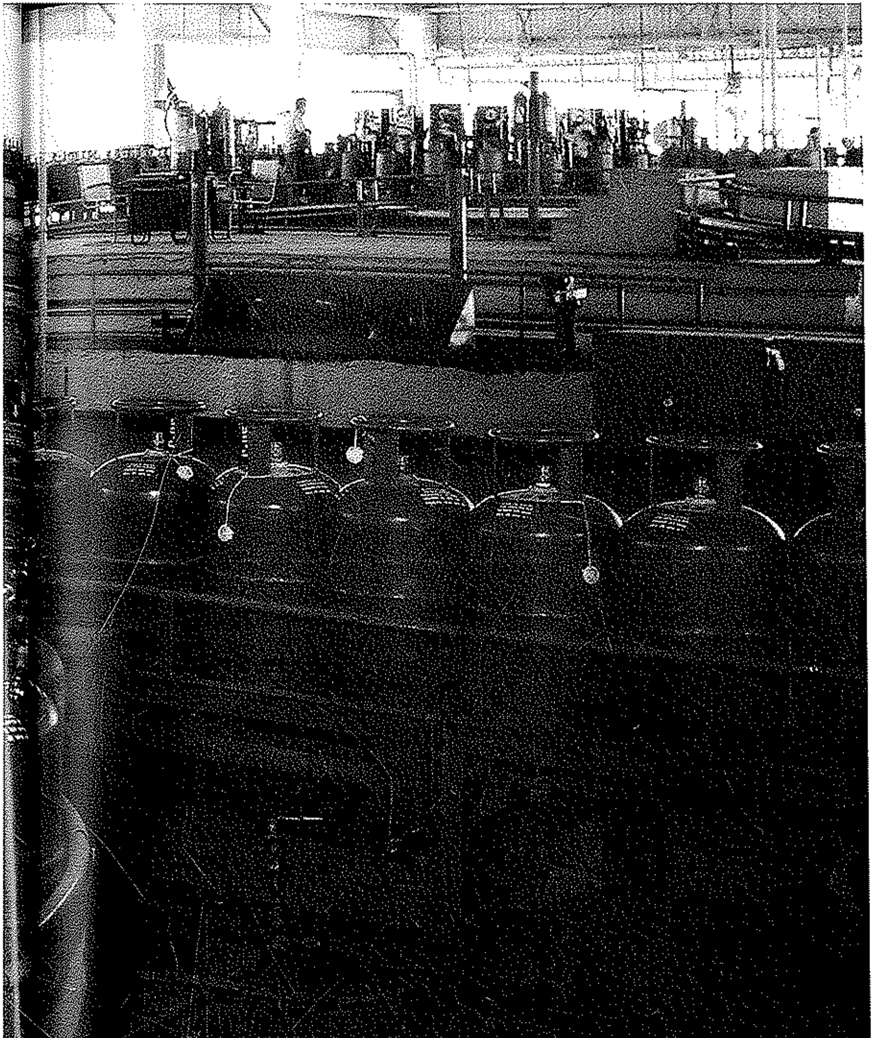
The Lubes team.

Though lubricant sales constitutes only 0.6% of BPC's sales volume, they contributed 11.5% to the gross marketing margin. Lubricants being a highly profitable sector, competition in the industry will continue to intensify. BPC is fully confident that the growth will be sustained and that it will continue to succeed in this market.

LIQUEFIED PETROLEUM GAS

BPC markets packed LPG to domestic, commercial and industrial consumers. LPG is also sold in bulk. While packed LPG to domestic consumers is governed by the administered pricing mechanism, sale of LPG to industrial and commercial consumers is outside the purview of this control. Parallel marketing of LPG started a few years ago and some private operators, including some of the multinational oil majors are marketing LPG to all user segments. While the marketing of LPG to industrial and commercial consumers is highly competitive, competition is yet to pick up in the domestic segment due to the subsidised price offered by the public sector companies. Once this subsidy is withdrawn or even reduced, competition in this segment is also expected to intensify.

As with most petroleum products, LPG is also currently marketed as a commodity. BPC's strategy is to change this perception and build a strong brand for its 'Bharatgas'. In this direction, a market research was carried out to understand customer needs and expectations. A detailed



The LPG team.

action plan has been drawn up which focuses on improving the service standards at BPC's 1200 LPG distributorships. Comprehensive customer service standards have been evolved which are under implementation. The effort is to make the whole process of procuring supplies easy and convenient for the customer. In select markets, LPG refill bookings can now be done through pagers, interactive voice recording systems and telephone answering machines. Computerised LPG refill-booking systems are also being introduced in some distributorships. BPC is in the process of computerising the entire Bharatgas distributor network. Distributors and their staff, including the delivery boys are being trained to provide friendly and courteous service. Nearly 60% of them have been covered and the remaining will also be trained before the end of the current year. The training is making a perceptible difference.

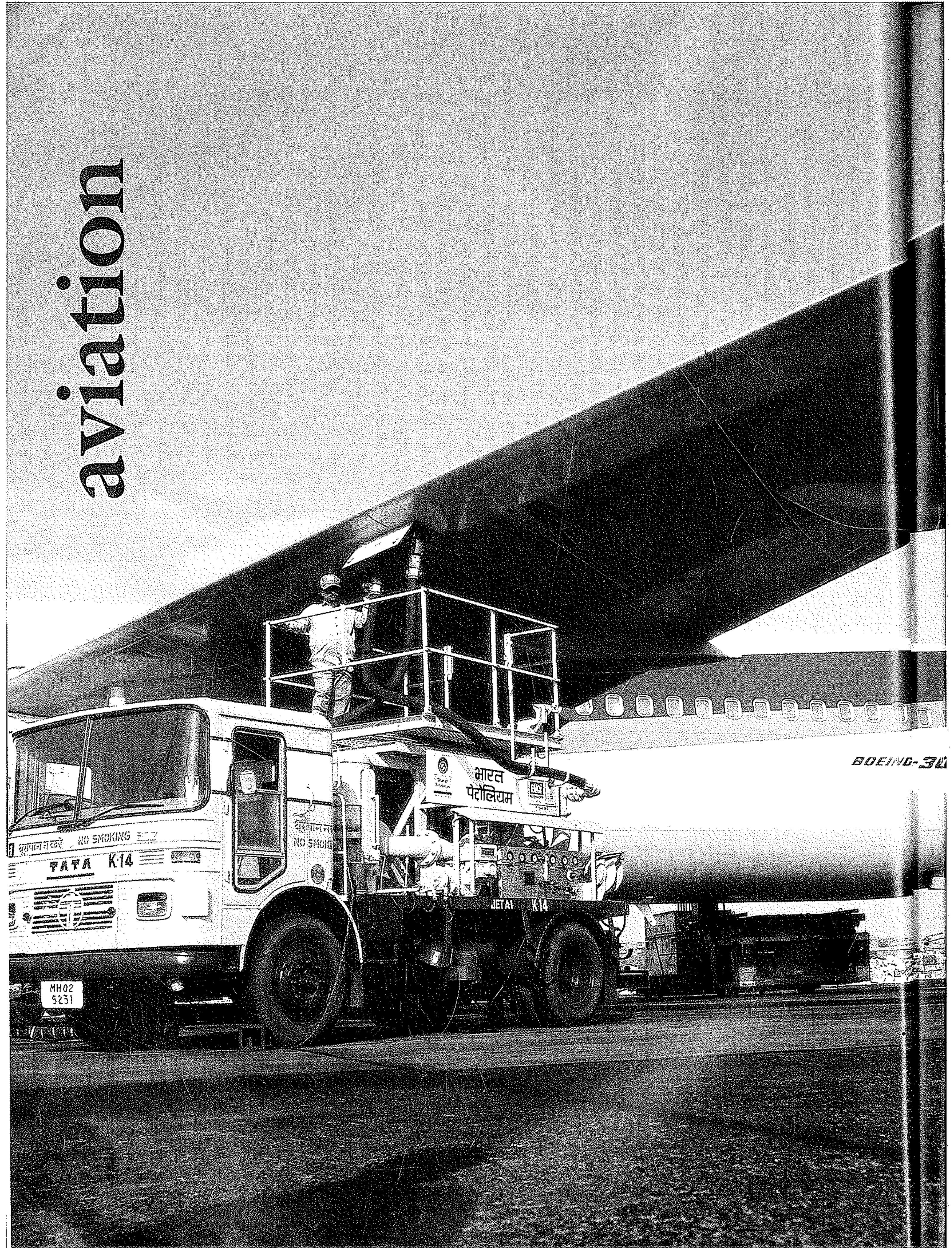
A rural marketing vehicle capable of filling 400 cylinders a day has been introduced in some of the interior parts of Punjab. The response to this initiative has been good with approximately 4000 customers having enrolled so far.

Through these measures, BPC is confident of enhancing the customer experience and making Bharatgas a preferred brand.

During the year under review, sales of LPG at 1.2 million tonnes registered a growth of 11.2% over the previous year against the industry growth of 10%. With a gross sales turnover of Rs. 11.66 billion, sales of LPG constituted 6.9% of the total sales volume. The contribution of LPG sales and filling to the total gross marketing margin is 23.2%. During the year, 1.04 million new domestic customers were enrolled taking the customer population to 9.11 million. Out of this, 70% have double cylinders.

BPC is also endeavouring to improve safety awareness in the use of LPG. During 1998-99, more than 1600 safety clinics were conducted covering over 115,000 customers. A major media campaign focussed on safety has just been launched.

aviation

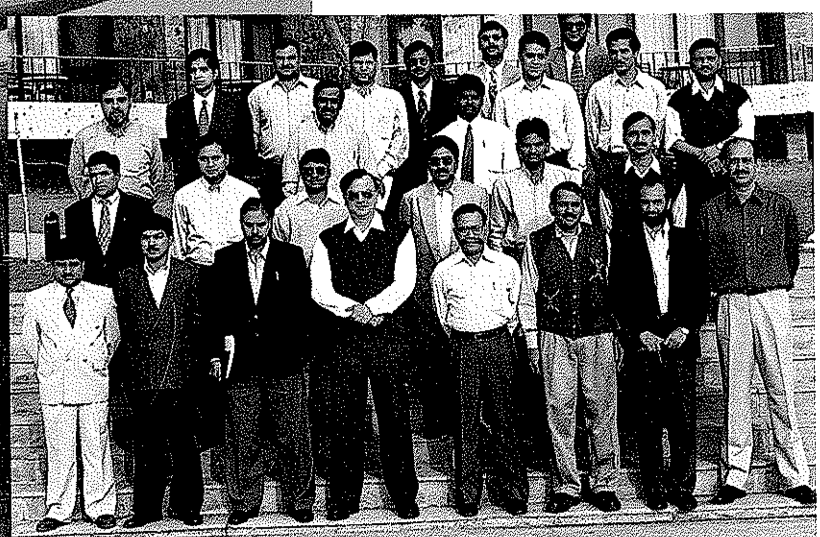


AVIATION

Although supply of Aviation Turbine Fuel (ATF) to aviation customers is still under the administered pricing mechanism, the business is highly competitive and customer expectations are high, especially in the area of time bound supplies, quality and safety. Keeping in mind these expectations, BPC has revamped its operations to be able to provide prompt, efficient and safe re-fuelling to its customers.

BPC is conducting a detailed study on the value chain at each airport to understand the implications of operating in a free market scenario. The Aviation SBU has entered into a commercial and technical agreement with Shell Aviation. Under this agreement, all the facilities will be audited by Shell's technical experts and Shell will provide training, standards for best practices and technical know how.

A new Aviation Fuelling Station was commissioned at Bhubaneshwar.



The Aviation team.

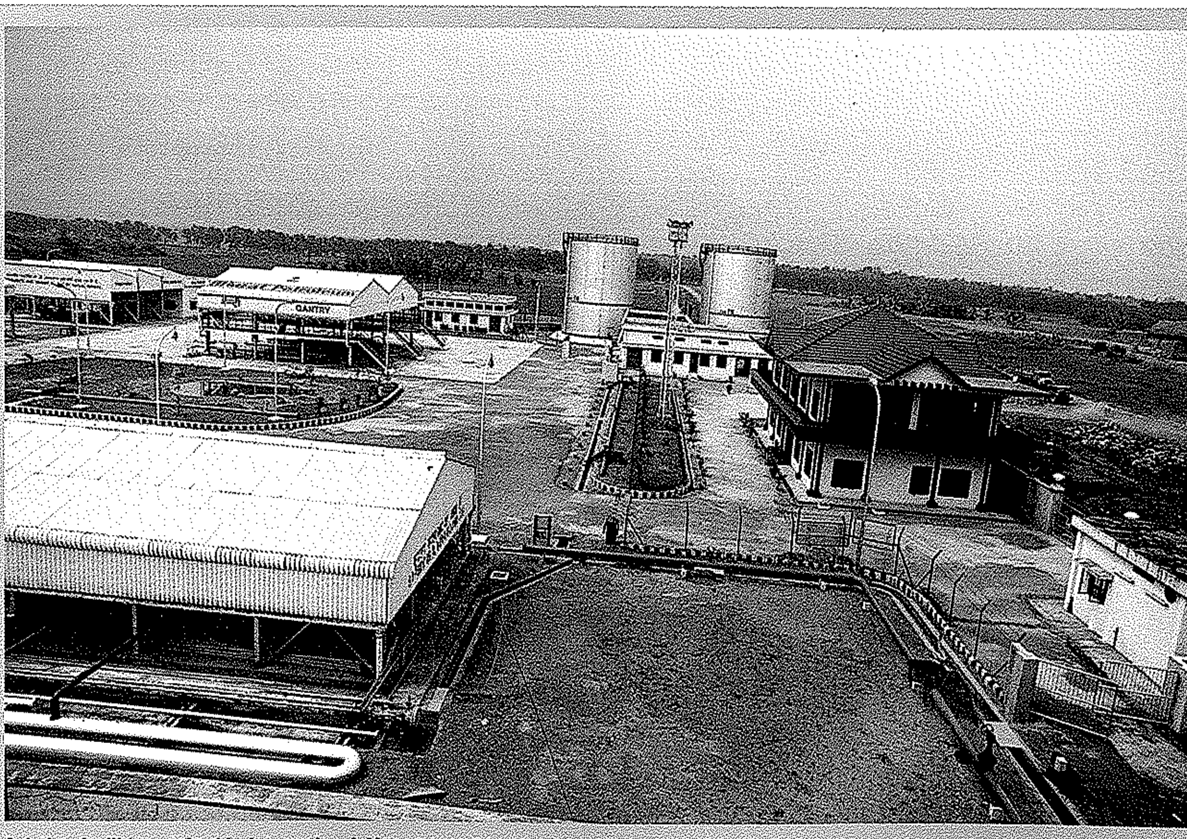
Refuelling operations also commenced at New Cochin International Airport. With this, BPC is now operating at 17 airports across the country.

Sales of ATF during the year under review amounted to 586,740 kls. While the industry growth was 0.9% over the previous year, BPC had a negative growth of 4.1%. Sales of ATF constitute 2.6% of BPC's sales volume and with a gross sales turnover of Rs. 5.15 billion, ATF sales contribute 2.0% to gross marketing margins. Sales to international airlines (including Air India) constitute 72% of the total ATF sales volume. During 1998-99, there was a decline in the number of aircrafts that landed at Indian airports. Also, one of BPC's major international customers withdrew their operation from India. Consequently BPC's sales to international airlines dropped by 8.8%, as compared to the previous year. The loss in the international airline segment was partially recouped with increase in sales to domestic airlines, which recorded an increase of 20.6% over the previous year. The overall impact however was a drop in sales. BPC's overall market share fell from 22.5% to 21.4% this year.

INFORMATION SYSTEMS

BPC has always been in the forefront of technology. Over the years, a robust IT infrastructure has been created. Backbone applications have been installed and steps have been taken to rapidly spread the use of IT. BPC has a large in-house Wide Area Network based on Very Small Aperture Terminal (VSAT) technology running state-of-the-art office software. Legacy systems have been suitably modified to suit the new organisation structure.

Almost all the management and clerical staff are computer literate. During the year, BPC implemented a complex e-mail and Intranet project for enhancing collaboration amongst teams. The system is now fully stabilised and more than 25000 e-mail messages are



Aviation facilities at Cochin International Airport.

BPC receives the Ingres Site of the Year award.

exchanged every day. BPC has also implemented a large data warehouse project. This has facilitated access to information from all its offices.

BPC received international recognition for these projects. The data warehouse application was recognised as a notable innovation in the Computer Associates World' 99 Conference. BPC was given the 'Ingres Site of the Year' award for 'the best application of Ingres technology to deliver innovative business-critical solutions', along with Toshiba Tech. Corporation of Japan.

Y2K PREPAREDNESS

BPC has a Y2K readiness programme in place scheduled to be completed by September 1999. The programme was started in August 1998 with identification of eight domains - hardware, operating systems, databases, commercial software, application systems, embedded systems, business associates and business data interfaces. Work in all these domains has been completed except in the application systems and the embedded systems, which is to be completed by September 1999. The total amount likely to be spent on this activity is Rs. 93 million. BPC has prepared contingency plans for the Refinery as well as for marketing operations.

HEALTH, SAFETY & ENVIRONMENT

With a view to build health, safety and environment aspects into an integral part of our work culture, a new entity in the re-structured organisation has been created. A revised HSE policy has been formulated highlighting the highest concern and commitment for the health and safety of all individuals and conservation of the environment. A number of initiatives have been undertaken which include tailor-made training programs, awareness campaigns pertaining to Indian legislation and international best practices, safety and security audits and formation of HSE integration council.

In addition to the improvements in safety performance at the refinery, there has been a marked improvement in safety performance during the year at operating locations, wherein the total number of accidents have decreased by 25% and the number of lost time accidents by 45%.

OFFICIAL LANGUAGE IMPLEMENTATION

BPC has 30 Official Language Implementation Committees at various locations to encourage the effective usage of Hindi. Hindi software has been loaded in almost all the locations and is extensively being used. Hindi training courses are regularly conducted. A Hindi play, presented by BPC on "Oil Conservation" won six awards in the competition organised by Town Official Language Implementation Committee, Mumbai.

REFINERY PROJECTS

BPC is setting up three new grassroots refineries out of which two are joint venture projects. These projects are expected to bridge the gap between BPC's own production and its marketing requirements.

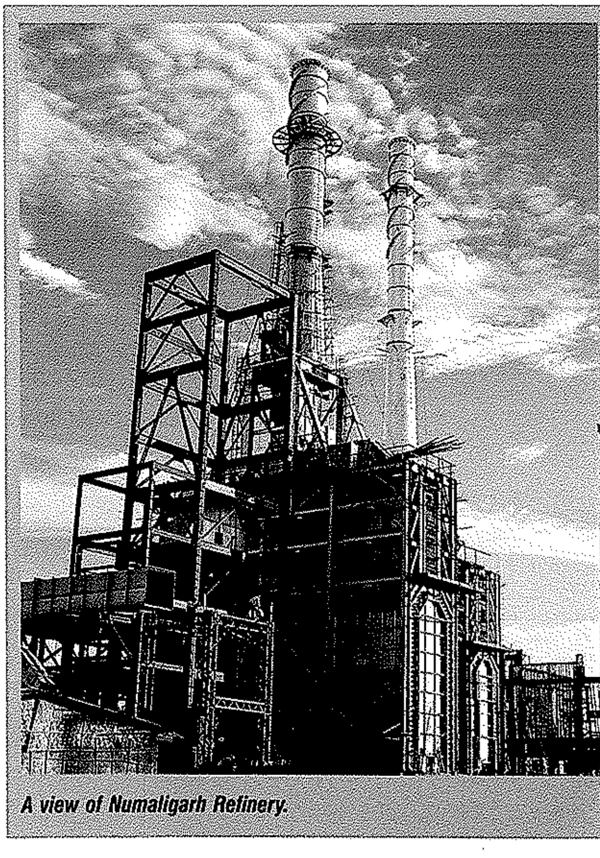
Uttar Pradesh Refinery

BPC proposes to set up a 7 MMTPA grassroots refinery at Lohgara in Allahabad District of Uttar Pradesh at an estimated capital cost of Rs. 61.79 billion. BPC's Board of Directors have approved the project and have authorised carrying out the initial pre-project activities. Pre-investment activities are being carried out.

Numaligarh Refineries Limited

BPC is participating with an equity of 32% in Numaligarh Refineries Limited (NRL) in partnership with the IBP Company Limited (19%) and the Government of Assam (10%). NRL is setting up a 3 million metric tonnes per annum (MMTPA) grassroots refinery designed to process sweet Assam crude. The Refinery is one of the most modern, energy efficient and environment friendly refineries in the country incorporating state-of-the-art-technologies. The quality of products is expected to be very high and the distillate yield as high as 93%.

Total cost of the project as approved by the Government is Rs. 27.25 billion (based on December 1997 prices) comprising Rs. 24.89 billion for the Refinery and Rs. 2.36 billion for the marketing terminal. The capital expenditure incurred (including provisions) for both the refinery and marketing terminal is Rs. 22.95 billion against a commitment of Rs. 24.24 billion.



A view of Numaligarh Refinery.

As on August 15, 1999, the overall physical progress of the refinery stood at 98.8%. The refinery is being commissioned in a phased manner and efforts are being made to complete the entire commissioning process by November 1999, within the approved project cost. It is expected that the refinery would process 0.6 million tonnes during the year 1999-2000 and thereafter achieve 100% capacity utilisation.

NRL is also implementing the marketing terminal as a linked project adjacent to the refinery site for handling and despatch of products produced by the refinery. Considerable progress has been achieved in implementation of this project, with the overall physical progress of 98.4% achieved upto August 15, 1999.

The Government has extended various incentives in order to provide a thrust for expeditious industrial development of the north-east. Excise duty exemption is available for 10 years. A freight subsidy is available till March 2002 and there will be an income tax exemption for 7 years. The Oil Industry Development Board has reduced the interest rate to 10% on the entire loan of Rs 1334 crores provided to this project for a minimum period of 3 years. The above incentives will go a long way in improving the profitability of the Refinery.

Central India Refinery

A 6 MMTPA capacity grassroots refinery with facility for production of lube oil base stock is being set up at Bina in Madhya Pradesh as a joint venture with Oman Oil Company Limited. The project also envisages putting up of facilities for import of crude oil at Vadinar in Gujarat on the west coast of India and laying of a 943 km long cross-country crude oil pipeline from Vadinar to Bina.

The estimated cost of this project is Rs.52.77 billion (December 1994 prices) including a foreign exchange component of Rs.16.86 billion. BPC will be investing Rs. 5.49 billion, towards its equity of 26%. The Company has acquired land, for the refinery and the township, at Bina. As on March 31, 1999 the cumulative expenditure on the project was Rs. 1.42 billion including the pre-operative expenditure of Rs. 1.06 billion, which will be capitalised on the completion of the project.

Implementation of this project has been seriously affected due to non-receipt of final clearance for a portion of crude pipeline from the Chief Conservator of Forests and Wild Life, Gujarat.

Though substantial progress has been made on the project, the financial closure and floating of bids for engineering procurement and construction contracts can be achieved only after the above clearance is received.

JOINT VENTURE PROJECTS

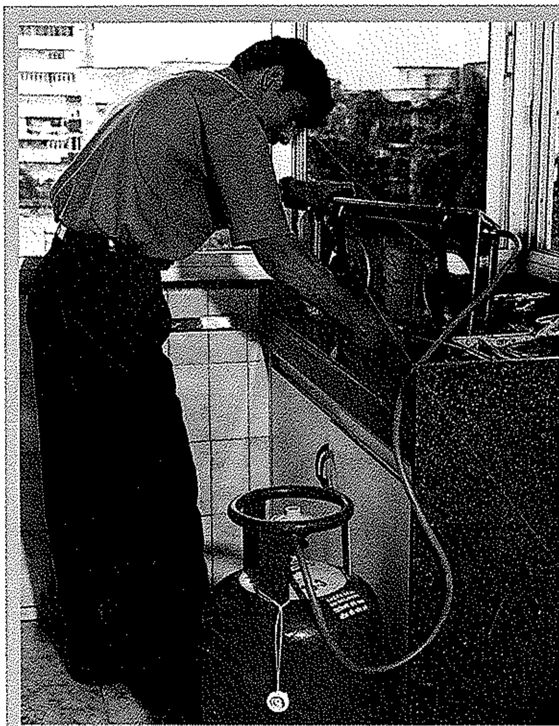
Petroleum Infrastructure Limited

The company had entered into a joint venture with Gujarat Gas Limited to develop ports and port-related infrastructure. The joint venture Petroleum Infrastructure Limited (PIL) was formed in May 1995 with a paid up share capital of Rs. 150 million. PIL had developed LPG import infrastructure at Okha in 1996 with a storage capacity of 900 MT at a cost of Rs. 182 million. However, the utilisation of the terminal did not materialise to the extent envisaged mainly due to non-materialisation of LPG parallel marketing activity. Improvement of domestic LPG availability consequent to the commissioning of the new refineries and expansion of other refining facilities further reduced the chances for recovery of PIL's business.

The Company incurred a net loss of Rs. 19.4 million during 1998-99 and the cumulative loss till March 31, 1999 stood at Rs. 35 million. The Directors are considering a proposal for voluntary winding up of PIL. BPC has since made full provision of Rs. 107 million for possible permanent diminution in value of investment (Rs. 75 million) and loss of advances (Rs. 32 million).

Bharat Shell Limited

Bharat Shell Limited (BSL), a joint venture between BPC and Shell Overseas Investment BV (Shell) of Holland, was incorporated in 1993 for marketing Shell branded lubricants



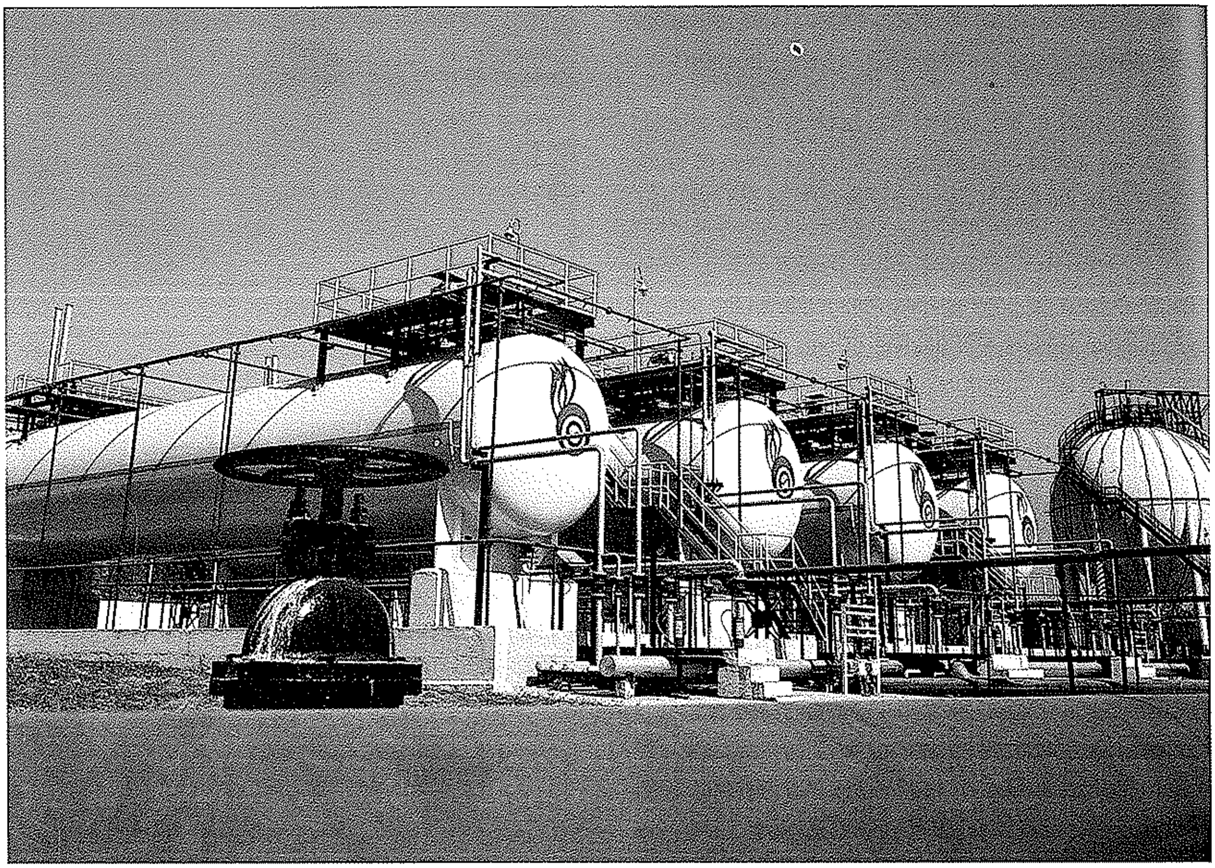
An LPG mechanic carries out a periodic safety check

throughout the country. The joint venture has an authorised capital of Rs.2.5 billion and a paid up capital of Rs.1 billion. 51% of the equity is held by Shell and 49% by BPC. BSL is also marketing LPG to domestic / industrial consumers.

BSL has developed various facilities including a state-of-the-art lubricant blending plant at Taloja near Mumbai and a LPG import terminal at Pipavav in Gujarat. The blending plant is one of the few plants in the country to have achieved QS 9000 certification.

During the year 1998-99, BSL's profits suffered on account of the lease rentals payable to Finolex for the Ratnagiri LPG Import Terminal. The volume of throughput expected through the terminal did not materialise. Further, the LPG packed business suffered because of the subsidies offered under the public distribution system.

BSL's lubricants have, however, established themselves in the market and the company sold nearly 48,543 kls during 1998-99. As a separate business, Lubricants showed positive results.



The provisional (unaudited) results as on March 31, 1999 indicate a total sales turnover of Rs. 2.22 billion, with a gross margin of Rs.597 million translating to a net loss of Rs. 329.1 million. Of this, Rs.219 million was the result of the Ratnagiri lease rentals and other payments.

During the first half of 1999, BSL has earned significant profits and in fact, it has exceeded its target month after month. It is expected that the year will end with a good profit and that BSL's accumulated losses will be wiped off shortly.

Petronet India Ltd.

Petronet India Ltd. is a joint venture between BPC, Indian Oil Corporation Limited, and Hindustan Petroleum Corporation Limited, in which BPC has a 16% equity participation amounting to Rs. 160 million. BPC has so far contributed Rs. 109.23 million. In the first phase, Petronet is constructing and operating five pipeline projects through its joint ventures. During the year 1998-99, the Company earned a gross revenue of Rs. 24.3 million resulting in a net loss of Rs. 0.98 million.

BPC is the lead oil company with Petronet India Ltd. for the construction and operation of the Bina-Jhansi-Kanpur pipeline project between the Bina Refinery and a new receiving terminal at Kanpur. The pipeline will have a tap-off point at Jhansi. The pre-project activities are under progress. The estimated cost of the pipeline would be Rs.4.53 billion, based on December 1997 prices. BPC's equity contribution is expected to be Rs. 294 million.

Petronet CCK Limited

Petronet CCK Limited is executing the Cochin-Coimbatore-Karur Product Pipeline project which envisages laying of a 292 kilometer long pipeline from

Cochin via Coimbatore to Karur for transportation of Motor Spirit, High Speed Diesel and Kerosene. The project cost is estimated at Rs. 5.35 billion. BPC and Petronet India Ltd. hold 26% of the equity each while Cochin Refineries Ltd. will hold upto 23%. BPC's investment in the equity of this company will be Rs. 350 million. As on March 31, 1999, the physical progress of the project is 22.5%. A cumulative expenditure of Rs. 40.4 million has been incurred with cumulative commitments having been made for Rs. 95 million. The project is scheduled for completion by November 2000.

Petronet LNG Limited

Petronet LNG Limited is a joint venture floated by Indian Oil Corporation Limited, Gas Authority of India Limited, Oil & Natural Gas Corporation Limited and BPC. This Company will develop facilities for import and utilisation of LNG. The two terminals identified for these facilities are Dahej in Gujarat and Kochi in Kerala. The authorised capital of the company is Rs. 12 billion, 50% of which will be held by the public sector oil companies. The company will offer 26% of its equity to suppliers of LNG / strategic partners and the balance to the public. BPC's contribution will be approximately Rs.1.5 billion. A sale and purchase agreement has been signed on July 31, 1999 with Ras Gas of Qatar for purchase of LNG.

Indraprastha Gas Limited

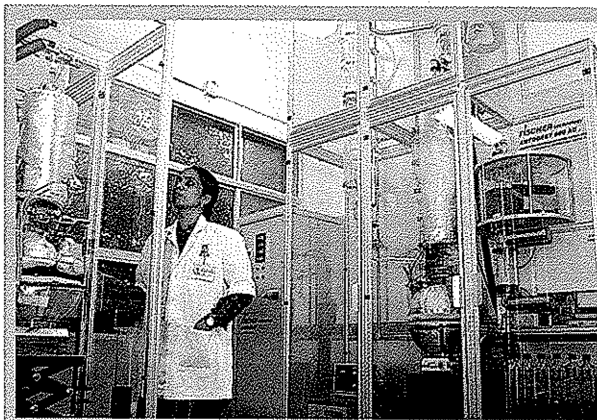
Indraprastha Gas Limited (IGL), a joint venture company with Gas Authority of India Limited was formed in December 1998 for implementing the Delhi City Gas Project for distribution of natural gas to domestic and commercial customers and supply of Compressed Natural Gas to the automobile sector. The authorised share capital will be Rs.1.4 billion and BPC's contribution towards this would be Rs. 350 million. The project is scheduled for completion by 2003. As per the directions of the Hon'ble Supreme Court, 80 CNG outlets are to be commissioned by March 2000. IGL is implementing these outlets.

PUBLIC DEPOSITS

Public deposits as at March 31, 1999 stood at Rs. 2.57 billion as compared to Rs. 2.79 billion at the end of the previous year. The amount of deposits matured but unclaimed, at the end of the year was Rs. 10.6 million pertaining to 312 depositors.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The details regarding energy conservation, technology absorption and, foreign exchange earning & outgo as required by Section 217(1)(e) of the Companies Act, 1956, are given in Annexure A.



Keeping abreast of technological developments.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

As there are no employees who are drawing the specified remuneration, particulars of employees under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 for the year ended March 31, 1999 are not required.

INVESTOR SERVICES

As on March 31, 1999, the Government held 66.2% of BPC's equity. Of the remaining 33.8%, financial institutions & banks held 20.3%, while foreign

institutional investors, BPC employees and others held 10.2%, 1.6% and 1.7% respectively. The total number of shareowners stood at 10,527.

BPC's shares are listed on the major stock exchanges, the names and addresses of which are shown in Annexure B. Since May 1997, BPC's shares were made available for holding and trading in dematerialised form. In addition to National Securities Depository Limited, an agreement has also been signed with Central Depository Service (India) Limited for depository services.

BPC was among the first ten companies whose shares were selected for compulsory trading in dematerialised form for retail investors also from January 4, 1999. Out of the shares held by shareowners other than the Government of India, 95% – that is 31.9% of BPC's total shares, are held in dematerialised form as on June 30, 1999.

DIRECTORS

Shri Nirmal Singh, on completion of his tenure with the Ministry of Petroleum & Natural Gas, resigned from directorship of BPC with effect from October 23, 1998. Shri Devi Dayal, on his promotion and transfer from Ministry of Petroleum & Natural Gas, also resigned from directorship of BPC with effect from May 12, 1999. The Board has placed on record its appreciation of the valuable contributions made and guidance given by both of them for the development and progress of BPC's business.

Dr. B. Mohanty, Joint Advisor (Finance), Ministry of Petroleum & Natural Gas, and Shri Naresh Narad, Additional Secretary, Ministry of Petroleum & Natural Gas were appointed as Additional Directors under Article 77A of the Articles of Association of the Corporation with effect from November 16, 1998, and July 6,1999, respectively.

Shri S. Behuria, was appointed as Additional Director under Article 77A of the Articles of Association, with effect from November 23, 1998. Shri Behuria assumed the office of Director (Marketing) from that date in pursuance of his appointment by the President of India under Article 77(1)(d)(i) of the Articles of Association.

To broadbase the Board on becoming a Navratna company, the Board, as per the intentions of the Government of India, appointed Shri S.M. Datta, former Chairman, Hindustan Lever Limited, Dr. P. N. Khandwalla, Professor at Indian Institute of Management, Ahmedabad, Shri P.P. Kaliaperumal, former M.P. and Professor K. Vasudeva, retired Professor, IIT, Delhi, as Additional Directors under Article 77A of the Articles of Association, effective January 24, 1999.

All the above seven Additional Directors hold office till the ensuing Annual General Meeting. The notices u/s 257 have been received proposing their names for appointment as Directors at the Annual General Meeting.

As per the provisions of Section 256 of the Companies Act, 1956, three Directors - Shri K.V. Rao, Shri Ashok Sinha and Shri S.A.Narayan - will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Directors at the said Meeting.

AUDITORS

On the advice of the Comptroller and Auditor General of India, Mehra Goel & Co., Chartered Accountants, New Delhi, and Ratan S. Mama & Co. (reconstituted as RSM and Co.) Chartered Accountants, Mumbai were appointed by the Government of India as Auditors for the year 1998-99 under Section 619(2) of the Companies Act, 1956. They will hold office till the ensuing Annual General Meeting.

The Government of India have further appointed the said Chartered Accountant firms as Auditors for the year 1999-2000.

ACKNOWLEDGEMENTS

To have done so well in the process of change would not have been possible without ownership and commitment to the changes from the staff at all levels. The Directors wish to place on record their heartfelt gratitude for the way each employee has embraced the change and stretched to give his best. We also wish to thank the families for their endurance and support. The Directors are confident that this pace of transformation and the high passions running throughout the organisation, will ensure BPC achieves its ambition of being a supplier of choice for its customers and a great place to work for its staff.

The Directors sincerely appreciate the constructive role played by BPC's employee unions in the change process. But for their wholehearted support, changes of this magnitude would have been difficult.

The Directors take this opportunity to convey their appreciation of the services rendered and support given by the dealers and distributors all over the country and the steps that they are taking to improve the offerings to the customer. The Directors also express their gratitude to BPC's valued customers and assure them that BPC is striving to give them the very best.

The Directors are grateful for the guidance and support received from the Government, especially from the Ministry of Petroleum & Natural Gas.

Last but not least, the Directors thank each of BPC's shareholders for their continued confidence in BPC's future. BPC is fully poised to seize the opportunities that will arise on deregulation.

For and on behalf of the Board of Directors

Sd/-

Mumbai **(U. Sundararajan)**
29th August, 1999 Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE A

Efforts made by BPC in regard to Conservation of energy, Technology absorption and Foreign Exchange earnings and outgo, which are required to be given under Section 217(1)(e) of the Companies Act, 1956, are as under :

A. CONSERVATION OF ENERGY

Energy conservation efforts received continuous focus both in terms of improvement in operations / maintenance as well as development of new projects.

The following energy conservation and loss control measures were adopted during the year at a cost of about Rs.17 million which have resulted in a fuel & loss saving of about 1017 MT/A equivalent to Rs.5.5 million/A.

i. Furnace efficiency improvement study of two furnaces by M/s. Engineers India Ltd.

ii. Provision of Fibre Reinforced Plastic (FRP) blades for air fin coolers in Crude Distillation Unit (CDU) and raw water cooling tower fans in one of the vacuum units.

iii. Tank auto-gauging system for 9 white oil tanks.

iv. Provision of mass flow meter for liquid fuel measurement on refinery main header at boiler house.

Implementation of above measures as well as sustained operation/close monitoring of processing units helped in reducing the fuel and loss to 5.12 % wt. on crude, lowest achieved in the last decade despite increase in complexity over the years.

A joint Oil Conservation Survey of the Refinery was carried out along with members from other refineries, in the area of steam leak as a part of Oil Conservation Fortnight celebrations.

The States of Maharashtra, MP, Goa, Orissa, Punjab, UP and Andhra Pradesh were adopted by us where more emphasis was given on spreading conservation messages, particularly in rural areas. A total of 70,000 people in 416 villages were covered by our conservation programmes using Mobile Publicity Vans.

Energy Audits were conducted at some of our Blending Plants and at customer locations for promoting energy conservation in these units.

Energy Conservation Measures Planned

Refinery has planned to implement the following energy conservation and loss control projects at an estimated cost of about Rs. 264 million during next three years :

- Provision of 3rd High Efficiency Utility Boiler.
- Efficiency improvement of 2 heaters in Aromatics Complex.
- Provision of sonic soot blowers in Crude Distillation Unit (CDU), Heavy Crude Unit (HCU) and one of the vacuum units.
- Provision of Fibre Reinforced Plastic (FRP) blades for air fin coolers in Heavy Crude Unit (HCU).
- Tank auto-gauging system for crude oil tanks.
- Provision of auto sampler on crude oil pipeline.
- Conversion of fixed roof tanks on light product service to fixed-cum-internal floating roof type.

Details regarding total energy consumption and energy consumption per unit of production, etc. are given in the prescribed Form A, annexed hereto.

B. TECHNOLOGY ABSORPTION

Refinery has undertaken/implemented the following to obtain the benefits of latest technological developments and advances :

Diesel Hydro Desulphurisation (DHDS) project for the production of 0.25%wt. Sulphur diesel (existing 1% wt. S) with a view to reduce sulphur dioxide emissions from automobile exhausts. The following licences have been obtained for the above project :

1.	Diesel Hydro desulphurisation	:	UOP, USA.
2.	Hydrogen	:	Haldor Topsoe, Denmark
3.	Sulphur recovery	:	Delta Hudson, Canada

Conventional Boiler chemicals eg., tri sodium phosphate, hydrazine were substituted with a speciality environmental friendly supplied by M/s. Betz Deaborn Chemicals in order to improve the quality of steam from CO Boiler in FCCU.

Anti foulant injection into the long residue stream was started in heavy crude unit (HCU) to enhance heat recovery.

In order to improve diesel fuel stability and prevent deposits in automobile engines, injection of diesel stability additives have been initiated.

The following new products were developed :

a) Gasoline engine oil Automol-SJ meeting API SJ/ILSAC GF-2 (with API / ILSAC approval)
b) Semi-synthetic cutting fluid for Aluminium machining.
c) Exclusive oil for 4 stroke 2 wheelers
d) Marine Engine Oils
e) Exclusive grades for Defence
f) OEM specific Oils.

Some of the important approvals/acceptance of products obtained from major OEMs are as given below :

i) M/s. BHEL
ii) M/s. BEML
iii) M/s. Ashok Leyland
iv) M/s. Hero Honda Cycles
v) M/s. Atlas Copco
vi) M/s. Daewoo Motors
vii) M/s. LML
viii) DGQA
ix) M/s. VST Tiller Tractors Ltd.
x) M/s. Revathi CP Equipments
xi) M/s. Volvo Sweden

Details regarding the efforts made in technology absorption as per the prescribed Form B, are annexed hereto.

C. FOREIGN EXCHANGE EARNINGS / OUTGO

During the year, BPC through canalising agency i.e. M/s. IOC, exported 13 parcels totalling to 245 TMT of Naphtha ex BPC Refinery resulting into a gross earning of Rs.1166 million . In addition to the above, BPC has sold 334 TMT of ATF to foreign airline customers including Air India earning a gross revenue of Rs. 2993.40 million. Out of these Rs. 2657.70 million received in Indian currency out of the repatriable funds of foreign airline customers.

The details of foreign exchange earnings and outgo are given below:

	Rs. in million	
	1998-99	1997-98
Earnings in Foreign Exchange	**2993.40**	3567.34
- includes receipt of Rs 2657.70 million (Rs 2622.44 million) in Indian currency out of the repatriable funds of foreign airline customers.		
Foreign Exchange Outgo	**1295.12**	1783.42
- on account of purchase of Raw Materials, Capital Goods, Chemicals, Catalysts, Spare Parts, International Trading Activities.		

FORM A

Form for disclosure of particulars with respect to conservation of energy.

	1998/99	1997/98
A. Power & Fuel Consumption	**1998/99**	1997/98
1. Electricity		
a. Purchased		
Unit (million KWH)	**19.74**	8.63
Total Amount (Rs. million)*	**125.80**	71.52
Rate/Unit (Rs./KWH) $	**6.37**	8.29
b. Own Generation		
i. Through Diesel Generator	**Nil**	Nil
ii. Through Steam Turbine / Generator		
Units (million KWH)	**3.95**	0.41
Units per ltr. of Fuel oil/gas		
Cost/unit @		
iii Captive Power Plant		
Power Generation Units –		
Net (million KWH)	**214.97**	213.85
Fuel Consumption Qty.- (MT)		
BHAG	**49427**	56655
Gas Oil	**32883**	15823
Ref.Gas	**1741**	8742
Cost / Unit (Rs./KWH)#	**1.48**	0.99
2. Coal	**Nil**	Nil
3. Furnace Oil / Liquid Fuel		
LSHS Qty.- (MT)	**156165**	156677
Total Amount (Rs.million)	**551.13**	253.24
Avg. Rate (Rs. / Unit)	**3529.13**	1616.34
Gas Oil Qty. - (MT)	**32883**	15823
Total Amount (Rs.million)	**121.44**	44.18
Avg. Rate (Rs. / Unit)	**3693.06**	2791.87
4. Other Internal Generation		
Refinery Gas Qty - (MT)	**103818**	91362
Total Cost (Rs.million)	**366.39**	172.68
Rate (Rs. / Unit)	**3529.13**	1890.02
BHAG Qty - (MT)++	**2070**	354
Total Cost (Rs.million)	**6.73**	1.10
Rate (Rs. / Unit)	**3251.71**	3118.06

* Increase in expenditure on electricity purchased is mainly due to the following :

  a. Increase in peak demand quantity from 13095 KVA to 29280 KVA in April '98 (Rs.3.257 million) to 21960 KVA (Rs.22.366 million) w.e.f. May '98 due to tripping of GT's in March '98.

  b. Higher rate of demand charges from Rs.260 per KVA to Rs.340 per KVA w.e.f. 1.12.98.

  c. Higher consumption of purchased power in 1998/99 (Rs.21.874 million), mainly due to planned outage of one of the GT's in November / December '98.

$ Cost per unit of power purchased has decreased due to higher purchase of power from Tata in 1998/99 (units 19.738 million KWH) as compared to 1997/98 (units 8.625 million KWH).

@ Cost per unit of power generation through steam turbine / generator (TG set in FCCU which is an integral part of the unit) is not applicable as the power produced is a by-product of steam generated from a waste heat boiler.

Increase in CPP cost per unit (Rs. / Unit or Rs. / KWH) is mainly due to increase in cost of fuel and maintenance cost in 1998/99.

++ Excludes BHAG quantity of 56655 MT in 1997/98 and 49427 MT in 1998/99 for CPP.

B. Energy Consumption per unit of production *

	Unit	Stds. if any **	**1998/99**	1997/98
Electricity	Kg/MT		**6.31**	6.60
Furnace Oil / LSHS / Coal	Kg/MT		**18.21**	20.47
Refinery Gas (Excluding CPP)	Kg/MT		**12.11**	11.93
BHAG (Excluding CPP)	Kg/MT		**0.241**	0.046
Total ***	Kg/MT		**36.88**	39.05

* Production refers to the manufacture of finished products as given in Summary of Crude & Finished Products Statement submitted to MOP & NG.

** The product pattern of Refinery is governed by supply/demand scenario of products and Govt. directives. It is also a function of quantity/type of crude processed, planned shutdown of processing units for maintenance/ inspection and severity of operations of processing units which varies widely.

In view of the above, no fixed consumption parameter can be attributed to a particular product.

*** Energy consumption per unit of production during 1998/99 is lower than 1997/98 due to sustained operation of various energy conservation schemes, increase in activity levels and higher on-stream factor of major process units.

FORM B

Form for disclosure of particulars with respect to absorption.

RESEARCH & DEVELOPMENT (R&D)

1. **Specific areas in which R & D has been carried out by the Company :**

   A. **AT REFINERY**

      a. Development of sweetening catalysts for producing superior quality finished products such as LPG, gasoline, kerosene and aviation turbine fuel.
      b. Development of catalysts for conversion of low value naphtha cuts into LPG and aromatics.
      c. Development of optimal configuration of process scheme to maximise value addition on processing long residues from various crude oils, and
      d. Development of co-solvent systems for extraction of aromatics.

   B. **AT MARKETING**

      The Corporation has developed the following oils :

      a) Gasoline engine oil Automol-SJ meeting API SJ/ILSAC GF-2 (with API / ILSAC approval)
      b) Semi-synthetic cutting fluid for Aluminium machining.
      c) Exclusive oil for 4 stroke 2 wheelers.
      d) Marine Engine Oils.
      e) Exclusive grades for Defence.
      f) OEM specific Oils.

2. **Benefits derived as a result of the above R & D :**

   A. **AT REFINERY**

      The benefits will be evaluated after completion of the studies / programme.

   B. **AT MARKETING**

      Benefits are given in seriatim for the above:

      a) This high performance gasoline engine oil is expected to enhance the service life of equipment.
      b) This oil has a potential to enhance the service life.
      c) This oil can cater to the stringent requirements of the growing 4 stroke 2 wheeler market.
      d) These oils can help in increasing our market share.
      e) These grades meet stringent Defence requirements.
      f) These oils are developed to exclusively meet stringent requirements of specific OEMs.

3. **Future plan of action :**

A. AT REFINERY

a. Implementation of plans for establishing a world class corporate R&D centre at Greater Noida, District Gautam Budh Nagar, U.P.

b. Development of process knowhow for producing superior grades of bitumen from feedstocks available in the Refinery.

c. Developmental studies in the area of Fluid Catalytic Cracking with the help of a pilot plant.

B. AT MARKETING

Corporation has taken up the development of the following oils :

a) Fire resistance hydraulic fluids.

b) Long life turbine oils.

c) High performance diesel engine oil.

d) Compressor oils for specific application.

e) Bearing oils meeting specific requirement.

f) Cutting oils.

4. **Expenditure on R & D at Refinery during 1998/99 :**

(Rs. in million)

	Refinery	Marketing	Total
Capital Expenditure	NIL	32.02	32.02
Recurring Expenditure	6.65	4.54	11.19
Total	6.65	36.56	43.21
Total R & D expenditure as a % of total turnover	Negligible	Negligible	

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

A. AT REFINERY

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :

a. BPCL Refinery is progressing a project for reduction of sulphur content in High Speed Diesel (HSD) from 1% wt. 'S' to 0.25% wt. 'S' in line with Government directive. Refinery has tied up the following foreign technologies for the project:

- Hydro-desulphurisation technology from M/s. Universal Oil Products (UOP), USA.
- Technology for production of Hydrogen from M/s. Halder Topsoe, Denmark and
- Maximum Claus Recovery Concept (MCRC) technology for enhanced recovery of sulphur from off gases from M/s. Delta Hudson, Canada through M/s. Engineers India Limited (EIL).

b. To reduce Silica carryover alongwith steam ex Fluid Catalytic Cracking Unit, (FCCU) Tri Sodium Phosphate/ Hydrazine combination was replaced by "Optisperse" and "Cortrol".

c. Anti-foulant injection was started in Heavy Crude Unit (HCU) for improving energy efficiency.

d. Injection of stabiliser additive in Diesel was started on trial basis for product quality improvement.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. :

Benefits derived as a result of above efforts are given in seriatim:

a. Reduced vehicular emissions will be realised on implementation of the project.

b. Better control on drum water quality has been achieved and is expected to result in improvement in on-stream factor of TG set.

c. Reduction of fouling in the preheat circuit is expected to result in fuel savings.

d. Use of stabiliser additive in Diesel.

3. In case of imported technology (imported during last five years reckoned from the beginning of the financial year), following information may be furnished :

a) Technology imported :

i) Bimetallic catalyst (from M/s. Procatalyse France) usage and single plate type heat exchanger (from M/s. Packinox, France) in Catalytic Reforming Unit (CRU).

ii) Conversion of dense bed cracker to riser cracker with technology from M/s. Shell International Oil Products (SIOP), B.V. Netherlands.

iii) Production of Methyl Tertiary Butyl Ether (MTBE) using technology from M/s. Snamprogetti.

b) Year of import :

i.	Bimetallic Catalyst and plate type Heat Exchanger in CRU.	1994
ii.	Conversion of Dense bed Cracking to Riser Cracking Unit	1995
iii.	MTBE Process Technology	1996

c) Has technology been fully absorbed ?

Yes.

d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action:

Not applicable

B. AT MARKETING

The Corporation is involved in R&D with respect to the formulation of lubricants and at no stage, technology absorption is involved. Hence the items 1, 2 and 3 in the above title are not applicable to Marketing.

ANNEXURE TO THE DIRECTORS' REPORT

Review of the accounts of Bharat Petroleum Corporation Ltd. for the year ended 31st March 1999, by the Comptroller and Auditor General of India

Note: Review of accounts has been prepared without taking into account comments under Section 619(4) of the Companies Act 1956 and qualifications in the Statutory Auditors' Report.

1. Financial Position

The table below summarises the financial position of the Company under broad headings for the last three years:

(Rs.in million)

	1996-97	1997-98	**1998-99**
LIABILITIES			
(a) **Paid Up Capital**	1500.00	1500.00	**1500.00**
(i) Government	993.00	993.00	**993.00**
(ii) Others	507.00	507.00	**507.00**
(b) **Reserves & Surplus**			
(i) Free Reserves & Surplus	19341.48	23730.47	**28709.52**
(ii) Share Premium Account	Nil	Nil	**Nil**
(iii) Capital Reserve	7.99	7.99	**8.57**
(c) **Borrowings**			
(i) From Government of India *	266.55	205.13	**143.70**
(ii) From Financial Institutions	Nil	Nil	**Nil**
(iii) Foreign Currency Loans	26.68	0.00	**0.00**
(iv) Cash Credit	3316.22	3295.15	**6000.00**
(v) Others	9992.50	11108.73	**10501.40**
(vi) Interest accrued and due	6.18	34.73	**27.19**
(d) (i) **Current Liabilities & Provisions**	19264.30	21632.37	**28339.13**
(ii) **Provision for retirement benefits**	524.64	614.13	**714.69**
TOTAL	**54246.54**	**62128.70**	**75944.20**

* *Relending of World Bank Loan*

(Rs.in million)

		1996-97	1997-98	1998-99
ASSETS				
(e)	Gross Block	34664.52	46346.85	**55819.71**
(f)	Less: Cumulative Depreciation	16728.57	20413.66	**24341.42**
(g)	Net Block	17935.95	25933.19	**31478.29**
(h)	Capital Work-in-progress	4826.38	4116.77	**6408.24**
(i)	Investments	2447.99	10804.39	**5613.10**
(j)	Current Assets, Loans and Advances			
	(i) Inventories	7835.58	7933.40	**13683.65**
	(ii) Sundry Debtors	5169.73	5438.05	**7450.84**
	(iii) Cash & Bank balances	2429.36	1888.27	**3197.41**
	(iv) Loans & Advances	13580.10	5929.73	**8073.13**
	(v) Other Current Assets	21.45	84.90	**39.54**
		29036.22	21274.35	**32444.57**
(k)	Misc. expenditure not written off	Nil	Nil	**Nil**
(l)	Accumulated loss	Nil	Nil	**Nil**
TOTAL		**54246.54**	**62128.70**	**75944.20**
(m)	Working Capital [j-d(i) – c(vi)]	9765.74	-392.75	**4078.25**
(n)	Capital Employed (g+m)	27701.69	25540.44	**35556.54**
(o)	Net Worth [a+b(i)+b(ii)-k-l]	20841.48	25230.47	**30209.52**
(p)	Networth per Rupee of paid up capital (in Rs.)	13.89	16.82	**20.14**

2. **Ratio Analysis**

Some important financial ratios on the financial health and working of the Company at the end of last three years are as under:

(in Percentage)

		1996-97	1997-98	1998-99
A.	**Liquidity Ratio**			
	(i) Current Ratio [j/d(i)+c(vi)]	150.68	98.19	**114.38**
	(ii) Current assets to total net assets	53.53	34.24	**42.72**
	(iii) Working capital to capital employed	35.25	—	**11.47**
B.	**Debt Equity Ratio**			
	[c(i to v but excluding short term loans)/o]	35.33	32.76	**32.40**

		1996-97	1997-98	*(in Percentage)* **1998-99**
C.	**Profitability Ratios**			
	(a) Profit before tax to			
	(i) Capital employed	24.17	28.18	**27.51**
	(ii) Net Worth	32.13	28.53	**32.38**
	(iii) Sales including excise duty	6.34	6.08	**4.53**
	(b) Profit after tax to Equity (o) excluding dividend tax	19.56	20.67	**23.37**
	(c) Earnings per share (in Rupees)	27.17	34.76	**47.07**

3. Reserves & Surplus

The reserves and surplus of the Company were 19 times its paid up capital as on 31st March 1999 as against 16 times as on 31st March 1998 and 13 times as on 31st March 1997.

4. Investments

The Company's investments have decreased from Rs.10804.39 million as at the end of 31st March 1998 to Rs. 5613.10 million as at the end of 31st March 1999. The decrease is mainly due to the liquidation of Oil Companies (Non Transferable) Special Bonds, 2005 by Rs.6110 million by the Government of India against the dues outstanding from the Oil Co-ordination Committee.

During the year, the company earned the following yields on its short-term placement of surplus funds:

Particulars	**Yield**
Bonds	9.75% to 10.50%
10.5% Oil Bonds	10.50%
Treasury Bills	4.50% to 9.00%

As against weighted average cost of borrowings of 14.21 % (8.47% post tax), the weighted average yield on investments during the year was 11.00 % (7.15% post tax).

5. Sources and Utilisation of Funds

Funds amounting to Rs.18788.37 million from internal and external sources were realised as well as utilised during the year as per details given below:

Sources of Funds		*(Rs.in million)*
Funds generated from operations:		
Profit after tax	7060.88	
Add : Depreciation	4011.76	
Add : Loss on sale of assets	10.72	11083.36
Sale/write off of fixed assets		478.35
Increase in loan funds		2035.37
Decrease in Investments		5191.29
TOTAL		**18788.37**

(Rs.in million)

Utilisation of Funds

Addition to fixed assets/capital work-in-progress	12337.40
Increase in Working Capital	4369.72
Dividend including tax	2081.25
TOTAL	**18788.37**

6. **Working Capital**

The working capital of the Company as on 31st March 1997, 1998 and 1999 was Rs.9765.74 million, Rs. (392.75) million and Rs. 4077.53 million respectively. The increase in working capital during the current year was mainly due to increase in Inventory holdings, Loans and Advances and Debtors.

7. **Working Results**

The working results of the Company during the last three years are given below:

(Rs.in million)

		1996-97	1997-98	**1998-99**
(a)	Net Sales (excluding excise duty)	96375.44	104468.48	**191988.70**
(b)	Profit before tax	6695.97	7197.03	**9782.35**
(c)	Profit after tax excluding dividend tax	4075.97	5213.99	**7060.13**

Profit for the current year includes an amount of Rs.1854.10 million on account of margin updation and other claims relating to previous years. Similar claims accounted during 1997-98 and 1996-97 were Rs.1038.05 million and Rs.1780.30 million respectively.

The profit before tax has gone up by Rs.2585.32 million, mainly due to higher margins consequent to higher sales.

Overall growth rate of sales volume for 1998-99 was 6.9 percent as against 3.83 percent during 1997-98.

8. **Inventory**

The inventory position as at the end of last three years is as follows:

(Rs.in million)

		1996-97	1997-98	**1998-99**
(i)	Raw materials	1150.15	1249.33	**1074.93**
(ii)	Stores & Spares (including in transit)	905.18	854.67	**938.66**
(iii)	Stock-in-process	81.12	46.37	**131.18**
(iv)	Finished Goods	5478.76	5586.79	***11236.88**
(v)	Packages	220.37	196.24	**302.00**

(a) The stock of raw materials at the close of each year was equivalent to about 0.4 months' consumption in 1998-99 as against 0.8 months' in 1997-98 and 0.7 months' in 1996-97.

(b) The stores and spares (including packages) at the end of 1998-99 represented 7.5 months consumption as against 6.9 months' in 1997-98 and 8.2 months' in 1996-97.

(c) Finished Goods at the end of the year amounted to about 0.6 months' sales during 1998-99, the same as in 1997-98 and 1996-97.

* Increase in finished goods is mainly due to change in the ex-refinery price and reflection of full crude oil cost in finished product stock valuation in the current year consequent to de-regulation of refining activities.

9. Sundry Debtors

(a) The position of sundry debtors for the last three years ending 31st March 1999 is as follows:

Year	Sundry Debtors (Rs. in million)	Debts Considered doubtful & provided for (Rs. in million)	Percentage of Debtors to Sales (including excise duty)
1996-97	5427.38	257.65	5.14
1997-98	5785.58	335.04	4.89
1998-99	**7848.04**	**397.20**	**3.63**

(b) The following table indicates the debts outstanding for more than one year as on 31st March 1999.

(Rs.in million)

	Government Department/ Undertakings	Others
(i) Debts outstanding for more than one year but less than two years	189.98	155.20
(ii) Debts outstanding for more than two years but less than three years	195.63	153.32
(iii) Debts outstanding for three years and more	99.92	231.34

10. Dues Receivable from/payable to Oil Co-ordination Committee (OCC)

As of March 1999, the Company has an amount of Rs.2437.61 million payable to OCC towards various regular settlements. The amount of net outstanding claims / (surrender) as at the end of last three years ended 31st March 1999 is as under:

(Rs. in million)

Year	Balance claims/(Surrenders)	Interest	Total amount
1996-97	9012.44	619.41	9631.85
1997-98	(170.92)	685.12	514.20
1998-99	**(2413.44)**	**(24.17)**	**(2437.61)**

11. Dividend

The Company has proposed a dividend of 125 percent for the year 1998-99, while it had paid dividend of 50 percent and 33 percent for the years 1997-98 and 1996-97. The dividend payout ratio calculated as a percentage of total dividend paid/proposed to profit after tax during the last three years ended 31st March 1999 was 13.4, 15.8 and 29.5 respectively.

Sd/-

(P. SESH KUMAR)

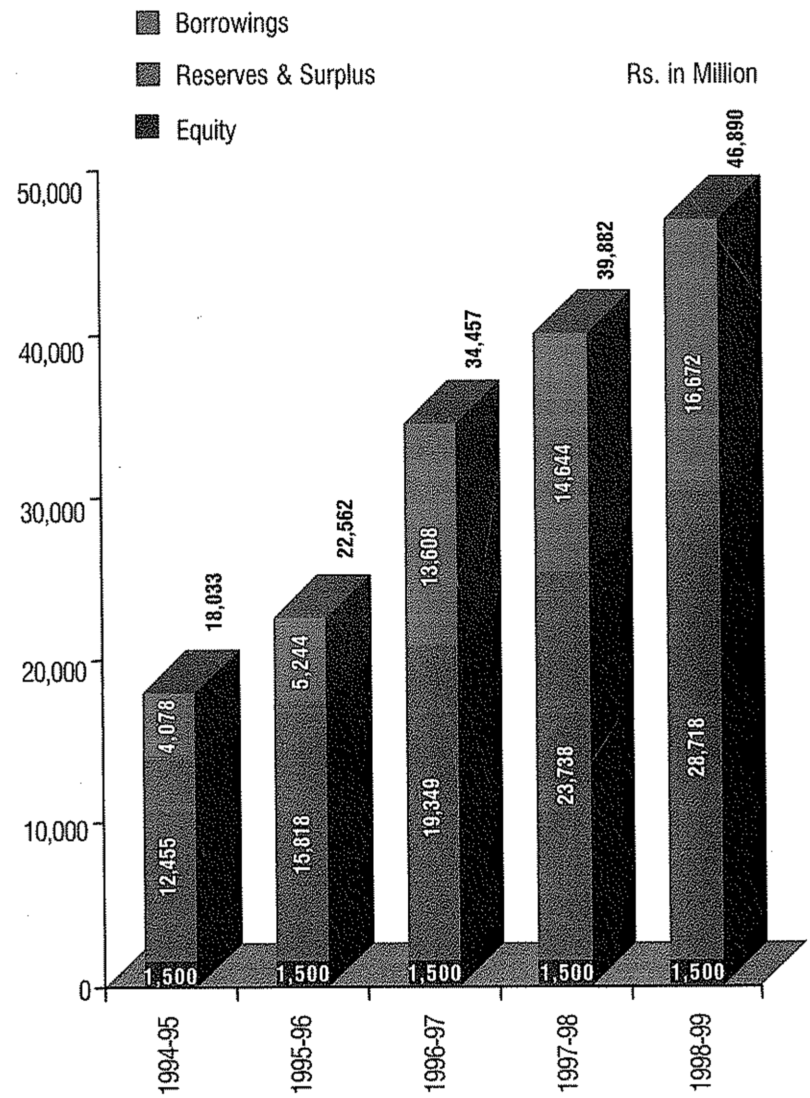
Principal Director of Commercial Audit &

ex-officio Member, Audit Board II

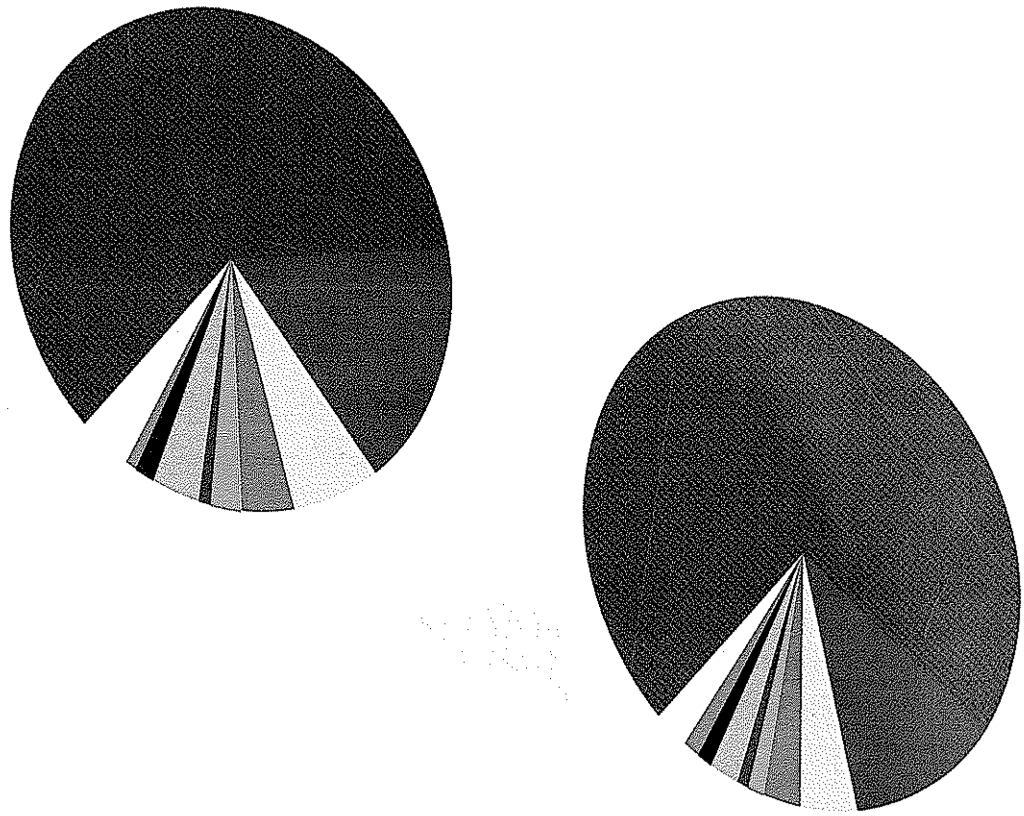
Mumbai

12th August, 1999

TOTAL FUNDS EMPLOYED



DISTRIBUTION OF EACH RUPEE EARNED



1997-98	1998-99	
60.69	72.94	RAW MATERIALS, PURCHASE OF PRODUCTS FOR RESALE AND PACKAGES
16.56	11.91	DUTIES, TAXES ETC.
6.70	4.07	TRANSPORTATION
3.96	2.63	STORES AND OTHER OPERATING EXPENSES
2.02	1.30	EMPLOYEES' REMUNERATION AND OTHER BENEFITS
0.93	0.80	INTEREST ON BORROWINGS
3.17	1.85	DEPRECIATION
1.65	1.25	INCOME TAX
0.68	0.96	DIVIDEND
3.64	2.29	RETAINED PROFIT

PERFORMANCE PROFILE

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
1. Crude Oil Processed (000 Tonnes)									
Imported	**1731**	1222	1486	1110	1891	2610	2685	2062	1397
Indigenous	**7205**	6720	6108	6240	5491	4596	4550	4900	5514
TOTAL	**8936**	7942	7594	7350	7382	7206	7235	6962	6911
2. Production Quantity (000 KL)	**10861**	9648	8986	8816	8788	8644	8653	8372	8329
Light Distillates %	**34.85**	34.47	32.54	33.27	32.29	31.20	31.49	32.29	30.87
Middle Distillates %	**53.90**	54.29	55.23	54.74	54.62	53.59	53.88	54.95	55.70
Heavy Ends %	**11.25**	11.24	12.23	11.99	13.09	15.21	14.63	12.76	13.43
3. Fuel and Loss as % of Crude Processed	**4.5**	4.8	4.8	5.6	5.4	4.7	4.2	4.2	4.5
4. Aromatics Production (MT)									
Benzene	**70496**	57169	81533	60575	57511	22037	56612	69564	68426
Toluene	**16990**	18664	20689	13182	13437	7047	11070	9048	10877
5. Market Sales (000 KL)	**22348**	20847	20097	18731	16740	15306	14443	13551	13101
6. Lubricants Production (MT)	**102684**	86951	69164	67876	66681	74154	82911	95091	87459
7. Market Participation %	**20.6**	20.5	20.4	20.3	20.2	20.0	19.5	18.8	18.9
8. Marketing Network									
Installations	**16**	16	16	16	16	16	14	12	10
Depots	**131**	128	131	122	118	117	98	94	83
Aviation Service Stations	**16**	15	16	16	16	14	14	13	13
Total Tankages (Million KL)	**2.72**	2.30	1.81	1.62	1.57	1.52	1.37	1.17	1.01
Retail Outlets	**4423**	4407	4373	4312	4214	4090	4040	4005	3965
Number of LPG Bottling Plants	**27**	21	19	18	16	16	15	15	15
LPG Distributors	**1200**	1179	1146	1062	948	866	816	793	767
LPG Customers (No. Million)	**9.11**	8.03	6.93	6.02	5.37	4.78	4.35	4.05	3.77
9. Manpower (Nos.)	**12264**	12094	11704	11499	11207	11299	11167	11158	11029
10. Sales and Earnings (Figures in Rs.Million)									
i) Sales and Other Income *	**258299**	209187	181564	150234	133863	115203	102349	88828	73951
ii) Gross Profit before Depreciation, Interest & Tax	**15567**	12143	9775	9101	7618	5456	4735	4028	3488
iii) Depreciation	**4040**	3824	2258	2179	2603	1365	1431	1031	961
iv) Interest	**1745**	1122	821	394	437	467	383	442	372
v) Profit before Tax	**9782**	7197	6696	6528	4578	3624	2921	2555	2155
vi) Tax	**2770**	1870	2370	2670	1690	1470	1220	1070	877
vii) Profit after Tax	**7012#**	5327#	4326#	3858	2888	2154	1701	1485	1278

Before adjusting prior period tax Rs.47.78 million in 1998-99 and Rs. (113.04) million in 1997-98.

* Figures from 1986-87 includes Sales to Other Oil Companies.

1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79	1977-78 (15 Months)	1976
1008	623	1204	105	67	175	468	1384	904	1268	1301	1840	3826	3596
6024	5535	5352	5467	6311	5279	4829	3093	4090	3603	3540	2866	1803	159
7032	6158	6556	5572	6378	5454	5297	4477	4994	4871	4841	4706	5629	3755
8525	7367	7858	6667	7574	6619	6427	5305	5962	5769	5750	5562	6516	4312
31.09	29.29	27.83	27.78	28.08	25.75	25.77	22.25	24.76	22.22	21.91	21.68	19.77	19.97
57.07	60.12	59.38	60.39	59.35	54.36	55.21	51.36	53.06	55.66	56.74	57.86	55.33	55.93
11.84	10.59	12.79	11.83	12.57	19.89	19.02	26.39	22.18	22.12	21.35	20.46	24.90	24.10
4.5	5.6	5.6	5.8	6.2	4.5	4.4	4.7	4.8	4.9	4.7	5.0	5.2	5.7
56499	59624	45928	18603	20112	0	0	0	0	0	0	0	0	0
8843	7494	8414	4948	4455	0	0	0	0	0	0	0	0	0
12836	11720	10720	9899	9410	8789	7711	7124	6541	6473	6136	5781	6483	4519
94672	92725	84691	74763	72414	69425	63872	66153	55475	60813	56831	55074	57508	40939
18.9	18.7	18.5	18.3	18.7	18.3	17.5	16.8	16.4	17.2	16.7	16.3	16.4	15.3
10	10	9	9	8	8	8	8	8	7	5	5	5	5
78	69	69	65	62	60	56	59	59	57	61	61	61	61
13	12	11	9	8	8	7	4	3	3	3	3	2	2
0.91	0.87	0.74	0.75	0.67	0.66	0.63	0.68	0.67	0.66	0.63	0.63	0.61	0.61
3894	3822	3741	3663	3567	3486	3410	3350	3317	3311	3302	3281	3271	3183
15	14	8	4	2	2	1	1	1	—	—	—	—	—
740	704	651	616	518	409	315	264	163	154	143	138	128	90
3.61	3.31	3.03	2.70	2.32	1.96	1.61	1.19	0.83	0.59	0.58	0.56	0.51	0.49
10616	10578	10203	9397	8321	7894	7433	6971	6403	5808	5452	5212	4956	4847
60816	54762	50797	44878	31650	26642	23326	20563	18516	15124	10727	8284	9055	6728
3010	2424	1903	1843	1772	930	749	550	485	394	330	294	241	103
1030	789	635	816	776	533	424	154	122	125	77	45	19	24
314	334	338	342	307	189	133	96	67	38	5	3	16	19
1666	1301	930	685	689	208	192	300	296	231	248	246	206	60
440	258	150	82	76	70	35	165	155	127	139	159	127	43
1226	1043	780	603	613	138	157	135	141	104	109	87	79	17

PERFORMANCE PROFILE (Contd.)

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
11. What the Company Owned (Rs. Million)									
i) Gross Fixed Assets (including Capital Work-in-Progress)	**62228**	50463	39491	32502	27907	23685	20566	17525	15234
ii) Net Fixed Assets (including Capital Work-in-Progress)	**37886**	30050	22762	17940	15455	13741	11928	10237	8940
iii) Net Current Assets (including Investments)	**9004**	9832	11695	4622	2578	1838	839	1238	1139
Total Assets Net (ii + iii)	**46890**	39882	34457	22562	18033	15579	12767	11475	10079
12. What the Company Owed (Rs. Million)									
i) Share Capital	**1500**	1500	1500	1500	1500	500	500	500	500
ii) Reserves and Surplus	**28718**	23738	19349	15818	12455	11021	9010	7475	6140
iii) Net Worth (i + ii)	**30218**	25238	20849	17318	13955	11521	9510	7975	6640
iv) Borrowings	**16672**	14644	13608	5244	4078	4058	3257	3500	3439
Total Funds Employed (iii + iv)	**46890**	39882	34457	22562	18033	15579	12767	11475	10079
13. Internal Generation (Rs. Million)	**8990**	8227	5782	5544	5032	3376	2967	2366	2139
14. Value Added (Rs. Million)	**30018**	24447	20769	19555	15622	9261	8886	7863	6820
15. Earnings in Foreign Exchange (Rs. Million)	**2993**	3567	4172	3610	2724	2362	2042	1600	1971
16. Ratios									
i) Gross Profit before Depreciation, Interest & Tax as % age of Sales and Other Income	**7.1**	10.1	9.1	9.6	9.3	8.4	7.8	7.0	6.6
ii) Profit after Tax as % age of average Net Worth	**25.3**	23.1	22.7	24.7	22.7	20.5	19.5	20.3	21.1
iii) Profit after Tax as % age of Share Capital	**467.5**	355.1	288.4	257.2	192.6	430.8	340.1	296.9	255.6
iv) Average Net Worth as % age of Share Capital	**1848.5**	1536.2	1272.2	1042.4	849.2	2103.1	1748.5	1461.5	1210.2
v) Gross Profit before Depreciation, Interest & Tax as % age of Capital Employed	**38.5**	34.0	33.0	45.9	50.6	43.1	47.8	44.1	46.5
vi) Profit before Tax as % age of Capital Employed	**24.2**	20.1	22.6	33.0	30.4	28.6	29.5	28.0	28.7
vii) Profit After Tax as % age of Capital Employed	**17.3**	14.9	14.6	19.5	19.2	17.0	17.2	16.3	17.0
viii) Debt Equity Ratio	**0.6**	0.6	0.7	0.3	0.3	0.4	0.3	0.4	0.5
17. Earning per Share (Rupees)									
— Pre-Bonus	**140.24#**	106.54#	86.52#	77.16	57.77	43.08	34.01	29.69	25.56
— Post-Bonus	**46.75#**	35.51#	28.84#	25.72	19.26				
18. Book Value per Share (Rupees)	**201.45**	168.25	139.00	115.45	93.04	230.42	190.21	159.49	132.80

Before adjusting prior period tax of Rs.47.78 million in 1998-99 and Rs. (113.04) million in 1997-98.

1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79	1977-78 (15 Months)	1976
13246	11224	9549	7518	6005	4947	3452	2092	1346	963	738	581	500	461
7873	6832	5991	4276	3596	3292	2285	1337	736	471	366	282	246	226
802	314	142	908	1093	583	729	558	696	869	267	216	362	259
8675	7146	6133	5184	4689	3875	3014	1895	1432	1340	633	498	608	485
500	279	279	279	279	166	166	145	145	145	145	145	145	145
4962	4057	3070	2062	1496	1035	919	758	619	498	411	319	250	190
5462	4336	3349	2341	1775	1201	1085	903	764	643	556	464	395	335
3213	2810	2784	2843	2914	2674	1929	992	668	697	77	34	213	150
8675	7146	6133	5184	4689	3875	3014	1895	1432	1340	633	498	608	485
2154	1855	1358	1425	1350	650	585	294	243	212	168	115	79	26
4813	4994	3873	3405	2922	2235	1865	1297	1123	1008	838	763	714	281
1361	1199	1100	1156	1030	877	750	771	742	1	0	34	3	22
6.1	5.5	4.7	5.2	7.5	4.3	4.0	3.2	3.2	3.2	3.5	3.8	3.0	1.8
25.0	28.4	26.7	29.3	41.2	12.1	15.7	16.2	20.0	17.4	19.1	20.1	21.5	6.7
245.1	391.7	273.0	216.7	220.2	83.3	94.5	92.6	96.8	71.8	67.2	59.6	54.1	11.5
979.8	1379.7	1021.5	738.9	534.3	689.8	599.9	573.1	483.7	412.4	350.9	295.7	251.2	170.9
45.5	44.3	48.4	51.1	49.0	37.5	53.7	51.8	43.8	33.5	65.9	69.7	41.6	21.8
25.2	23.8	23.7	19.0	19.0	8.4	13.7	28.2	26.7	19.7	49.6	58.2	35.6	12.6
18.5	19.9	19.4	16.7	16.9	5.6	11.2	12.7	12.7	8.9	19.5	20.5	13.6	3.5
0.6	0.6	0.8	1.2	1.6	2.2	1.8	1.1	0.9	1.1	0.1	0.1	0.5	0.4
24.51	37.45	28.01	21.71	22.01	6.07	7.01	6.07	6.12	4.68	4.73	3.77	3.42	0.72
109.24	155.69	120.23	84.04	63.74	52.23	47.16	39.27	33.20	27.97	24.17	20.20	17.19	14.56

SOURCES AND APPLICATION OF FUNDS

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
SOURCES OF FUNDS									
OWN									
Profit after Tax	**7012**	5327	4326	3858	2888	2154	1701	1485	1278
Depreciation	**4011**	3838	2251	2181	2605	1366	1431	1031	961
Investment	**5191**	—	—	765	—	—	—	—	—
Shareholders' Investment	—	—	—	—	—	—	—	—	—
Excess/(Short) Provision for taxation in earlier years written back/provided for (net)	**48**	(113)	(250)	—	33	21	—	—	—
BORROWINGS									
Loans (net)	**2029**	1036	8364	1166	20	802	—	62	226
LPG Deposits	**1683**	2473	1205	971	788	520	254	373	176
Decrease in Working Capital	—	7746	—	—	—	—	539	—	—
Adjustment on account of Deletion/ Re-classification etc.	**18**	25	18	51	38	8	41	12	2
	19992	20332	15914	8992	6372	4871	3966	2963	2643
APPLICATION OF FUNDS									
Capital Expenditure	**11865**	11151	7091	4718	4348	3187	3162	2340	2030
Dividend	**1875**	750	495	495	495	165	165	150	100
Tax on distributed profits	**206**	75	49	—	—	—	—	—	—
Repayment of Loans (net)	—	—	—	—	—	—	245	—	—
Investment	—	8356	790	—	922	722	394	67	275
Increase in Working Capital	**6046**	—	7489	3779	607	797	—	406	238
	19992	20332	15914	8992	6372	4871	3966	2963	2643

(Rs. Million)

1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79	1977-78 (15 Months)	1976
1226	1043	780	603	613	138	157	135	141	104	109	87	79	17
1028	868	634	861	776	535	429	159	122	128	77	46	19	24
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	20	—	—	—	—	—	—	171
—	—	—	—	—	—	—	—	—	—	—	—	—	—
403	25	—	—	240	746	937	324	—	620	44	—	62	115
285	214	222	276	328	260	206	116	67	12	8	14	6	11
—	—	546	—	—	—	—	21	107	—	—	132	—	—
26	19	5	—	27	3	2	2	1	1	—	2	4	(75)
2968	2169	2187	1740	1984	1682	1751	757	438	865	238	281	170	263
2095	1728	2071	1538	1107	1544	1375	757	389	231	161	84	43	26
100	56	56	39	39	23	—	—	20	20	18	18	18	15
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	60	71	—	—	—	—	29	—	—	179	—	—
21	10	—	—	—	6	2	—	—	—	—	—	—	1
752	375	—	92	838	109	374	—	—	614	59	—	109	221
2968	2169	2187	1740	1984	1682	1751	757	438	865	238	281	170	263

SALES VOLUME ('000 MT)

	1998-99 Sales	1998-99 Market Share (%)	1997-98 Sales	1997-98 Market Share (%)	1996-97 Sales	1996-97 Market Share (%)	1995-96 Sales	1995-96 Market Share (%)	1994-95 Sales	1994-95 Market Share (%)
Light Distillates :										
Naphtha	**1160**	**16.6**	977	17.7	916	20.0	645	15.6	632	17.2
LPG (Bulk & Packed)	**1211**	**24.0**	1090	23.7	1021	24.4	925	24.1	816	23.8
Motor Spirit	**1682**	**30.5**	1561	30.3	1497	30.1	1401	29.8	1243	30.0
Special Boiling Point Spirit/Hexane	**56**	**39.3**	88	41.9	95	47.2	85	48.0	77	53.0
Benzene	**70**	**48.7**	63	45.0	77	50.6	58	42.6	66	43.4
Toluene	**18**	**24.9**	18	25.2	21	31.4	12	21.1	14	25.9
Polypropylene Feedstock	**1**		—		19		19		25	
Others	**5**		2		3		—		—	
Sub Total	**4203**		3799		3649		3145		2873	
Middle Distillates :										
Aviation Turbine Fuel	**456**	**21.4**	475	22.5	486	22.1	505	24.3	460	24.0
Superior Kerosene	**1766**	**16.4**	1603	16.0	1631	16.1	1555	16.4	1543	16.6
High Speed Diesel	**8725**	**23.3**	8324	23.0	8040	22.8	7299	22.5	6211	22.0
Light Diesel Oil	**157**	**12.1**	123	10.0	126	10.4	158	12.1	175	13.0
Mineral Turpentine Oil	**115**	**59.0**	83	44.7	74	39.2	72	40.8	65	43.2
Sub Total	**11219**		10608		10357		9589		8454	
Others :										
Furnace Oil	**954**	**14.0**	895	13.5	816	12.8	768	11.8	629	10.9
Low Sulphur Heavy Stock	**608**	**13.3**	605	13.9	435	10.1	759	18.1	736	18.0
Bitumen	**417**	**17.1**	373	17.3	421	18.5	434	21.0	455	24.4
Lubricants	**101**	**11.2**	87	10.3	86	11.9	85	11.6	88	13.2
Sub Total	**2080**		1960		1758		2046		1908	
Grand Total	**17502**	**20.6**	16367	20.5	15764	20.4	14780	20.3	13235	20.2

Note: Market Share is based on Sales Volumes of Public Sector Oil Companies.

PRODUCTION ('000MT)

	1998-99	1997-98	1996-97	1995-96	1994-95
Light Distillates :					
Naphtha	**1184**	1066	1061	1086	1066
LPG	**363**	309	254	261	241
Motor Spirit	**939**	783	720	682	653
Special Boiling Point Spirit/Hexane	**57**	87	96	88	74
Benzene	**70**	57	81	61	58
Toluene	**17**	19	21	13	13
Polypropylene Feedstock	**1**	1	19	19	25
Others	**17**	3	3	1	1
Sub Total	**2648**	2325	2255	2211	2131
Middle Distillates :					
Aviation Turbine Fuel	**200**	122	127	139	190
Superior Kerosene	**718**	790	759	715	757
High Speed Diesel	**3611**	3181	3010	2898	2807
Light Diesel Oil	**90**	69	66	96	93
Mineral Turpentine Oil	**117**	90	85	73	67
Sub Total	**4736**	4252	4047	3921	3914
Heavy Ends :					
Furnace Oil	**290**	212	141	103	215
Low Sulphur Heavy Stock	**626**	679	744	785	704
Bitumen	**274**	188	222	215	230
Sub Total	**1190**	1079	1107	1103	1149
Grand Total	**8574**	7656	7409	7235	7194

Lubricants Production (MT)

	1998-99	1997-98	1996-97	1995-96	1994-95
	102684	86951	69164	67876	66681

Quantity of LPG Filled in Cylinders (MT)

	1998-99	1997-98	1996-97	1995-96	1994-95
	1217009	1116182	978135	888618	787010

HOW VALUE IS GENERATED

	1998-99	Rs. Million 1997-98
Value of Production (Refinery)	**43499**	22855
Less : Direct Materials Consumed	**34835**	18543
Added Value	**8664**	4312
Marketing Operations	**21354**	20134
Value added by Manufacturing & Trading Operations	**30018**	24446
Add : Other Income (including P.Y.A)	**1967**	2129
Total Value Generated	**31985**	26575

HOW VALUE IS DISTRIBUTED

		1998-99		Rs. Million 1997-98
1. OPERATIONS				
Operating & Service Costs		**13594**		11997
2. EMPLOYEES' BENEFITS				
Salaries, Wages & Bonus	2059		1776	
Other Benefits	765	**2824**	660	2436
3. PROVIDERS OF CAPITAL				
Interest on Borrowings	1745		1122	
Dividend	1875	**3620**	750	1872
4. INCOME TAX		**2928**		2058
5. RE-INVESTMENT IN BUSINESS				
Depreciation	4040		3823	
Retained Profit	4979	**9019**	4389	8212
Total Value Distributed		**31985**		26575

AUDITORS' REPORT TO THE MEMBERS OF BHARAT PETROLEUM CORPORATION LIMITED

We have audited the attached Balance Sheet of BHARAT PETROLEUM CORPORATION LIMITED as at 31st March, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date, and report that:

1. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

2. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

3. the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts;

4. in our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

5. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Notes and the Significant Accounting Policies thereon and subject to note no. 19 regarding non-provision of additional liabilities for employees remuneration arising on revision in salary of management staff, the impact of which on the accounts is not ascertained, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view -

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999

   and

   (ii) in the case of Profit and Loss Account, of the profit for the year ended on that date.

6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of our audit, and to the best of our knowledge and belief, we further report that :

   (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for items like pipes, valves, meters, instruments and other similar items peculiar to a continuous process industry. We are informed that fixed assets, other than LPG cylinders with customers are verified by the Marketing Division over a two-year period and by the Refinery over a three-year period. The frequency of verification of fixed assets is, in our opinion, reasonable. In respect of the assets verified during the year, we are informed that there are no material discrepancies.

   (ii) None of the fixed assets has been revalued during the year.

   (iii) Physical verification has been conducted by the management during the year in respect of finished goods, stores, spare parts and raw materials, other than those lying with contractors and in transit. In our opinion, the frequency of physical verification of stocks is reasonable.

(iv) The procedures of physical verification followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(v) We are informed that discrepancies noticed on physical verification of stocks were not material as compared to book records and have been properly dealt with in the accounts.

(vi) In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles. The basis of valuation of stocks is same as in the preceding year except as stated in note no. B (3) of Schedule W to the accounts, regarding change in the method of valuation of petrochemicals and special products. As a result of this change, the profit for the year is lower by Rs. 0.30 million.

(vii) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined in Section 370(1B) of the Companies Act, 1956.

(viii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties other than to its joint venture companies as listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to companies under the same management as defined in Section 370(1B) of the Companies Act, 1956. The rate of interest, wherever applicable and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company.

(ix) Employees and the parties, including the companies in which the Company is a member, to whom loans or advances in the nature of loans have been given by the Company are generally repaying the principal amount and interest wherever stipulated except in case of loan to one joint venture company amounting to Rs. 28.25 million for which necessary provisions has been made by the Company. In our opinion, the terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company.

(x) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of stores, raw materials, plant and machinery, equipment, other assets and for the sale of goods.

(xi) According to the information and explanations given to us, purchases of goods/materials and sale of goods/materials and services exceeding Rs.50,000 in value for each type thereof, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to prevailing market prices for such goods/materials/ services and/or at prices at which such transactions are entered with other parties.

(xii) The Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

(xiii) In respect of deposits accepted from the public, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder.

(xiv) As explained to us, the Company has maintained reasonable records for sale and disposal of realisable by-products and scrap.

(xv) The Company has an adequate internal audit system commensurate with its size and the nature of its business.

(xvi) We have broadly reviewed the books of account maintained by the Company in pursuant to the order made by the Central Government for the maintenance of cost records in respect of certain products under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been maintained. We have, however, not made nor are required to make any examination of these records with a view to determine whether they are accurate or complete.

(xvii) The Company is generally regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.

(xviii) There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at 31st March, 1999, for a period of more than six months from the date they became payable.

(xix) According to the information and explanations given to us, no personal expenses have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.

(xx) The Company is not a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.

(xxi) In respect of Company's trading activities, damaged goods, which were not significant, have been determined and necessary provision has been made in the accounts.

For and on behalf of

RSM & CO.
Chartered Accountants

Sd/-
VIJAY N. BHATT
Partner

For and on behalf of

MEHRA GOEL & CO.
Chartered Accountants

Sd/-
M.K. GOEL
Partner

Place : Mumbai
Dated : 26th May, 1999

BALANCE SHEET AS AT 31ST MARCH, 1999

	SCHEDULE	Rs. Million	31/03/1998 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**1,500.00**	1,500.00
Reserves and Surplus	B	**28,718.09**	23,738.46
		30,218.09	25,238.46
2. Loan funds :	C		
Secured Loans		**8,838.89**	7,003.01
Unsecured Loans		**7,833.40**	7,640.73
		16,672.29	14,643.74
TOTAL		**46,890.38**	39,882.20
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**55,819.71**	46,346.85
Less : Depreciation		**24,341.42**	20,413.66
Net block		**31,478.29**	25,933.19
Capital work-in-progress	E	**6,408.24**	4,116.77
		37,886.53	30,049.96
2. Investments	F	**5,613.10**	10,804.39
3. Current assets, loans and advances :			
Inventories	G	**13,683.65**	7,933.40
Sundry debtors	H	**7,450.84**	5,438.05
Cash and bank balances	I	**3,197.41**	1,888.27
Other current assets	J	**39.54**	84.90
Loans and advances	K	**8,073.13**	5,929.73
		32,444.57	21,274.35
Less : Current liabilities and provisions :			
Liabilities	L	**25,972.53**	20,635.04
Provisions	M	**3,081.29**	1,611.46
		29,053.82	22,246.50
Net current assets		**3,390.75**	(972.15)
TOTAL		**46,890.38**	39,882.20
Statement of Significant Accounting Policies and Notes forming part of Accounts.	W		

For and on behalf of the Board of Directors

Sd/-
U. SUNDARARAJAN
Chairman and Managing Director

Sd/-
A. SINHA
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Mumbai
Dated : 26th May, 1999

As per our attached report of even date

For and on behalf of
RSM & CO.
Chartered Accountants

Sd/-
VIJAY N. BHATT
Partner

For and on behalf of
MEHRA GOEL & CO.
Chartered Accountants

Sd/-
M. K. GOEL
Partner

Mumbai
Dated : 26th May, 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999

	SCHEDULE	Rs. Million	1997-98 Rs. Million
INCOME			
Sale of products	N	215,997.72	118,330.11
Miscellaneous income	O	1,801.11	2,211.90
Increase in Inventory	P	5,734.90	73.28
TOTAL		223,533.73	120,615.29
EXPENDITURE			
Purchase of products for resale		128,512.34	53,153.83
Raw materials consumed		35,587.95	19,543.96
Packages consumed		499.72	535.07
Duties, taxes etc. and other charges applicable to products		25,930.02	19,964.80
Transportation		8,858.77	8,080.10
Consumption of stores, spares and materials	Q	1,097.48	882.23
Power and Fuel	R	416.74	161.85
Employees remuneration and other benefits	S	2,824.35	2,436.01
Interest	T	1,745.18	1,122.38
Other operating and administration expenses	U	4,405.58	3,631.21
Depreciation		4,039.89	3,823.45
TOTAL		213,918.02	113,334.89
Profit		9,615.71	7,280.40
Prior period income/(expenses) net	V	166.64	(83.37)
Profit before tax		9,782.35	7,197.03
Provision for Taxation		2,770.00	1,870.00
Profit after tax		7,012.35	5,327.03
Excess/(Short) provision for Taxation in earlier years written back/provided for		47.78	(113.04)
Transfer from Investment Allowance Reserve		—	284.63
Balance brought forward		0.01	0.01
Disposable Profit		7,060.14	5,498.63
Appropriations:			
Proposed Dividend		1,875.00	750.00
Corporate Dividend Tax thereon		206.25	75.00
		2,081.25	825.00
Transfer to General Reserve		4,979.05	4,673.62
Transfer from Capital Reserve * Rs. 2969		0.17	*
Balance Carried to Balance Sheet		0.01	0.01
Statement of Significant Accounting Policies and Notes forming part of Accounts	W		

For and on behalf of the Board of Directors

Sd/-
U. SUNDARARAJAN
Chairman and Managing Director

Sd/-
A. SINHA
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Mumbai
Dated : 26th May, 1999

As per our attached report of even date

For and on behalf of
RSM & CO.
Chartered Accountants

Sd/-
VIJAY N. BHATT
Partner

For and on behalf of
MEHRA GOEL & CO.
Chartered Accountants

Sd/-
M. K. GOEL
Partner

Mumbai
Dated : 26th May, 1999

SCHEDULE 'A' — SHARE CAPITAL

	Rs. Million	31/03/1998 Rs. Million
Authorised		
200 million equity shares of Rs.10 each	2,000.00	2,000.00
	2,000.00	2,000.00
Issued, subscribed and paid-up		
150 million equity shares of Rs.10 each fully paid-up *	1,500.00	1,500.00
Total	1,500.00	1,500.00

* Includes :

i) 22.95 million shares of Rs. 10 each on which Rs. 7.20 per share was paid in cash and were converted into fully paid by capitalisation of Capital Reserve.

ii) 127 million shares of Rs. 10 each which were allotted as fully paid bonus shares by capitalisation of Capital Reserve and General Reserve.

SCHEDULE 'B' — RESERVES AND SURPLUS

	Rs. Million	31/03/1998 Rs. Million
Capital Reserve		
As per last Balance Sheet	7.99	7.99
Add : Addition during the year	0.75	—
Less : Transfer to Profit & Loss Account (* Rs.2969/-)	(0.17)	*
	8.57	7.99
General Reserve		
As per last Balance Sheet	23,501.19	18,827.57
Add : Transfer from Profit & Loss Account	4,979.05	4,673.62
	28,480.24	23,501.19
Investment Allowance Reserve		
As per last Balance Sheet	229.27	513.90
Less : Transfer to Profit and Loss Account	—	(284.63)
	229.27	229.27
Surplus as per Profit & Loss Account	0.01	0.01
Total	28,718.09	23,738.46

SCHEDULE 'C' — LOAN FUNDS

	Rs. Million	31/03/1998 Rs. Million
Secured Loans		
Bonds		
15.5% Secured Redeemable Non-Convertible Bonds - Redeemable at par on 17th March, 2000 (Secured by mortgage created on certain immovable properties of the Company)	**2,468.00**	2,468.00
Banks		
Term Loans (Secured by hypothecation and mortgage of certain plant and machinery, equipment and materials of selected projects at Corporation's Refinery and all movable assets (other than current assets, raw materials & stock of finished goods, whether in bulk or packed) lying/to be lying at certain LPG Bottling Plants) [Due for repayment within one year **Rs. 200.00 million** (Rs. 800.00 million)]	**200.00**	1,000.00
Working Capital Loans/Cash Credit (Secured by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares at all locations in India)	**6,000.00**	3,295.15
Interest accrued and due	**27.19**	34.73
Others		
Term Loan - (Refinanced through Government of India) - secured by hypothecation of certain plant and machinery at Refinery. [Due for repayment within one year **Rs. 44.75 million** (Rs. 61.43 million)]	**143.70**	205.13
	8,838.89	7,003.01
Unsecured Loans		
Public deposits [Due for repayment within one year **Rs. 1023.73 million** (Rs. 1116.68 million)]	**2,565.32**	2,786.96
Short Term		
From Banks	**855.43**	1,098.18
From Others	—	1,950.00
Others		
From Others [Due for repayment within one year **Rs. 2.73 million** (Rs. 2.86 million)]	**4,411.93**	1,805.59
Interest accrued and due	**0.72**	—
	7,833.40	7,640.73
Total	**16,672.29**	14,643.74

SCHEDULE 'D' — FIXED ASSETS

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.98	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT /RECLASSIFI-CATIONS	**AS AT 31.03.99**	UPTO 31.03.98	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT /RECLASSIFI-CATIONS	**UPTO 31.03.99**	**AS AT 31.03.99**	AS AT 31.03.98
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	862.62	96.07	3.39	**955.30**	—	—	—	—	**955.30**	862.62
(b) Leasehold	377.78	21.14	(78.05)	**476.97**	35.87	12.04	(2.92)	**50.83**	**426.14**	341.91
(c) Right of way	15.79	—	—	**15.79**	—	—	—	—	**15.79**	15.79
(d) Advance Payments	543.45	1.75	130.29	**414.91**	—	—	—	—	**414.91**	543.45
2. BUILDINGS	5407.88	1507.80	16.15	**6899.53**	555.48	130.20	5.68	**680.00**	**6219.53**	4852.40
3. RAILWAY SIDINGS	885.14	550.62	(13.18)	**1448.94**	145.88	54.53	—	**200.41**	**1248.53**	739.26
4. PLANT and MACHINERY	9620.39	2473.66	127.18	**11966.87**	4015.83	465.11	56.45	**4424.49**	**7542.38**	5604.56
5. TANKS and PIPELINES	11348.10	1700.96	249.59	**12799.47**	2456.71	631.65	5.27	**3083.09**	**9716.38**	8891.39
6. FURNITURE and FITTINGS	352.45	57.07	5.08	**404.44**	132.18	24.60	2.65	**154.13**	**250.31**	220.27
7. VEHICLES	350.61	67.16	21.17	**396.60**	213.12	29.92	15.12	**227.92**	**168.68**	137.49
8. OTHER ASSETS										
(a) Dispensing Pumps	1797.93	345.16	2.21	**2140.88**	354.44	90.52	0.99	**443.97**	**1696.91**	1443.49
(b) LPG Cylinders and Allied Equipment	11626.50	2381.10	34.85	**13972.75**	11626.50	2381.10	34.85	**13972.75**	—	—
(c) Sundries	3158.21	843.44	74.39	**3927.26**	877.65	241.51	15.33	**1103.83**	**2823.43**	2280.56
TOTAL	46346.85	10045.93	573.07	**55819.71**	20413.66	4061.18	133.42	**24341.42**	**31478.29**	25933.19
PREVIOUS YEAR	34664.52	12073.43	391.10	46346.85	16728.57	3859.88	174.79	20413.66	25933.19	17935.95

NOTES:-

1. Land :
   a. Freehold land includes Long Leasehold land amounting to **Rs.57.48 million** (Rs.52.72 million) with more than 99 years lease period.
   b. Freehold land includes **Rs.47.83 million** (Rs.47.83 million) capitalised at Cherelapalli depot, Cherelapalli LPG Plant, Kurnool LPG Plant and Kakinada Coastal Terminal for which conveyance are yet to be executed.
   c. Includes the following which though in the possession of Corporation, the lease deeds are yet to be registered :
      i) Land acquired on lease for a period exceeding 99 years **Rs. 25.88 million** (Rs.9.10 million).
      ii) Other leasehold land - Gross Block **Rs.181.50 million** (Rs.181.05 million) Net Block **Rs.164.42 million** (Rs. 170.99 million).
2. Buildings include :
   a. Ownership flats of **Rs.57.77 million** (Rs.57.77 million) in proposed/existing co-operative housing societies.
   b. Value of shares **Rs.0.04 million** (Rs.0.04 million) out of which the Corporation is yet to receive share certificates of the value of **Rs.0.01 million** (Rs. 0.01 million).
   c. Residential flats which are in the possession of the Corporation and in respect of which the lease deeds are yet to be registered:- Gross Block **Rs.32.69 million** (Rs.21.95 million), Net Block **Rs.31.95 million** (Rs.21.16 million).
   d. Residential premises **Rs. 6.21 million** (Rs.6.21 million) registered in the name of a Director, since retired, for which transfer formalities are in progress.
3. Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned in varying extent with other Oil Companies / Railways :- Gross Block **Rs.520.02 million** (Rs.462.79 million) , Depreciation **Rs.121.44 million** (Rs. 104.77 million), Net Block **Rs.398.58 million** (Rs. 358.02 million).
4. Buildings and Plant & Machinery includes **Rs. 75.86 million** (Rs. 63.96 million) towards assets, ownership of which does not vest with the Corporation. This amount has been amortised over a period of five years; the amount charged off as depreciation for the current year is **Rs. 15.17 million** (Rs. 12.79 million).
5. Depreciation on project assets to the extent capitalised against the completed capital projects, is adjusted against its original cost and its net book value is shown under Gross Block column. The balance depreciation thereon is included under Capital work-in-progress.
6. Deletion to Gross Block includes foreign exchange translation difference of **Rs.Nil** (Rs.0.05 million).
7. Depreciation for the year (column 7) includes :
   a. Charged to Capital work-in-progress **Rs.1.00 million** (Rs.0.97 million).
   b. Charged to Profit & Loss Account **Rs. 4039.89 million** (Rs.3823.45 million).
   c. Charged to Previous year expenses **Rs.20.29 million** (Rs.35.46 million).
8. Deduction from Gross Block (column 4) includes :
   a. Write back of excess capitalisation of **Rs.472.17 million** (Rs.212.50 million).
   b. Consequent to adjustment referred in para (5) above, **Rs.1.31 million** (Rs.0.89 million).
   c. Deletions during the year **Rs.99.59 million** (Rs.177.71 million).
9. Deduction from depreciation (column 8) includes withdrawal of depreciation :
   a. On excess capitalisation **Rs.27.05 million** (Rs.20.82 million).
   b. On deletion during the year **Rs.82.69 million** (Rs.153.08 million).
   c. Consequent to adjustment referred in para (5) above, **Rs.1.31 million** (Rs.0.89 million).
   d. Due to write back of excess provision **Rs.22.37 million** (Rs.Nil).

PARTICULARS OF CAPITAL EXPENDITURE INCURRED ON SOCIAL OVERHEADS AND FORMING PART OF SCHEDULE 'D'

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.98	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT /RECLASSIFI-CATIONS	**AS AT 31.03.99**	UPTO 31.03.98	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT /RECLASSIFI-CATIONS	**UPTO 31.03.99**	**AS AT 31.03.99**	AS AT 31.03.98
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	0.78	—	—	**0.78**	—	—	—	—	**0.78**	0.78
(b) Leasehold	7.21	—	—	**7.21**	1.18	0.08	—	**1.26**	**5.95**	6.03
2. STAFF QUARTERS ETC. IN TOWNSHIP										
(a) Buildings	174.32	100.33	##	**274.65**	25.63	3.32	@	**28.95**	**245.70**	148.69
(b) Plant & Machinery	5.50	0.04	—	**5.54**	2.18	0.28	—	**2.46**	**3.08**	3.32
(c) Furniture & Fittings	1.76	4.25	—	**6.01**	0.23	0.16	—	**0.39**	**5.62**	1.53
(d) Other Assets	23.14	10.93	0.05	**34.02**	5.59	2.22	@@	**7.81**	**26.21**	17.55
3. SOCIAL & CULTURAL OVERHEADS										
(a) Buildings	4.72	0.20	—	**4.92**	0.68	0.08	—	**0.76**	**4.16**	4.04
(b) Plant & Machinery	0.95	—	—	**0.95**	0.49	0.04	—	**0.53**	**0.42**	0.46
(c) Furniture & Fittings	0.22	—	0.02	**0.20**	0.10	0.01	0.01	**0.10**	**0.10**	0.12
(d) Tanks & Pipelines	0.02	—	—	**0.02**	0.02	—	—	**0.02**	—	&
(e) Other Assets	5.63	#	—	**5.63**	1.83	0.25	—	**2.08**	**3.55**	3.80
TOTAL	224.25	115.75	0.07	**339.93**	37.93	6.44	0.01	**44.36**	**295.57**	186.32
Previous Year	208.81	15.44	*	224.25	33.80	4.13	$	37.93	186.32	

# Rs. 5706/-	@ Rs. 6/-
## Rs. 4190/-	@@ Rs. 168/-
* Rs. 249/-	& Rs. 1027/-
$ Rs. 10/-	

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS

			Rs. Million	31/03/1998 Rs. Million
Capital work-in-progress (at Cost)				
Work-in-progress			**5,216.90**	2,617.95
Capital Advances			**214.38**	737.90
Capital stores including lying with contractors			**533.07**	455.93
Capital goods in transit			**259.03**	72.03
Construction period expenses		31/03/1998		
Opening balance	**232.96**	196.07		
Add : Expenditure during the year				
Establishment charges	**120.52**	62.15		
Interest	**74.52**	507.93		
Depreciation	**1.00**	0.97		
Others	**40.15**	24.81		
	469.15	791.93		
Less : Allocated to assets during the year	**(284.29)**	(558.97)		
Balance pending allocation at the end of the year			**184.86**	232.96
Total			**6,408.24**	4,116.77

SCHEDULE 'F' — INVESTMENTS

	No.	Face Value Rs. Million	Book value Rs. Million	Book value 31/03/1998 Rs. Million
TRADE				
UNQUOTED				
1. Equity Shares of Rs. 10 each (fully paid up) of Bharat Shell Limited	**49,000,000** (49,000,000)	**490.00**	**490.00**	490.00
2. Equity Shares of Rs.10 each (fully paid up) of Bharat Oman Refineries Limited	**75,500,000** (55,000,000)	**755.00**	**755.00**	550.00
3. Equity Shares of Rs.10 each (fully paid up) of Numaligarh Refinery Limited	**220,815,730** (148,465,730)	**2,208.16**	**2,208.16**	1,484.66
4. Equity Shares of Rs.10 each (fully paid up) of Petronet India Limited	**160,000** (159,999)	**1.60**	**1.60**	1.60
5. Equity Shares of Rs.10 each (fully paid up) Cochin International Airport Limited	**5,250,000** (Nil)	**52.50**	**52.50**	—
6. Equity Shares of Rs.10 each (fully paid up) of Petronet CCK Limited	**1,299,998** (Nil)	**13.00**	**13.00**	—
7. Equity Shares of Rs.10 each (fully paid up) Indraprastha Gas Limited	**80** (Nil)	#	#	—
8. Equity Shares of Rs.10 each (fully paid up) of Petroleum Infrastructure Limited	**7,500,000** (7,500,000)	**75.00**	**75.00**	75.00
		3,595.26	**3,595.26**	2,601.26
Less : Provision for diminution in value of investment in Petroleum Infrastructure Ltd.			**75.00**	—
		3,595.26	**3,520.26**	2,601.26
NON - TRADE				
QUOTED				
1. **Government of India Securities**				
Deposited with Local Authorities				
5 1/2 % Loan 1999		**0.03**	**0.03**	0.03
5 1/2 % Loan 2000		**0.01**	**0.01**	0.01
5 3/4% Loan 2001		**0.16**	**0.15**	0.15
5 3/4% N.D. Loan 2001		**0.01**	**0.01**	0.01
5 3/4 % Loan 2002		**0.04**	**0.03**	0.03
6 % Loan 1998		—	—	0.23
6 1/2 % Loan 2000		**0.10**	**0.09**	0.09
7 % Loan 2009		**0.21**	**0.17**	0.17
7 1/2 % Loan 2010		**0.19**	**0.19**	0.19
8 % Loan 2011		**0.03**	**0.02**	0.02
		0.78	**0.70**	0.93
On hand				
5 3/4 % Loan 2001		**0.01**	**0.01**	0.01
6 % Loan 1998		—	—	0.05
		0.01	**0.01**	0.06

Rs. 800/-

SCHEDULE 'F' — INVESTMENTS (Contd.)

		No.	Face Value Rs. Million	Book value Rs. Million	Book value 31/03/1998 Rs. Million
2.	10.5 % Tax-free Bonds of Konkan Railway Corporation Limited of Rs. 1000/- each	**300,000** (300,000)	**300.00**	**285.00**	285.00
3.	9.75 % Tax-free Bonds of Power Grid Corporation Limited of Rs. 1000/- each	**200,000** (200,000)	**200.00**	**200.00**	200.00
4.	Units of The Unit Trust of India,1964 Scheme of Rs.10 each	**8,872,589** (8,872,589)	**88.73**	**112.55**	112.55
			589.52	**598.26**	598.54
	UNQUOTED				
1.	10.50% Oil Companies (Non - Transferable) Government of India Special Bonds, 2005		**1,490.00**	**1,490.00**	7,600.00
2.	National Savings Certificates (Deposited with Local Authorities, Rationing authority etc.)		*	*	0.01
3.	5 1/2 Years Kisan Vikas Patra (Deposited with Local Authorities)	**390** (390)	**3.90**	**3.90**	3.90
4.	Indira Vikas Patra		**0.09**	**0.09**	0.09
5.	Capital Contribution in Petroleum India International [Association of Persons - (AOP)] <u>Member Companies</u> # Bharat Petroleum Corporation Limited Bongaigaon Refinery & Petrochemicals Limited Cochin Refineries Limited Engineers India Limited Hindustan Petroleum Corporation Limited IBP Company Limited Indian Petrochemicals Corporation Limited Madras Refineries Limited Oil & Natural Gas Corporation Limited Indian Oil Corporation Limited		**0.50**	**0.50**	0.50
6.	Debentures (Irredeemable - Fully Paid up)				
	- 6 1/2 % debentures of Bengal Chamber of Commerce & Industry	**15** (15)	**0.01**	**0.01**	0.01
	- 5 % debentures of East India Clinic Limited	**1** (1)	**0.06**	**0.06**	0.06
7.	Ordinary Shares (Fully paid up) of Sindhu Resettlement Corporation Ltd.	**6** (6)	**0.01**	**0.02**	0.02
			1,494.57	**1,494.58**	7,604.59
	Total		**5,679.35**	**5,613.10**	10,804.39

All investments are long-term Investments
Each member company has an equal share of 10% and the total capital of AOP is Rs. 5.00 million.
* Rs. 2,000/-
Aggregate value of Unquoted Securities **Rs. 5014.84 million** (Rs. 10205.85 million).
Aggregate value of Quoted Securities **Rs. 598.26 million** (Rs. 598.54 million).
Market Value of Quoted Securities **Rs. 635.93 million** (Rs. 644.32 million).

SCHEDULE 'G' — INVENTORIES

(As taken, valued and certified by the Management) #

	Rs. Million	31/03/1998 Rs. Million
Stores and spares *	**875.00**	778.90
Stores and spares in Transit	**63.66**	75.77
Raw materials	**1,074.93**	1,249.33
Stock in process	**131.18**	46.37
Finished products	**11,236.88**	5,586.79
Packages	**302.00**	196.24
Total	**13,683.65**	7,933.40

Inventory valuation is as per Significant Accounting Policy no. 5.

* Includes **Rs. 6.21 million** (Rs. 10.08 million) lying with third parties.

SCHEDULE 'H' — SUNDRY DEBTORS

(Considered good unless otherwise stated)

	Rs. Million	31/03/1998 Rs. Million
Debts outstanding for over six months :		
Considered good *	**1,569.68**	1,169.89
Considered doubtful	**397.20**	335.04
Less : Provision for doubtful debts	**(397.20)**	(335.04)
	1,569.68	1,169.89
Other debts	**5,881.16**	4,268.16
Total	**7,450.84**	5,438.05

* Includes **Rs. 14.43 million** (Rs. 14.23 million) which are secured.

SCHEDULE 'I' — CASH AND BANK BALANCES

	Rs. Million	31/03/1998 Rs. Million
Cash on Hand	**949.78**	984.13
[Includes drafts and cheques of **Rs. 929.95 million** (Rs. 966.13 million) on hand]		
With Scheduled banks :		
In current accounts	**1,642.31**	303.73
In deposit accounts	**3.64**	3.60
Remittances in transit	**601.68**	596.81
Total	**3,197.41**	1,888.27

SCHEDULE 'J' — OTHER CURRENT ASSETS

	Rs. Million	31/03/1998 Rs. Million
Interest accrued and due on investments	**39.15**	84.25
Interest accrued and due on loans and advances		
Considered good	**0.39**	0.65
Considered doubtful	**4.10**	0.07
Less: Provision for doubtful Interest	**(4.10)**	(0.07)
Total	**39.54**	84.90

SCHEDULE 'K' — LOANS AND ADVANCES

(Considered good unless otherwise stated)

	Rs. Million	31/03/1998 Rs. Million
Loans (Secured) :		
To companies		
Considered good	—	0.47
Considered doubtful	**0.83**	0.36
Less : Provision for doubtful loans	**(0.83)**	(0.36)
To staff *	**2,776.42**	2,348.42
To others	**29.94**	27.91
Loans (Un-Secured) :		
To companies		
Considered good	—	25.50
Considered doubtful	**28.25**	—
Less : Provision for doubtful loans	**(28.25)**	—
Advances :		
Share Application money pending allotment/Advance towards equity shares	**922.63**	479.50
Advances recoverable in cash, or in kind or for value to be received **	**2,127.02**	1,998.84
Advances considered doubtful	**45.72**	39.13
Less : Provision for doubtful advances	**(45.72)**	(39.13)
	5,856.01	4,880.64
Claims :		
Considered good	**1,490.07**	431.07
Considered doubtful	**121.21**	86.17
Less : Provision for doubtful claims	**(121.21)**	(86.17)
	1,490.07	431.07
Deposits :		
With Customs/Excise/Port Trust etc.	**591.72**	440.27
others	**135.33**	177.75
	727.05	618.02
Considered doubtful	**1.19**	2.49
Less: Provision for doubtful deposits	**(1.19)**	(2.49)
	727.05	618.02
Total	**8,073.13**	5,929.73

* Include :

Due from Officers : **Rs. 11.70 million** (Rs. 8.07 million)
Maximum balances : **Rs. 13.00 million** (Rs. 9.15 million)

Due from Directors : **Rs. 1.02 million** (Rs. 0.60 million)
Maximum balances : **Rs. 1.05 million** (Rs. 0.77 million)

** Includes an amount of **Rs. 80.27 million** (Rs. 68.41 million) along with interest of **Rs. 20.15 million** (Rs. 20.15 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES

		31/03/1998	Rs. Million	31/03/1998 Rs. Million
Current Liabilities :				
Sundry creditors				
Total outstanding dues to SSI's	54.44	9.66		
Total outstanding dues to creditors other than SSI's	7499.96	4784.57	7,554.40	4,794.23
Deposits from Customers			28.58	31.74
Deposits for containers			10,510.28	8,827.44
Unclaimed Dividend			1.24	1.15
Other liabilities			7,604.44	6,736.32
Interest accrued but not due on loans			273.59	244.16
Total			25,972.53	20,635.04

SCHEDULE 'M' — PROVISIONS

	Rs. Million	31/03/1998 Rs. Million
Provision for Taxation (Net of Tax paid)	285.35	172.33
Proposed dividend	1,875.00	750.00
Corporate Dividend Tax	206.25	75.00
Provision for retirement benefits	714.69	614.13
Total	3,081.29	1,611.46

SCHEDULE 'N' — SALE OF PRODUCTS

	Rs. Million	1997-98 Rs. Million
Sales	256,498.42	206,974.67
Net Recovery from/(payment to) Industry Pool Account	(40,500.70)	(88,644.56)
Total	215,997.72	118,330.11

SCHEDULE 'O' — MISCELLANEOUS INCOME

	Rs. Million	1997-98 Rs. Million
Interest on bank deposits and others	**163.06**	1,031.35
Tax deducted at source - **Rs. Nil** (Rs. 201.01 Million)		
Income from Long Term Investments		
Interest (gross)	**700.80**	118.29
Tax deducted at source - **Rs. 0.02 Million** (Rs. Nil)		
Dividend (gross)	**17.75**	17.75
Tax deducted at source - **Rs. 3.55 Million** (Rs. 3.55 Million)		
Profit on Sales/Maturity	**—**	0.05
Income from Current Investments		
Interest (gross)	**7.21**	—
Tax deducted at source - **Rs. 1.42 Million** (Rs. Nil)		
Profit on Sales/Maturity	**9.19**	0.29
Excess provision for expenses written back	**21.85**	19.69
Other income	**881.25**	1,024.48
Total	**1,801.11**	2,211.90

SCHEDULE 'P' — INCREASE/(DECREASE) IN INVENTORY

		31/03/1998	Rs. Million	1997-98 Rs. Million
Value of closing stock of				
Finished goods	**11,236.88**	5,586.79		
Stock in process	**131.18**	46.37		
			11,368.06	5,633.16
Less :				
Value of opening stock of				
Finished goods	**5,586.79**	5,478.76		
Stock in process	**46.37**	81.12		
			5,633.16	5,559.88
Total			**5,734.90**	73.28

SCHEDULE 'Q' — CONSUMPTION OF STORES, SPARES AND MATERIALS

	Rs. Million	1997-98 Rs. Million
Stores, spares and materials	**1,476.31**	1,301.52
Less : Charged to other revenue accounts	**378.83**	419.29
Total	**1,097.48**	882.23

SCHEDULE 'R' — POWER AND FUEL

	Rs. Million	1997-98 Rs. Million
Power and Fuel	**1,740.80**	949.44
Less: Consumption of fuel out of own production	**1,324.06**	787.59
Total	**416.74**	161.85

SCHEDULE 'S' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS

	Rs. Million	1997-98 Rs. Million
Salaries and wages	**2,058.63**	1,775.96
Contribution to provident fund and other funds	**197.24**	172.86
Contribution to gratuity fund	**57.82**	91.48
Welfare expenses	**510.66**	395.71
Total	**2,824.35**	2,436.01

SCHEDULE 'T' — INTEREST

	Rs. Million	1997-98 Rs. Million
On Bonds	**382.54**	50.80
On Fixed Loans	**1,077.09**	706.43
Others	**285.55**	365.15
Total	**1,745.18**	1,122.38

SCHEDULE 'U' — OTHER OPERATING AND ADMINISTRATION EXPENSES

	Rs. Million	1997-98 Rs. Million
Repairs and maintenance :		
Machinery	397.36	464.44
Building	220.24	208.98
Others	352.59	273.54
	970.19	946.96
Insurance	155.83	133.51
Rent	382.97	327.12
Rates and taxes	199.21	120.82
Charities and donations	7.67	20.76
Remuneration to Auditors	0.67	0.51
Utilities	178.86	170.81
Bad debts and claims written off	0.25	3.92
Materials/products written off	0.04	5.74
Provision for :		
— Doubtful debts etc.	135.24	121.04
— Diminution in the value of investments	75.00	—
Charges paid to other oil companies	147.21	90.45
Travelling and conveyance	371.26	303.04
Telephone, Telex, Cables, Postage etc.	170.60	131.93
Loss on sale/write off of Fixed Assets(net)	10.72	10.76
Brokerage on Public Deposit	14.45	13.44
Other expenses	1,585.41	1,230.40
Total	4,405.58	3,631.21

SCHEDULE 'V' — PRIOR PERIOD INCOME/(EXPENSES) (NET)

	Rs. Million	1997-98 Rs. Million
Sale of products	86.32	(26.45)
Miscellaneous Income	4.36	(4.77)
Duties, taxes etc. and other product charges	—	61.54
Transportation	—	(0.53)
Consumption of stores, spares and materials	40.88	1.08
Power and Fuel	1.93	—
Employees' remuneration and other benefits	—	(70.17)
Other operating and administration expenses	3.11	(30.65)
Insurance	—	(0.74)
Interest	0.91	1.96
Depreciation	29.13	(14.64)
Total	166.64	(83.37)

SCHEDULE 'W' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999

BACKGROUND

The Corporation is in the business of refining/distribution of various petroleum/petrochemical products. The Corporation which was originally incorporated with the name of Burmah Shell Refineries Limited on 3.11.1952 was given the present name on 1.8.1977. The Corporation has a refinery at Mumbai and has marketing infrastructure throughout the country.

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The accounts are prepared under historical cost convention on accrual system of accounting except where otherwise stated.

2. FIXED ASSETS

2.1 LAND

2.1.1 Land acquired on lease where period of lease exceeds 99 years is treated as freehold. Cost of right of way for laying pipelines is capitalised.

2.1.2 Advance payments for acquisition of land for which Corporation does not have possession is included in Land as "Advance payments".

2.2 FIXED ASSETS OTHER THAN LAND

Expenditure on assets, other than plant and machinery and land, not exceeding Rs.1000 per item is charged to revenue.

2.3 EXPENDITURE DURING CONSTRUCTION PERIOD

Direct expenses (including direct financing costs) and crop compensation for laying pipelines incurred during construction period on capital projects are capitalised. Indirect expenses of the project group are allocated only to the projects costing Rs 50 million and above.

3. DEPRECIATION

3.1 Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.

3.2 LPG cylinders and pressure regulators and other fixed assets costing not more than Rs 5,000 each, are depreciated in full in the year of capitalisation.

3.3 Depreciation on assets not owned by the Corporation is provided over the period of five years from the year of capitalisation.

3.4 Depreciation on other fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956. Additions to fixed assets during the year are being depreciated on pro rata basis from the beginning of the month in which such assets are commissioned.

4. INVESTMENTS

4.1 All current investments are valued at lower of cost or fair market value.

4.2 All long-term investments, other than investments in Government Securities & Public Sector Bonds, are valued at cost and provision for diminution in value thereof is made, wherever such diminution is not temporary.

4.3 Government Securities & Public Sector Bonds are valued at lower of "Cost Price" or "Redemption Price".

5. **INVENTORY VALUATION**

5.1 **RAW MATERIAL**

5.1.1 Crude oil is valued at cost on first in first out basis.

5.1.2 Base oil is valued at weighted average cost.

5.2 Stock in process is valued at raw material cost.

5.3 **FINISHED PRODUCTS**

5.3.1 Finished products other than Lubricants are valued at cost on first in first out basis or at net realisable value, whichever is lower.

5.3.2 Lubricants are valued at weighted average cost or at net realisable value, whichever is lower.

5.4 Stores and spares are valued at weighted average cost except in the case of slow moving / obsolete items identified as surplus, which are valued at Re 1 per item.

5.5 Packages are valued at weighted average cost or at net realisable value, whichever is lower.

6. **MODVAT**

6.1 Modvat on revenue items is recognised on receipt of materials.

6.2 Modvat on Fixed assets and Capital stores is recognised at the time when the asset is put to use.

7. **CLAIMS AND PROVISIONS**

Claims/Surrenders on/to Oil Co-ordination Committee are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after Pool audit, as stipulated. Other claims are booked when there is a reasonable certainty of recovery. Provisions, as appropriate, are made based on the merits.

8. **SALES**

Sales are net of trade discounts and include, inter alia, excise/customs duties, Oil Pool Account adjustments and other elements allowed by the Government from time to time.

9. **RAW MATERIALS CONSUMED**

Raw materials consumed is net of surrenders to/claims from Oil Pool Account.

10. **CLASSIFICATION OF INCOME/EXPENSES**

10.1 Research and development expenditure other than capital expenditure is charged to Profit and Loss Account in the year the expenditure is incurred.

10.2 The cost of know-how related to process of manufacture is charged to revenue in the year in which it is incurred.

10.3 Being not material :

10.3.1 Income/expenditure upto Rs 0.10 million in each case pertaining to prior years is charged to the current year.

10.3.2 Prepaid expenses upto Rs 0.01 million in each case, are charged to revenue as and when incurred.

10.3.3 Liabilities for expenses, other than for transportation, rent and property taxes are provided for only if the amount exceeds Rs 0.01 million in each case.

10.3.4 Deposits upto Rs 1,000 each placed with Government agencies are charged as expenses in the year of payment.

10.4 Income from sale of scrap is accounted for on realisation.

11. RETIREMENT BENEFITS

11.1 Contribution made to Provident Fund are charged to Profit and Loss Account.

11.2 Other retirement benefits are actuarially valued at the year end and provided for in the accounts.

12. DUTIES ON BONDED STOCKS

Excise/customs duty on stock of finished goods in bond are accounted for on their release from bond. Since such goods are also sold in bond, no provision is made for excise duty on bonded stock as at the year-end.

13. FOREIGN CURRENCY TRANSACTIONS

13.1 Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction. Exchange fluctuations between the transaction date and the settlement date in respect of fixed assets are adjusted in carrying cost. Gains / losses on revenue transactions are recognised in Profit and Loss Account.

13.2 Current assets and current liabilities involving transactions in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet. Any profit/loss arising out of such conversion is charged to Profit and Loss Account.

13.3 Borrowings in foreign currency for acquisition of fixed assets are converted at exchange rate prevailing on the date of Balance Sheet or forward contract rates, as the case may be. Exchange fluctuations/ hedging costs are adjusted to the cost of assets and corresponding liability account.

14. GOVERNMENT GRANTS

In case of depreciable assets, the cost of the asset is shown at gross value and grant thereon is taken to Capital Reserve as deferred income, which is recognised in the Profit and Loss Account over the useful life of the asset.

Government grants of the nature of promoters' contributions are credited to Capital Reserve and treated as part of Shareholders' funds.

15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments and Contingent liabilities disclosed are those which exceed Rs 0.10 million in each case.

Contingent liabilities in respect of show cause notices issued by various Government authorities are considered only when converted into demand.

B. NOTES FORMING PART OF ACCOUNTS

1. With effect from 1st April 1998, the Government of India announced partial deregulation of the Oil sector. This, inter alia, included abolition of retention pricing mechanism for the refineries and removal of price controls on Industrial Bulk products. Consequently, the crude oil cost and ex-refinery prices of products, which were based on standard FOB prices of crude oil, have been revised upwards based on import parity principle. As a result of these changes, the previous year and current year figures in certain cases are not comparable.

2. Purchase of products for resale includes payment to third parties for processing fee **Rs. 41.97 million** (Rs. 61.87 million).

3. In accordance with the decision taken by the oil industry, the Corporation has adopted the first in first out basis for the valuation of petrochemicals and special products requiring additional treatment as against weighted average cost method adopted during the previous year. Had this change not been made, the profit for the year and correspondingly the stock of finished products as at 31.3.99 would have been higher by **Rs. 0.30 million.**

4. The Corporation has numerous transactions with the other oil companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustments, if any, arising therefrom are not likely to be material.

5. **5.1.** Liability on account of excise duty on finished goods depends on the end use and/or the manner of clearing these goods; it is therefore not practicable to quantify the duties payable on finished goods lying in bond. Accordingly, no provision is made for duty in respect of stock of finished goods held in bond as at the year end, which calculated at maximum rates works out to **Rs. 2001.78 million** (Rs. 1435.57 million). This has no impact on the Profit for the year.

   5.2. Differential excise duty on duty paid stocks of Liquefied Petroleum Gas (LPG) and Superior Kerosene Oil (SKO) is dependent on the end use. It is therefore not practicable to quantify such duty payable on closing stock of LPG and SKO. Accordingly, no provision is made in respect of such stocks held at the year end, the quantum of which calculated at maximum rates works out to **Rs. 85.51 million** (Rs. 134.88 million). This has no impact on the Profit for the year.

6. Provision for taxation in the Profit and Loss Account includes **Rs. 1.20 million** (Rs. 4.20 million) towards wealth tax.

7. The Corporation holds 49% equity in Bharat Shell Limited (BSL) which has accumulated losses. Provision has not been considered necessary in the accounts for the consequential diminution in the value of investments as in the opinion of the Corporation, BSL is expected to recoup its losses.

8. Central India Refinery project is being executed by Bharat Oman Refineries Limited (BORL), a Joint Venture Company (JVC) promoted by the Corporation and Oman Oil Company. The Corporation has disbursed funds aggregating to **Rs. 77.61 million** (net) (Rs. 72.62 million) towards this project which is recoverable from BORL (included in Schedule 'K' - Loans and Advances under "Advances recoverable in cash or in kind or for value to be received").

9. Numaligarh Refinery Project is being executed by Numaligarh Refinery Limited (NRL), a JVC promoted by the Corporation, IBP Limited and Government of Assam. The Corporation has disbursed funds aggregating to **Rs. 15.13 million** (net) (Rs 11.31 million) towards this project which is recoverable from NRL (included in Schedule 'K' - Loans and Advances under "Advances recoverable in cash or in kind or for value to be received").

10. Delhi City Gas Distribution project is being undertaken by Indraprastha Gas Ltd. (IGL), a JVC promoted by the Corporation and Gas Authority of India Ltd. (GAIL). Before the formation of the JVC, the Corporation has disbursed a sum of **Rs. 75 million** (Rs. 75 million) to GAIL as interest free advance towards meeting the initial Capital Expenditure for the proposed project. Further the Corporation has disbursed funds aggregating to **Rs. 0.56 million** (net) (Rs. Nil) towards expenditure for the project which is recoverable from IGL (included in Schedule 'K' - Loans and Advances under "Advances recoverable in cash or in kind or for value to be received").

11. Development of Infrastructure for marketing of LNG is being undertaken by Petronet LNG Ltd., a JVC promoted by the Corporation and Indian Oil Corporation Ltd. (IOCL), Oil and Natural Gas Corporation Ltd. and GAIL. Before the formation of the JVC, the Corporation has disbursed a sum of **Rs. 30 million** (Rs. 10 million) to GAIL, as on account payment for meeting preliminary expenses on the proposed JVC. Further, the Corporation has disbursed funds aggregating to **Rs. 1.71 million** (net) (Rs. 2.27 million) towards expenditure for the project which is recoverable from Petronet LNG Ltd (included in Schedule 'K' - Loans and Advances under "Advances recoverable in cash or in kind or for value to be received").

12. Development and laying of a network of petroleum product pipelines is being undertaken by Petronet India Ltd.(PIL), a JVC promoted by the Corporation with IOCL, Hindustan Petroleum Corporation Ltd and IBP Ltd. The Corporation has disbursed funds aggregating to **Rs. 0.84 million** (net) (Rs. 0.66 million) towards expenditure which is recoverable from PIL (included in Schedule 'K' - Loans and Advances under "Advances recoverable in cash or in kind or for value to be received").

13. Cochin Karur Pipeline Project is being undertaken by Petronet CCK Ltd, a JVC between the Corporation and PIL. The Corporation has disbursed funds aggregating to **Rs. 14.65 million** (net) (Rs. Nil) towards the project which is recoverable from Petronet CCK Ltd (included in Schedule 'K' - Loans and Advances under "Advances recoverable in cash or in kind or for value to be received").

14. Sundry debtors include an amount of **Rs. 618.94 million** (net) (Rs. 346.92 million) due from a customer. The amount, accumulated partly during the period November 1992 - June 1996 and rest during September 1997 - January 1999, representing price revision of a product is disputed by the customer and the dispute is pending in arbitration proceedings. The amount is receivable under the subsisting contractual arrangements. Payments have been received in full during the period July 1996-August 1997 and 1st February 1999 onwards. The Corporation expects to recover the dues for the inter-regnum period as per the said arrangements.

15. The Corporation follows open items system of maintaining customers accounts included in "Sundry Debtors". The transactions continue to appear in the customer accounts till such time the same are matched and cleared. This is an ongoing process and is not likely to have a material impact on the outstanding or classification in the accounts.

16. Sundry Debtors include a sum of **Rs. 1384.74 million** (Rs. 1002.79 million) recoverable from certain International Airlines owing to non payment of Sales Tax on ATF supplies with effect from December 1994. These airlines have claimed that Sales Tax cannot be charged to them considering the bilateral agreements signed by Government of India with their respective Governments. As ATF is a controlled product, this amount, in case the Airlines' contention is accepted by the Government, would be claimable from Pool account.

17. Pending finalisation of long-term settlement with the workmen, provision has not been made in the accounts for differential amount, if any. Part of the such amount payable, however, would be claimable from the oil pool account.

18. The names of the Small Scale Industrial Undertakings to whom the Corporation owes a sum exceeding Rs. 1 lakh which is outstanding for more than 30 days are as under :

M/s. J. J. Industries, M/s. Triveni Polymers, M/s. N. R. Patel & Co., M/s. ALB Plastics, M/s. Pentax Engineering Pvt. Ltd., M/s. Pramila Plastics, M/s. Arihant Technomac Ltd., M/s. Ashkin Die Castings, M/s. Him Valves & Regulators Pvt. Ltd., M/s. Jagadamba Engineering Pvt. Ltd., M/s. Prime Valves Industrial Pvt. Ltd., M/s. Vidharbha Gas Vessels Pvt. Ltd. and M/s. Shreeji Enterprise.

The above information is given to the extent available with the Corporation.

19. As per the press release issued by Government of India on 24th May 1999, the Government approved revision in salaries for the management staff, which is effective from 1st January 1997. The full details of the revision are yet to be received from the Government. As such, the additional liability arising from the revision in employees remuneration is unascertainable and, therefore, has not been provided in the accounts. A major portion of the amount payable, however, is recoverable from oil pool account as per the existing scheme.

SCHEDULE 'W' — (Contd.)

20. Capital Commitments and Contingent Liabilities :

	Rs. Million	31/03/98 Rs. Million
20.1 Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**2737.09**	5017.24
20.2 Contingent Liabilities :		
(a) In respect of taxation matters of prior years	**77.85**	76.58
(b) Other Matters :		
(i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**812.11**	798.98
(ii) Claims against the Corporation not acknowledged as debts :		
(a) Excise and customs matters	**2049.67**	1147.53
(b) Sales tax matters	**4966.15**	4360.31
(c) Others	**5008.50**	4030.11
These include **Rs 627.67 million** (Rs.662.47 million) against which the Corporation has a recourse for recovery and **Rs 331.30 million** (Rs.353.28 million) on capital account.		
(iii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	**114.53**	80.55

21. 21.1 The net amount of exchange difference credited to the Profit and Loss Account is **Rs. 2.20 million** (The net amount of exchange difference debited for the year 1997-98 Rs.39.94 million).

21.2 The amount of exchange difference credited to the carrying cost of fixed assets and debited to loan account is **Rs.Nil** (Rs. 0.05 million).

21.3 The Company has entered into forward exchange contracts which will not affect the profit or loss of one or more subsequent periods.

22. Managerial Remuneration :

	Rs. Million	1997-98 Rs. Million
Salary and allowances	**1.75**	2.02
Contributions to Provident Fund and other funds	**0.14**	0.16
Other benefits	**0.59**	0.89
	2.48*	3.07*

*Includes arrears of **Rs Nil** (Rs. 0.27 million) paid to erstwhile directors.

23. Remuneration to Auditors :

	Rs. Million	1997-98 Rs. Million
Audit Fees	**0.55***	0.40
Other Services (for issuing certificates etc.)	**0.02**	0.01
Out of pocket expenses	**0.10**	0.10
	0.67	0.51

* Includes Rs. 0.15 million which is subject to approval of the Comptroller and Auditor General of India.

SCHEDULE 'W' — (Contd.)

24. Licensed Capacity, Installed Capacity (as certified by the Management) and actual production in respect of goods manufactured :

	Licensed Capacity	Installed Capacity	Actual Production
(a) Fuel refinery			
(i) In million metric tonnes p.a.	**N.A.** (6.00)	**6.90** (6.00)	**8.96** (7.94)
(ii) Production in kilolitres (KL) Light distillates	—	—	**3,784,906** (3,325,829)
Middle distillates	—	—	**5,853,848** (5,238,160)
Others	—	—	**1,222,082** (1,084,104)
(b) Aromatics			
(i) Benzene in metric tonnes (MT)	**98,300** (98,300)	**98,300** (98,300)	**70,496** (57,169)
(ii) Toluene in M.T.	**17,600** (17,600)	**17,600** (17,600)	**16,990** (18,664)
(c) Lubricants in M.T.	**96,384** (96,384)	**90,000** (90,000)	**102,684** (86,951)
(d) Sulphur in M.T.	**5,700** (5,700)	**10,950*** (10,950)*	**1,246** (555)

* Designed capacity is based on processing of neat Middle East Crude.

25. Raw materials consumed :

	Quantity		Value
	KL	MT	Rs. Million
Crude Oil (net of surrender to/claim from Industry Pool Accounts)	—	**8,955,400** (7,941,452)	**34,283.59** (18,142.33)
Base oil	**100,232** (95,120)	—	**1,304.36** (1,401.63)
			35,587.95 (19,543.96)

Consumption of base oil excludes own consumption and samples **Rs. 0.27 million** (Rs. Nil).

26. Finished goods purchased, sold and stocked :

Petroleum Products	Opening Stock Quantity MT	Opening Stock Value Rs. Million	Purchases Quantity MT	Purchases Value Rs. Million
Light Distillates	**354,569** (329,700)	**1,299.97** (1,126.28)	**3,897,929** (3,355,326)	**35,673.38** (12,420.65)
Middle Distillates	**954,775** (959,717)	**3,157.63** (2,821.49)	**11,705,735** (11,304,418)	**87,887.49** (38,086.13)
Others	**153,133** (397,948)	**385.35** (713.71)	**1,090,671** (984,169)	**4,932.93** (2,601.80)
Aromatics				
(a) Benzene	**2,926** (8,861)	**33.70** (101.19)		
(b) Toluene	**1,160** (336)	**12.88** (3.96)		
Lubricants	**24,960** (22,485)	**697.26** (712.13)	**531** (0)	**32.54** (0)
		5,586.79 (5,478.76)		**128,526.34** (53,108.58)

Petroleum Products	Sales Quantity MT	Sales Value Rs. Million	Closing Stock Quantity MT	Closing Stock Value Rs. Million
Light Distillates	**5,878,521** (5,599,469)	**72,780.83** (38,384.65)	**357,904** (354,569)	**3,146.41** (1,299.97)
Middle Distillates	**16,404,613** (15,594,310)	**124,254.86** (67,762.70)	**996,054** (954,775)	**6,521.84** (3,157.63)
Others	**2,233,296** (2,263,574)	**13,088.30** (7,034.97)	**184,740** (153,133)	**676.45** (385.35)
Aromatics				
(a) Benzene	**69,719** (63,063)	**944.62** (711.03)	**3,279** (2,926)	**25.98** (33.70)
(b) Toluene	**17,680** (17,860)	**242.23** (202.91)	**405** (1,160)	**3.05** (12.88)
Lubricants	**100,665** (87,325)	**4,686.88** (4,233.85)	**28,996** (24,960)	**863.15** (697.26)
		215,997.72 (118,330.11)		**11,236.88** (5,586.79)

(a) Purchases include adventitious gains surrendered on opening stock and exclude inter-product transfers.

(b) Purchases of petroleum products exclude payments to third parties for processing fee **Rs. 41.97 million** (Rs.61.87 million) but include own consumption and samples **Rs. 55.97 million** (Rs.16.62 million).

SCHEDULE 'W' — (Contd.)

27. Value of imports calculated on C.I.F. basis (excludes imports through canalising agents) :

	Rs. Million	1997-98 Rs. Million
(a) Raw Materials	**343.75**	—
(b) Capital goods	**414.70**	360.93
(c) Components and spare parts (including packages, chemicals and catalysts)	**215.43**	213.88

28. Expenditure in foreign currency (on cash basis) :

	Rs. Million	1997-98 Rs. Million
(a) Interest	—	64.17
(b) Purchase of products	**185.52**	1036.63
(c) Know-how	**1.73**	18.33
(d) Professional Consultancy Fees	**75.48**	58.37
(e) Other matters	**58.51**	31.11

29. Value of Raw materials, stores/spare parts and components including packages, chemicals & catalysts consumed (on derived basis) :
(Import includes import through canalisation.)

	Imported		Indigenous		Total
	Rs. Million	%	Rs. Million	%	Rs. Million
Crude Oil	**8,124.70**	**23.70**	**26,158.89**	**76.30**	**34,283.59**
	(2,790.74)	(15.38)	(15,351.59)	(84.62)	(18,142.33)
Base Oil	**400.19**	**30.68**	**904.17**	**69.32**	**1,304.36**
	(136.57)	(9.74)	(1,265.06)	(90.26)	(1,401.63)
Stores/Spare parts and Components (including packages,chemicals & catalysts)	**441.98**	**22.37**	**1,534.05**	**77.63**	**1,976.03**
	(477.75)	(26.01)	(1358.84)	(73.99)	(1836.59)

30. Earnings in foreign exchange :

	Rs. Million	1997-98 Rs. Million
Exports at F.O.B. value on own account #	**2993.40**	3,567.34

Includes receipt of **Rs.2657.70 million** (Rs.2622.44 million) in Indian currency out of the repatriable funds of foreign airline customers.

31. Expenditure on social overheads :

	Rs. Million	1997-98 Rs. Million
(a) Expenditure on township [net of recovery **Rs.2.35 million** (Rs.2.28 million)]	**4.49**	5.06
(b) Medical facilities over and above statutory requirements	**1.02**	0.94
(c) Social and cultural activities	**15.45**	15.44
(d) Depreciation on capital assets (as indicated in Schedule 'D')	**6.44**	4.13

32. Profit and Loss Account includes expenditure on :

	Rs. Million	1997-98 Rs. Million
(a) Entertainment	**0.98**	1.07
(b) Public relations and publicity	**51.43**	64.35
(c) Remuneration to staff employed for public relations work	**2.31**	1.38

33. Research and development

	Rs. Million	1997-98 Rs. Million
(a) Revenue expenditure	**11.19**	7.36
(b) Capital expenditure	**32.02**	14.06

	Rs. Million	1997-98 Rs. Million
34. Value Added	**30,017.96**	24,446.48

35. STATUTORY INFORMATION PURSUANT TO PART - IV OF SCHEDULE - VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Companies General Business Profile

I. Registration Details

Registration No.	8931/TA/III of 1952 - 53	State Code	11
Balance Sheet Date	31		
Month	03		
Year	1999		

II. Capital raised during the year (Rs. million)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Rs. million)

	Total Liabilities	Total Assets
	46890.38	46890.38
Sources of Funds	Paid-up Capital	Reserves & Surplus
	1500.00	28718.09
	Secured Loans	Unsecured Loans
	8838.89	7833.40
Application of Funds	Net Fixed Assets	Investments
	37886.53 *	5613.10
	Net Current Assets	Misc. Expenditure
	3390.75	NIL
	Accumulated losses	
	NIL	

*Includes Capital work-in-progress

IV. Performance of Company (Rs. million)

Turnover	Total Expenditure
217798.83 *	208016.48
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
+ 9782.35	+ 7012.35 $
Earning per Share in Rs.	Dividend rate %
46.75 $	125

* Includes miscellaneous income

$ Before adjustment of tax relating to prior period.

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	2710
Product Description	PETROLEUM PRODUCTS
Item CodeNo. (ITC Code)	2902
Product Description	BENZENE
Item Code No. (ITC Code)	2710
Product Description	LUBRICANTS

Note : ITC code of products as per Indian Trade Classification based on harmonised commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics.

SCHEDULE 'W' — (Contd.)

36. In accordance with the approval from Department of Company Affairs, Ministry of Law, Justice and Company Affairs, vide approval 46/30/94-CL.III dt.4.2.1994 the figures have been shown in rupees million.

37. Figures of the previous year have been regrouped wherever necessary, to conform to current year presentation.

Signature to Schedules 'A' to 'W'

For and on behalf of the Board of Directors

Sd/-
U. SUNDARARAJAN
Chairman and Managing Director

Sd/-
A. SINHA
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Place : Mumbai
Dated : 26th May, 1999

CASH FLOW STATEMENT

For the year ended 31st March	Notes	1999 Rs. Million	1998 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		9,615.71	7,280.40
Adjustments for :			
Depreciation		4,039.89	3,823.45
Interest paid		1,745.18	1,122.38
Foreign Exchange Fluctuations	Note 3	(2.20)	39.94
(Profit) / Loss on Sale of fixed assets		10.72	10.76
(Profit) on Sale of Long-term Investments		—	(0.05)
Interest Received on Long-term Investments		(700.80)	(118.29)
Dividend Received		(17.75)	(17.75)
Other Non-Cash items	Note 4	56.39	(49.97)
Operating Profit before Working Capital Changes		14,747.14	**12,090.87**
Invested in :			
Trade Receivables		(2,013.04)	(284.73)
Other receivables		(2,139.37)	7,662.90
Inventory		(5,750.29)	(103.56)
Current Liabilities & Payables		5,408.28	1,952.12
Cash generated from Operations		10,252.72	**21,317.60**
Interest paid on loans other than fixed loans and bonds		(393.53)	(477.95)
Direct Taxes paid		(2,609.20)	(1,893.30)
Cash flow before prior period items		7249.99	**18,946.35**
Prior Period Items		(166.64)	83.37
Non Cash items		7.28	(34.33)
Net Cash from Operating Activities		7409.35	**18,897.31**

CASH FLOW STATEMENT (Contd.)

For the year ended 31st March	Notes	1999 Rs. Million	1998 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets	Note 6	(11,789.71)	(10,642.43)
Sale of fixed assets		6.18	13.87
Investment in Joint Venture Companies			
Bharat Oman Refineries Ltd.		(205.00)	(350.00)
Numaligarh Refinery Ltd.		(723.50)	(408.60)
Petronet India Limited		—	(1.60)
Petroleum Infrastructure Ltd.		—	—
Cochin International Airport Ltd.		(52.50)	—
Petronet CCK Ltd.		(13.00)	—
Purchase of Other Investments		—	(7,600.00)
Sale of Investments	Note 5	6,110.29	3.85
Interest Received		742.13	54.77
Dividend Received		17.75	17.75
Net Cash Flow on Investing Activities		(5,907.36)	(18,912.39)
C Net Cash Flow on Financing Activities			
Long term Borrowings	Note 6	3,530.23	2,057.73
Repayment of loans		(2,006.96)	(1,455.58)
Interest on fixed loans and bonds		(1403.22)	(988.62)
Dividend Paid		(750.00)	(495.00)
Corporate Dividend Tax		(75.00)	(49.50)
Net Cash Flow on Financing Activities		(704.95)	(930.97)
D Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)		797.04	(946.05)

CASH FLOW STATEMENT (Contd.)

Cash and Cash equivalents as at 31st March	1998 Rs. Million	1997 Rs. Million
Cash in Hand	984.13	1,140.50
Cash at Bank	307.33	262.67
Cash in transit	596.81	1,026.19
Cash Credit from scheduled banks	(3,295.15)	(3,316.22)
Unsecured loans from scheduled banks	(3,048.18)	(2,622.15)
	(4455.06)	(3,509.01)

Cash and Cash equivalents as at 31st March	1999	1998
Cash in Hand	949.78	984.13
Cash at Bank	1,645.95	307.33
Cash in transit	601.68	596.81
Cash Credit from scheduled banks	(6,000.00)	(3,295.15)
Unsecured loans from scheduled banks/ICDs	(855.43)	(3,048.18)
	(3,658.02)	(4,455.06)
Net change in Cash and Cash equivalents	797.04	(946.05)

Explanatory notes to Cash Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India.
2. In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
3. The net profit/loss arising due to conversion of current assets/current liabilities receivable/payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations".
4. "Other Non-Cash items" include excess provisions written back, foreign exchange adjustments not accruing in cash, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cashflow.
5. Sale of Investment includes Rs. 6110 million towards partial/premature redemption of 10.5% Oil Companies (Not-transferable) Government of India Special Bonds, 2005.

6. "Purchase of Fixed Assets" and "Long-term Borrowings" exclude the additional liability of Rs. Nil (1997-98 - Rs. Nil) arising on account of exchange variation on the amount of foreign currency loan outstanding as at the date of balance-sheet.

7. Figures of the previous year have been regrouped wherever necessary, to conform to current years presentation.

For and on behalf of the Board of Directors

Sd/-
(U. Sundararajan)
Chairman & Managing Director

We have verified the above Cash Flow Statement of Bharat Petroleum Corporation Limited for the year ended 31st March 1999 prepared by the Company and certify that the Statement has been derived from the accounts of the Company audited by us and has been prepared in accordance with Stock Exchange listing requirements.

For RSM & Co.
Chartered Accountants

Sd/-
(Vijay N. Bhatt)
Partner

For Mehra Goel & Co.
Chartered Accountants

Sd/-
(M.K.Goel)
Partner

Place: Mumbai
Dated: 26th May, 1999

ADDENDUM TO THE DIRECTORS' REPORT

(A) Comments of the Statutory Auditors :

1. COMMENTS OF THE STATUTORY AUDITORS IN THE AUDITORS' REPORT ON THE ACCOUNTS OF BHARAT PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 1999.

The Directors have received comments of the statutory auditors and the explanation of the Board of Directors is as under :

COMMENT

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Notes and the Significant Accounting Policies thereon and subject to note no. 19 regarding non-provision of additional liabilities for employees remuneration arising on revision in salary of management staff, the impact of which on the accounts is not ascertained, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view -

i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1999

and

ii) in the case of Profit & Loss Account, of the profit for the year ended on that date.

EXPLANATION

As per the press release issued by Government of India on 24th May, 1999, the Government approved revision in salaries for the management staff, which is effective from 1st January, 1997. The full details of the revision were to be received from the Government till the Board approval date i.e. 26th May, 1999. As such, the additional liability arising from the revision in employees remuneration which was unascertainable and, therefore, were not provided in the accounts. A major portion of the amount payable, however, is recoverable from oil pool account as per the existing scheme.

The above has been disclosed as note no. 19 of Schedule 'W' - Notes forming part of accounts.

(B) Comments of the Comptroller and Auditor General of India :

2. COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHARAT PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH 1999.

The Directors have received the comments of the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956 on the Annual Accounts for the year ended 31st March, 1999 vide letter no. MABii/BPCL/A/cs./98-99/291 dated 12th August, 1999. The explanation of the Board of Directors is as under.

EXPLANATION

BALANCE SHEET

Current Assets, Loans and Advances
Sundry Debtors Rs. 7450.84 million (Schedule 'H')

This includes an amount of Rs. 1384.74 million as recoverable from certain foreign airlines owing to non payment of sales tax on ATF supplies with effect from December 1994. Under the bilateral agreements between the Government of India and respective foreign Governments, sales tax exemption were given by State Governments. This was initially given as the Government of India compensated the State Governments and the State Governments later withdrew it when the Government of India stopped giving such compensation. The matter has been taken up with the Ministry of Petroleum and Natural Gas and the Ministry of Civil Aviation and their decision is awaited.

Noted. Suitable disclosure to this effect has already been made as note no. 16 under Schedule 'W' - Notes forming part of accounts.

For and on behalf of the Board of Directors

Sd/-
P. SESH KUMAR
Principle Director of Commercial Audit
& ex-officio Member, Audit Board II

Mumbai
12th August, 1999

Sd/-
U. SUNDARARAJAN
Chairman & Managing Director

Mumbai
29th August, 1999

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE B

Statement showing Stock Exchanges where BPC shares are listed

BPC's equity shares are listed on the following stock exchanges. The Listing Fees have been paid for 1999/2000 to all the following exchanges :

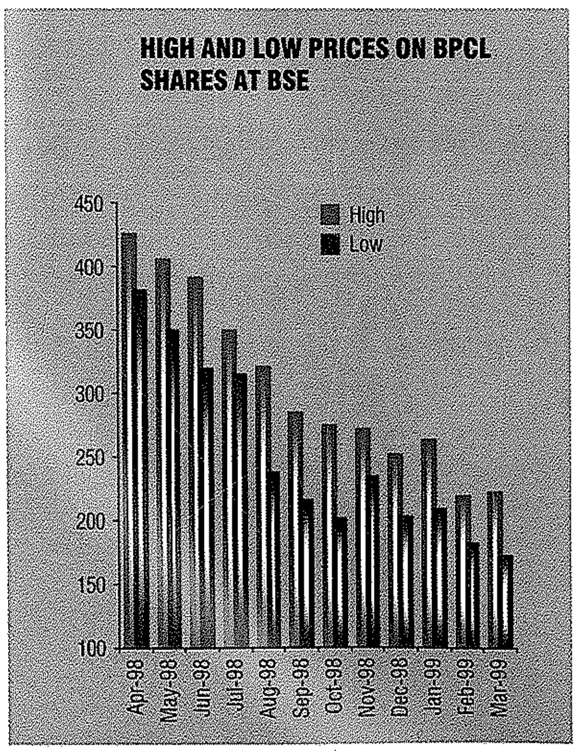
The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Mumbai 400 001.

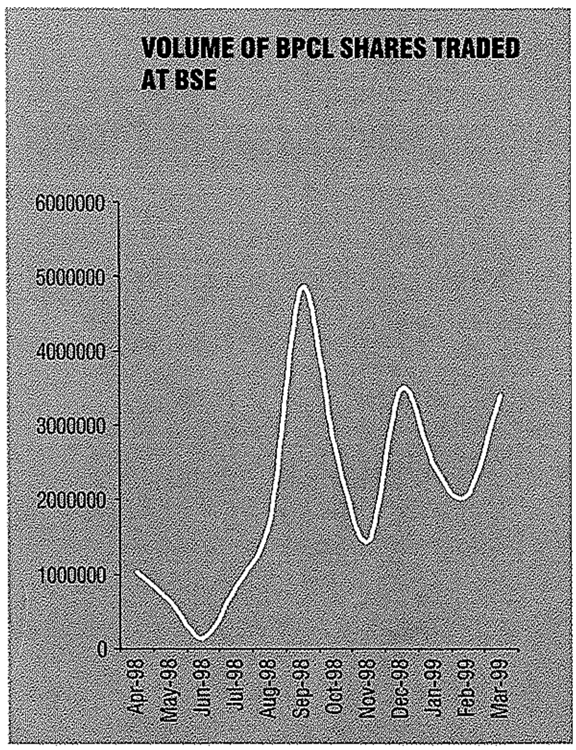
National Stock Exchange of India Ltd.
Mahindra Towers, 'A' Wing, 1st Floor,
RBC, Worli, Mumbai 400 018.

The Delhi Stock Exchange Association Ltd.
West Plaza, I.G. Stadium, Indraprastha Estate,
Delhi 110 002.

Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Calcutta 700 001.

Madras Stock Exchange Ltd.
Exchange Building, Post Box.No.183,
11, Second Line Beach, Chennai 600 001.





Mr. S.Y.Oke, Dy.Company Secretary, who has been appointed as Compliance Officer to look after investor grievances is available at Ground Floor, Bharat Bhavan 1, 4&6,Currimbhoy Road, Ballard Estate, Mumbai 400 001.
Tel/Fax: 2642112, Email :okesy@bharatpetroleum.com

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