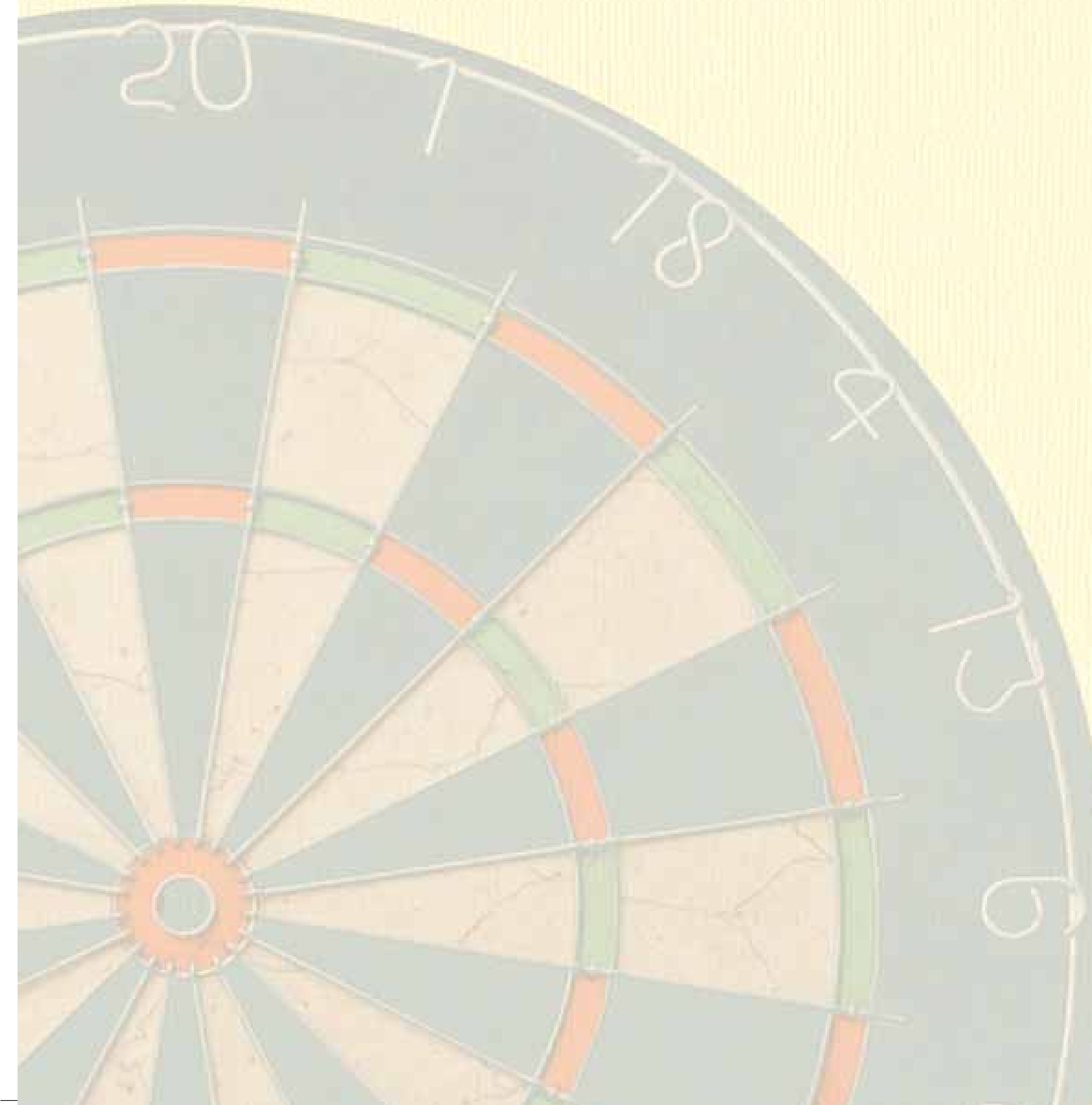
Bharat Petroleum

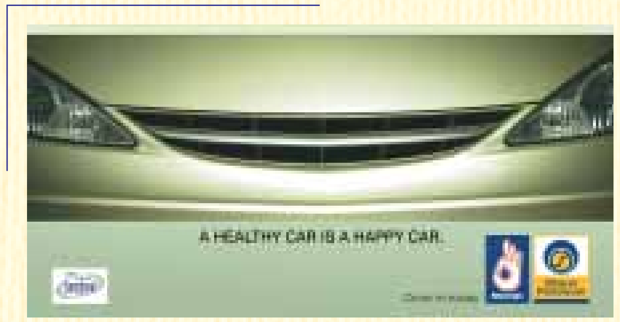
Bharat Petroleum Corporation Limited

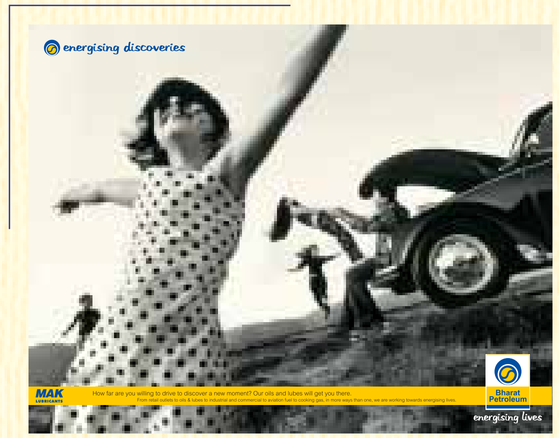
Annual Report 2004-2005

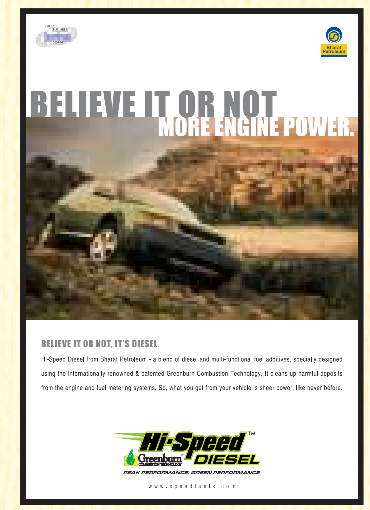
Bharat Petroleum

ANNUAL REPORT 2004 - 2005




A HEALTHY CAR IS A HAPPY CAR.


energising discoveries
MAK
energising lives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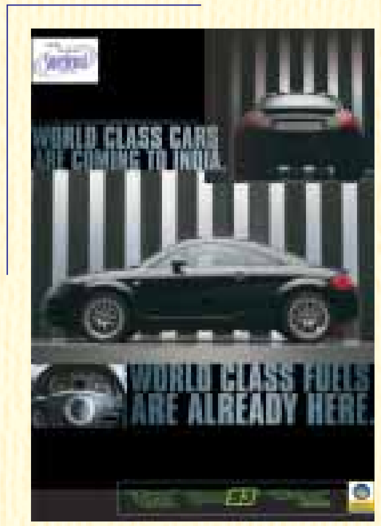
MORE ENGINE POWER.
BELIEVE IT OR NOT, IT'S DIESEL.
Hi-Speed DIESEL


WORLD CLASS CARS
ARE COMING TO INDIA.
WORLD CLASS FUELS
ARE ALREADY HERE.


BELIEVE IT OR NOT
SMOOTHER DRIVE.
BELIEVE IT OR NOT, IT'S DIESEL.
Hi-Speed DIESEL


A HEALTHY CAR IS A HAPPY CAR.

Sustaining Growth Through Value Creation

We are committed to adapting to continuous change,
synergizing efforts to attain stretched targets
in a volatile environment.

Harnessing technology to advantage,
we constantly strive to surpass the diverse expectations
of our customers, evoking customer delight.

With a firm belief in people delivering results,
we nurture and motivate our human resources
to develop creative solutions to achieve desired goals.

We constantly benchmark ourselves against the
best in class practices in the world,
employing novel strategies to maximize business opportunities.

Creating value for our stakeholders
is the end-product of continuous innovation leading to growth.

BPC . . . . . aiming to excel !

Group Performance Highlights

BPC ranks third amongst the Indian companies in the Fortune 500 list

Sales Turnover surged by 15% touching Rs. 720.37 billion

Net Profit at Rs. 20.74 billion

Earnings per share: Rs. 51.40

Crude throughput increased to 19.10 MMT

Market sales including exports zoomed to 23.09 MMT

Contents

Board of Directors

ASHOK SINHA
Chairman & Managing Director
Additional Charge of Chairman & Managing Director (upto 18.8.2005)
Director (Finance) (upto 28.2.2005)

S. BEHURIA
Chairman & Managing Director
(upto 28.2.2005)

S.A.NARAYAN
Director (Human Resources)

S. RADHAKRISHNAN
Director (Marketing)

M. ROHATGI
Director (Refineries)

AJAY TYAGI
Joint Secretary, Ministry of Petroleum & Natural Gas
(w.e.f. 21.4.2005)

ADITI S. RAY
Joint Advisor, Ministry of Petroleum & Natural Gas
(w.e.f. 21.4.2005)

M.S.SRINIVASAN
Special Secretary, Ministry of Petroleum & Natural Gas
(upto 16.6.2005)

A. K. SRIVASTAVA
Joint Secretary, Ministry of Petroleum & Natural Gas
(upto 7.3.2005)

B. MOHANTY
Joint Advisor (Finance), Ministry of Petroleum & Natural Gas
(upto 29.10.2004)

P. C. SEN

A. H. KALRO

V. D. GUPTA

D.M. NAIK BENGRE
Company Secretary

Bankers

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

Auditors

V. Sankar Aiyar & Co.

Registered Office

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

Mr. S. Radhakrishnan, Director (Marketing), Mr. S.A. Narayan, Director (Human Resources), Mr. Ashok Sinha, Chairman & Managing Director and Mr. M. Rohatgi, Director (Refineries).

Management Team

Mr. K. Subramanyam	Chief Vigilance Officer
Mr. A. K. Bansal	Executive Director (Corporate Affairs)
Mr. S. Chatterjee	Executive Director (Industrial & Commercial)
Mr. S. K. Joshi	Executive Director (Corporate Treasury)
Mr. S. Krishnamurti	Executive Director (Retail)
Mr. T. K. Majumdar	Executive Director (Legal)
Mr. S. Mohan	Executive Director (Human Resources Development)
Mr. S. K. Phull	Executive Director (Exploration & Production)
Mr. V. V. Ramamurthy	Executive Director (Joint Venture Refineries)
Mr. S. S. Ramgarhia	Executive Director (Coordination)
Mr. J. Ravichandran	Executive Director (Audit)
Mr. C. K. Sengupta	Executive Director (Finance)
Mr. S. K. Sharma	Executive Director (International Trade)
Mr. R. K. Singh	Executive Director (LPG)
Mr. R. P. Singh	Executive Director (Integrated Information Systems)
Mr. V.K. Agrawal	General Manager (Refinery Modernisation), Refinery
Mr. N. Bhakta	General Manager (Taxation)
Mr. P. S. Bhargava	General Manager (Quality Control Cell)
Ms. Sumita Bose Roy	General Manager (International Trade)
Mr. S. Chandramohan	General Manager (Finance), Refinery
Mr. B. K. Datta	General Manager Incharge, Refinery
Mr. Anurag Deepak	General Manager (Industrial Business Development)
Mr. S. P. Gathoo	General Manager (Lubes)
Mr. Pallav Ghosh	General Manager (Retail) Headquarters
Mr. Vinod Giri	General Manager (Retail) East
Mr. K. K. Gupta	General Manager (Logistics)
Mr. Arjun Hira	General Manager (Retail) North
Mr. U. N. Joshi	General Manager (Planning)
Mr. M. K. Kaul	General Manager (Engineering & Advisory Services), Refinery
Mr. V. D. Kumar	General Manager (Marketing Coordination)
Mr. L. Lobo	General Manager (City Gas Task Force)
Mr. S. P. Mathur	General Manager (Aviation)
Mr. R. K. Mehra	General Manager (Retail),West
Capt. M. J. Mohan	General Manager (Joint Ventures & Subsidiaries)
Mr. S. Ramesh	General Manager (Retail Strategy / Brand & Allied Retail Business)
Mr. D. M. Reddy	General Manager (Human Resource Services)
Mr. B. S. Sant	General Manager (Bina Refinery Project Cell), Refinery
Ms. Dipti Sanzgiri	General Manager (Finance), Retail
Mr. A. C. Sen	General Manager (Health, Safety & Environment)
Mr. Amitabha Sengupta	General Manager (Personnel & Administration), Refinery
Mr. K. V. Seshadri	General Manager (Operations), Refinery
Dr. M. A. Siddiqui	General Manager (Research & Development)
Mr. Manmohan Singh	General Manager (Engineering & Projects), Marketing
Mr. J. S. Sokhi	General Manager (Strategy)
Mr. S. Varadarajan	General Manager (Retail) South
Mr. D. M. Naik Bengre	Company Secretary
Mr. B. P. Singh	Dy. General Manager (Employee Satisfaction Enhancement)
Mr. M. M. Somaya	Dy. General Manager (Public Relations & Brand)

NOTICE TO THE MEMBERS

Notice is hereby given that the 52nd Annual General Meeting of the members of Bharat Petroleum Corporation Limited will be held in the Y.B.Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400 021, on Friday, the 23rd September 2005, at 10.30 a.m. to transact the following Ordinary Business and Special Business.

A. Ordinary Business

1. To receive and adopt the Directors' Report and the Report on Corporate Governance, the Audited Profit & Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date with the Report of the Statutory Auditors and the Review of the Comptroller & Auditor General of India, thereon.
2. To confirm the payment of Interim dividend.
3. 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.
4. To appoint a Director in place of Shri S.Radhakrishnan, Director (Marketing), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S. Radhakrishnan, being eligible, offers himself for re-appointment.

B. Special Business

5. **Appointment of Director**

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

   "RESOLVED that Shri Ajay Tyagi, Joint Secretary, Ministry of Petroleum & Natural Gas, be and is hereby appointed as Director of the Company."

6. **Appointment of Director**

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

   "RESOLVED that Smt. Aditi S. Ray, Joint Advisor, Ministry of Petroleum & Natural Gas, be and is hereby appointed as Director of the Company."

7. **Delisting of Equity Shares of BPC from the Stock Exchanges at Delhi, Chennai and Kolkata**

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

   "RESOLVED that pursuant to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, the Companies Act, 1956, and all other applicable rules, regulations and guidelines, and subject to approval, consent, permission of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, as may be necessary, and subject to conditions and modifications, if any, as may be prescribed or imposed by the concerned authorities while granting such approvals which may be agreed to by the Board of Directors of the Company, the consent of the Company be and is hereby accorded for delisting the equity shares of the Company from the Madras Stock Exchange Ltd at Chennai, the Delhi Stock Exchange Association Ltd. at New Delhi and the Calcutta Stock Exchange Association Ltd. at Kolkata.

   RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds and things as the Board may, in its absolute discretion, deem necessary, expedient or proper while giving effect to the above Resolution; and to settle any questions or doubts that may arise in this regard, without requiring the Board to secure any further consent or approval of the members of the Company."

8. **Sitting fees to the Non-executive Directors**

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

   "RESOLVED that pursuant to Section 309(2) and Section 310 of the Companies Act, 1956 read with the Companies (Central Government's) General Rules & Forms, 1956 and any other applicable provisions of the said Act and / or any modifications thereof, the consent of the Company be and is hereby accorded for payment of Rs. 10,000 (Rs. Ten Thousand Only), as sitting fees to the Non-executive Directors of the Company for each meeting of the Board of Directors and the Committee(s) thereof, attended by the Non-executive Directors.

   RESOLVED FURTHER that pursuant to Section 309(2) and Section 310 of the Companies Act, 1956 read with the Companies (Central Government's) General Rules & Forms, 1956 and any other applicable provisions of the said Act and/ or any modifications thereof, the Board of Directors of the Company be and is hereby authorised to increase the quantum of the sitting fees payable to the Non-executive Directors of the Company as they deem appropriate at any time within the overall limits fixed from time to time under the said Act."

By Order of the Board of Directors

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

Registered Office:
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
MUMBAI - 400 001.
Date: 22nd August, 2005

Notes :

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 proxy/proxies need not be a member. Proxies, in order to be effective, should be duly completed & affixed with the revenue stamp of the value of fifteen paise and be deposited at the Registered Office of the Company not less than forty eight hours before commencement of the Meeting.
3. In order to help us in providing appropriate answers backed by relevant financial data, the members may please send their queries that they would desire to raise at the Annual General Meeting, at least one week in advance, to the Company Secretary at the Registered Office.

Explanatory Statements for the Special Business pursuant to Section 173 of the Companies Act, 1956

Item No. 5 Appointment of Director

Shri Ajay Tyagi, Joint Secretary, Ministry of Petroleum & Natural Gas, was appointed as Additional Director, by the Board of Directors, with effect from 21st April 2005, 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. Ajay Tyagi, being an Additional Director, holds office up to the date of 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 Ajay Tyagi as Director of the Company. A brief resume of Shri Ajay Tyagi, as required under Clause 49(VI)(A) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. Shri Ajay Tyagi does not hold any share in the Company as on the date of appointment. The Directors recommend appointment of Shri Ajay Tyagi as Director of the Company.

Except Shri Ajay Tyagi, no other Director has any interest or concern in the Resolution.

Item No. 6 Appointment of Director

Smt. Aditi S. Ray, Joint Advisor, Ministry of Petroleum & Natural Gas, was appointed as Additional Director, by the Board of Directors, with effect from 21st April 2005, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India.

Smt. Aditi S. Ray, being an Additional Director, holds office up to the date of 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 Smt. Aditi S. Ray as Director of the Company. A brief resume of Smt. Aditi S. Ray, as required under Clause 49(VI)(A) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. Smt. Aditi S. Ray does not hold any share in the Company as on the date of appointment. The Directors recommend appointment of Smt. Aditi S. Ray as Director of the Company.

Except Smt. Aditi S. Ray, no other Director has any interest or concern in the Resolution.

Item No. 7 Delisting of Equity Shares of BPC from the Stock Exchanges at Delhi, Chennai and Kolkata

At present, the equity shares of the Company are listed on The Stock Exchange, Mumbai (BSE), the National Stock Exchange of India Ltd.(NSE), the Madras Stock Exchange Ltd(MSE), the Delhi Stock Exchange Association Ltd.(DSE) and the Calcutta Stock Exchange Association Ltd.(CSE).

BPC shares are traded regularly on BSE and NSE, but there was no trading in BPC shares on the MSE, DSE and CSE during the last five years, the prime reason being spread of nationwide trading terminals of BSE and NSE, coupled with internet trading.

The Securities and Exchange Board of India (SEBI) has issued guidelines viz SEBI (Delisting of Securities) Guidelines-2003 allowing the delisting of shares by a company voluntarily. As per the guidelines, if the shares of a company are continued to be listed in any stock exchange having nationwide trading terminals, the shares may be delisted from other stock exchanges without giving exit opportunity to the investors.

In view of the above, it is proposed to delist the shares of the Company from DSE, MSE and CSE. The equity shares of the Company will continue to be listed on BSE and NSE. As provided in the guidelines, approval of the members by way of a Special Resolution is required.

The Directors recommend the proposal for the approval of the members. None of the Directors of the Company has any interest or concern in the Resolution.

Item No. 8 Sitting fees to the Non-executive Directors

In terms of Sub-Clause (1) (B) of the revised Clause 49 of the Listing Agreement, which will be effective from 1st January 2006, all fees payable to Non-executive Directors shall be fixed by the Board of Directors and shall require prior approval of the members in a general meeting. Presently, sitting fees of Rs. 10,000 are paid to the Part-time (Non-official) Directors, as approved by the Board of Directors, for attending every meeting of the Board and Committees thereof which they attend. In order to meet the requirements under Sub-Clause (1) (B) of the revised Clause 49 of the Listing Agreement, the approval of the members is sought for payment of sitting fees to the Non-executive Directors. Further, authorization to the Board to increase the quantum of sitting fees payable to the Non-executive Directors within the overall limits fixed from time to time under the Companies Act, 1956 is also requested.

The Directors recommend the proposal for approval of the members.

All the Non-executive Directors are concerned or interested in this Resolution.

By order of the Board of Directors

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

Registered Office
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate, Mumbai 400 001
Date : 22nd August, 2005

Management Discussion and Analysis Report

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian economy is poised to register a growth of about 6.9% for the fiscal 2004-05 as against last year's performance of 8.1%. The main contributor to this fall was the agriculture sector which fell sharply from its 2003-04 level of 9% to 1% primarily because of a bad monsoon. While the industrial sector contributed its bit, the main driver was the services sector with a growth of about 11%.

Though the growth rate has receded in 2004-05, it is still one of the highest growth rates witnessed since 1991. There are many factors behind the robust performance of the Indian economy in 2004-05. High growth rates in the industrial & services sector and a benign world economic environment provided a backdrop conducive to the Indian economy. Another positive feature was that the growth was accompanied by continued maintenance of relative stability of prices. The average inflation rate during the fiscal was about 5.5%. The rise in inflation can be attributed to upward adjustment of fuel prices, firming up of metal prices and demand pressures in the manufacturing segment expected during the recovery phase.

The growth in the industrial and services sector also resulted in a growth of about 3.7% in the consumption of petroleum products during the year 2004-05. Petro products consumption now stands at 111.7 million metric tonnes (MMT). High Speed Diesel (HSD) consumption was in the process of reversing the declining trend during the last year. The trend continued during the current year and growth registered during the year was 7%. Motor Spirit (MS) consumption also increased by about 5%. The Aviation industry continued to have another good year of performance and sales of Aviation Turbine Fuel (ATF) increased by 14% during the year. Other products like Naphtha, LPG, and Fuel Oils also showed a growth.

The year 2004-05 witnessed sharp and spiralling increases in the international price of crude oil. The benchmark Brent crude prices touched a high of US$ 55.72 per barrel during the year. The average price of the Indian basket of crude which was around US$ 26.7 per barrel in 2002-03 and US$ 27.9 per barrel in 2003-04, scaled up about 30% to US$ 39.3 per barrel in 2004-05. There were several instances when the crude prices breached the US$ 50 per barrel mark. Another new phenomenon was the change in the spread between the light – sweet and heavy – sour crude oils. The average spread between Dubai and Brent crude prices during the year 2003-04 was US$ 2 per barrel. The same increased to US$ 6 per barrel. This has given a great benefit to all refineries which have the capability to process a higher quantum of heavy – sour crude oils. After the commissioning of the Refinery Modernisation Project, the BPC Refinery at Mumbai would be processing an increased percentage of heavy – sour crude oils and would be able to reap the advantage of this increased spread.

International prices of products also went up in tandem with crude oil prices. The average HSD prices, which were around US$ 32 per barrel in 2003-04, rose significantly to US$ 48 per barrel in 2004-05. In fact, HSD prices have almost steadily been above US$ 50 per barrel since Sept 2004 and peaked at US$ 60 per barrel during the first fortnight of March 2005. Similar trends were also seen in other products as well. The domestic prices of the products – particularly the mass consumption products viz. MS and HSD – did not rise in the same proportion. This resulted in a squeeze in the marketing margins of these products. This has impacted the profitability of the oil marketing companies severely.

The increase in international prices of products has been engaging the attention of the Government of India on a consistent basis. The Government has taken certain steps to alleviate the problem, like elimination of customs and excise duties in Superior Kerosene Oil (SKO) and LPG, reduction of customs duty by 5% in crude and by 10% on major products. This has, no doubt, helped the consumers to a certain extent. However, with the reduction in customs duties, the duty protection available to the refineries has come down. Further, the restructuring of excise duties in the union budget has also increased the costs to the oil marketing companies.

Out of the subsidised products, LPG Domestic prices were raised in two steps by Rs. 40 per cylinder. However, the SKO Domestic prices were not revised at all during the year.

Crude oil production in 2004-05 was close to 37 MMT, registering a marginal growth of about 1.8%. Imports of crude oil in 2004-2005 in terms of quantity was about 96 MMT valued at US$ 26 billion.

The overall refining capacity in the country, as on 31st March 2005 stood at 127.37 MMTPA. The refining sector processed 127.12 MMT of crude oil, which marks an increase of 4.3% over 2003-04, achieving 99.8% capacity utilization. With the proposed expansion of various refineries, which is in the offing, the country is expected to remain long on refining capacity for a few more years to come.

Imports of petro-products in 2004-05, including imports by the private sector, were 8.9 MMT, which is higher by 10.9% than the previous year. Product exports during the fiscal were around 17.5 MMT registering an impressive growth of 19.9%. The increase in exports was mainly on account of HSD, Naphtha and ATF.

The new Auto-fuel policy announced by the Government of India mandated marketing of Euro-III grades of petrol and diesel for 11 major cities to begin with, from April 2005. The Euro-III grades provide a lower Sulphur content as well as improvement in other parameters like Octane number for MS and Cetane number for HSD. The rest of the country is expected to migrate from the existing grades to Bharat Stage-II grades during 2005-06. About 20 states have already been converted and by October 2005 the country would not be selling any auto fuel confirming to the old specifications.

Conversion from one grade to another requires considerable planning and pre-activity. It also requires investments and reconfiguration in various refineries. As the investment programmes of most of the refineries were not completed in time, the country had to import the Euro-III and BS II grade products for a short time. As this demand was unexpected, the premiums for these products in the international markets also shot up considerably. With the changes being implemented in the refineries one by one, the imports are expected to stop by end September 2005.

In the domestic market, the new players who were allowed retail marketing of petroleum products, have increased their presence. Both Reliance and Essar have increased their retail network during the year. The commissioning of the first retail outlet by Shell in Bangalore in November 2004, signalled the re-entry of MNCs in India. While ONGC has also recently opened its first outlet, BPC's subsidiary, Numaligarh Refinery Limited (NRL), has also opened 7 outlets during the year. With the advent of new players, the Indian retail market is sure to be characterised by several marketing initiatives which could include intensified branding and differential pricing.

OPPORTUNITIES & THREATS

The fundamentals of the Indian economy are strong and stable. The country is poised for a strong GDP growth. The new infrastructure being developed, particularly the road network, will boost the demand for energy consumption in general and auto fuels in particular. With an expected GDP growth of 6-7% and an energy intensity of about 70%, the oil and gas sector is expected to grow at rates above 4% during the years to come.

The refiners' margin cycle is currently at its peak with the spreads between the products and crude increasing considerably. BPC Refinery would be increasing its capacity and throughput during the next 2 years. The current trends would help in increasing the refinery's profitability to a great extent. In order to ensure that the products from BPC Refinery are consumed domestically and also to address the problems of supply security in the Northern Region, BPC has already embarked on extension of its pipeline upto Delhi. The project is likely to be completed by end December 2006 and would not only ensure that BPC Refinery retains its fuel margins by way of domestic consumption, but also would reduce transportation costs considerably.

On the retail marketing of fuels, the rural markets present a great opportunity. A considerable growth in the automobiles sector, both passenger cars and 2 wheelers, is due to the additional demand arising in the rural markets. In order to reach these consumers, BPC is setting up alternative models of distribution and would be in a position to reap rich dividends from these markets.

The lubricants business is poised for a major change. BPC Refinery would be providing 180 TMT of Group 2 Base Oils. These Base Oils will be of better quality than the currently available grades and would command a premium in the market.

Another opportunity that would be encashed is the gas sector. BPC believes that gas is the fuel for the future and that it is set for an exponential growth. Here, the ability to secure gas supplies at competitive prices coupled with the ability to provide quality service to the consumers would be the two major challenges in gas marketing. With a share in Petronet LNG Ltd., BPC has already entered the gas market. The Company is in the process of looking at other opportunities including Iran LNG. BPC would also be looking at 'farming in' opportunities in the domestic gas sector.

The proposed merger of Kochi Refineries Limited (KRL) with BPCL provides another opportunity to utilize the synergies and plan the supply chain on a holistic basis. This would bring in additional cost savings to the Company.

The main risk for the overall business remains the high prices of crude oil and products and the inability to pass on the same to the consumers. The socio-economic and political factors currently do not allow the marketing companies to pass on increase in prices of mass consumed retail products to the consumers. A fully deregulated market perforce requires no controls on the selling prices of products. However, if the same is not followed, some players are likely to end up in a loss.

The competition certainly is another big challenge that needs to be taken into account by the existing players like BPC. However, most of the tools that can be utilized for thwarting the onslaught of competition are in the hands of the Company and BPC would be taking steps to face the same effectively.

PERFORMANCE

BPC operates in upstream and downstream sections of the oil industry. In the downstream sector, the performance of the various Strategic Business Units (SBUs) is discussed in detail further.

Refinery

Refinery

The Mumbai Refinery has completed 50 golden years of creditable service to the nation. It was in March 1955 that the refining facilities were inaugurated by Dr. Sarvapalli Radhakrishnan, the then Vice-President of India. During these years, the refining sector has experienced enormous transformations due to accelerating technological trends, the communication revolution, liberalized global markets, stringent product quality requirements etc. BPC Refinery has successfully responded to these challenges by continuously improving the efficiency of its existing operations coupled with the adoption of state-of-the-art technologies while growing in capacity from 2 million metric tonnes per annum (MMTPA) in 1955 to 12 MMTPA.

The Refinery Team.

The year 2004-05 has been the year of commissioning for the Refinery as many new units – facilities were brought on-stream as a part of the Refinery Modernisation Project (RMP). Major units commissioned include a highly energy efficient integrated Crude / Vacuum Distillation Unit (CDU – VDU), a revamped Reformer unit for simultaneous production of Euro-III Gasoline, Benzene and Toluene, an upgraded Diesel Hydro De-Sulphurisation (DHDS) unit with new catalyst to produce Euro-III Diesel, a 12" multi-product pipeline for product receipt and evacuation, Benzene Vapour Recovery System for reducing Benzene vapour emissions while loading tank lorries, three new crude oil tanks for enhancing crude storage cover etc.

As a part of the RMP, the Refinery is also putting up a new Hydrocracker, which is in the final stage of completion and is expected to be operational by August 2005. This will give the Refinery the flexibility to process larger quantities of sour crude oils in the mix, thus enhancing Refinery profitability. This complex also includes a second hydrogen plant and two trains of high efficiency sulphur recovery units. Integrated with this Hydrocracker is a state-of-the-art Hydroprocessing based Lube Oil Base Stock (LOBS) project for manufacturing Grade II LOBS. Construction activities of this project are in full swing and the unit will be commissioned in February 2006.

Despite these hectic construction and commissioning activities, Refinery operations were sustained at the normal level without any production loss and the Refinery achieved a new record in crude processing of 9.14 MMT during the year. The Refinery processed 18 different crude oils including 2 new crude oils viz. Brega and Sarir of Libyan origin and has now processed 63 different crude oils successfully.

BPC Refinery receives the Golden Peacock Environment Management Award 2004.

Secondary units' throughput, an indicator of optimal and efficient refinery operations, was 2.14 MMT – the highest ever achieved in any year so far. The Refinery enhanced its margins through maximising production of value added products like Polypropylene Feedstock LPG, MS, Linear Alkyl Benzene Feedstock (LABFS), Bitumen etc. showing improvement upon the previous year. During the year, it also commenced production and delivery of Euro-III equivalent Petrol & Diesel, thereby fulfilling the scheduled implementation of new auto fuel quality requirement.

Gross refinery margin of Rs.14,064.09 million for the Refinery was the highest in recent years. A major change for the Refinery was the withdrawal of the "Irrecoverable Taxes Compensation Scheme – 2002". Under this scheme, a portion of the octroi being paid to the Mumbai Municipal Corporation was being reimbursed by the Central Government. After withdrawal of this scheme, the Refinery has to bear the full burden of octroi resulting in reduction in Gross Margins by about US$ 1 per barrel. As a result the refiners' margin has remained flat at US$ 4.56 per barrel during 2004-05.

The then C & MD, BPC commissions the CDU/VDU Plant.

The Refinery maintained an on-stream factor of major processing units nearer to 100% through modern maintenance and inspection techniques and ensuring reliability of captive generated power. Adoption of maintenance techniques like online vibration monitoring, laser alignment, in situ dynamic balancing, extensive use of oil analysis etc. has contributed to improvement in equipment reliability. Use of micro-processor based relays in power distribution systems has improved power reliability. The new Hydrogen & Hydrocracker units would require adoption of new generation tools like high pressure power lancing for exchanger tube cleaning, mechanized tube bundle extractor, hydraulic bolt tensioning and torque wrenches for high pressure flanges etc.

The Refinery, along with Indian Institute of Technology (IIT), Chennai, is developing an online inspection tool based on Guided Wave Ultrasonic System for evaluation of integrity of pipelines especially at inaccessible support locations, which would ensure enhanced reliability of the pipeline network.

BPC Refinery takes pride in being the most environment friendly unit in the surrounding area. It was awarded the Golden Peacock Award 2004 under the oil & petroleum sector for its pioneer work in environment management. As a part of the solid waste management programme, the Refinery disposed off 250 MT of FCCU silica alumina spent catalyst in a Government approved secured landfill site, managed by M/s. Trans Thane Creek Waste Management Association, Mahape. The Refinery also organized reprocessing of spent heavy metal catalyst for recovery of metal salts with the help of a Central Pollution Control Board (CPCB) approved reprocessing agency for the first time in the country. BPC Refinery reaffirmed its commitment in the areas of Health, Safety, Environment and Social Welfare in the recently published Sustainability Report 2004.

On the social welfare front, the Refinery arranged multi-skill courses for adolescent children of Mahul and Karjat villages for improving their job related skills. BPC Refinery is proud of its partnership with AVERT Society – a tripartite body of US-AID, Government of India, and Government of Maharashtra to anchor a workplace intervention model on Prevention and Awareness of HIV – AIDS.

Director (R) makes a thought provoking presentation.

Retail

Retail

The year 2004-05 has been an eventful year for the petro retailing industry. More and more retail consumers are now getting treated to a retail fuel experience beyond the Public Sector oil companies for the first time in three decades. While reactions have been mixed in the media as well as on the ground, it marked the emergence of a new chapter in the history of motor fuel retailing in the country. The year also saw the unveiling of new Retail Visual Identities of all the oil PSUs; on the whole, the motorists were, in a way, given a preview of the exciting times the future holds for them.

The Retail SBU has been able to stem the initial tide by retaining the second position in the retail fuel market with sales of 12.16 MMT during 2004-05, a small growth of 0.41% over 2003-04 volumes of 12.11 MMT. The emphasis during the year was on network expansion with the commissioning of 892 retail outlets representing 25% of the 3625 new retail outlets commissioned by the industry members. Our new retail outlets have stood apart from the other industry members and this is borne out by the fact that the throughput per RO for BPC at 173 KL per month is 25% higher than that of other industry members having a similar size of network.

On the physical front, the year was marked by extensive success enjoyed by "Speed", the market leader in the branded fuels segment. With a 14% share of MS volumes, Speed recorded sales of 344 TMT through a 1598 strong RO network and consolidated its leadership position with a 42.3% share of a rapidly expanding market. The youthful as well as the superior technological image of the product, represented by our brand ambassador, Narain Karthikeyan, the first Indian to make it to the elite Formula 1 circuit, has brought many loyal customers to "Speed". BPC has introduced the premium HSD product "Hi Speed Diesel" during the year. Currently, "Hi Speed Diesel" is available in 443 outlets and has recorded a sale of 42 TMT during the first six months of its launch. BPC is quite confident that by the end of the financial year 2005-06, sales of "Hi Speed Diesel" would touch 500 TMT per annum. As far as BPC's standard products are concerned, MS sales were at 2.11 MMT and HSD sales were at 8.09 MMT.

With an eye on the future, BPC has been a front-runner in the alternate fuel segment with a deliberate attempt to grow the market even at the cost of existing volumes in the traditional fuel segment. Last year witnessed unprecedented growth of 82.13% in CNG sales in Delhi and Mumbai markets and 178% in Auto LPG markets. These sales meant some amount of cannibalisation of the MS volumes. The year saw the addition of 55 CNG stations and 25 Auto LPG stations in the network. Another 45 Auto LPG stations are on the anvil.

Notwithstanding the frenzy of new outlet commissioning, thwarting competition and expansion of the branded fuel basket, BPC's commitment to delivering value to the customer remained at the forefront with expansion of the "Pure for Sure" (PFS) network through the enrolment of 1314 retail outlets under the PFS brand. With a total of 3973 retail outlets certified under the PFS banner, 62% of the RO network now consistently delivers superior value to the customers covering 75% of the Company's fuel volumes. BPC is making efforts to ensure proper quality and delivery of right quantity even at non – PFS outlets. In this direction, even these outlets have been brought under the scanner and within the ambit of a third party audit.

Keeping pace with the changing times, a new Retail Visual Identity (RVI) of BPC has been developed after an extensive ideation and conceptualization exercise. The new RVI, built on the theme of water under the forces of nature, already adorns 80 retail outlets with work in 82 more in an advanced stage of completion. The new RVI rollout has also been progressing hand in hand with new RO commissioning and upgradation in conformity with the new RO layout design which was put in place during the year. The customers have shown a marked preference to the new RVI.

The "Petro Card" base grew by 0.3 million customers to reach 1.45 million and the "Smart Fleet" base grew to 0.49 million with the enrolment of 63,000 heavy vehicles during the year. The strategic emphasis during the year was to drive activation and customers rewarded the Company's efforts with the card business, clocking a turnover growth of 58% to touch Rs. 54.66 billion during 2004-05. Keeping in mind the increasing penetration of credit and debit cards in various consumer segments, strategic payment-facilitating alliances were firmed up with State Bank of India and HDFC Bank.

The Highway segment continues to be a priority area for the Business with the addition of 5 new One Stop Truck Shops (OSTS) taking the GHAR network to 65. With a 550 KL throughput per month per GHAR outlet, fuel sales from this network touched a new height of 355.55 TMT. Recognising the need for providing a superior and hygienic Food & Beverage (F&B) proposition for the highway traveller, a new proposition under the brand name "Tadka" has been launched in two outlets in Gajraula and Bilaspur in the Northern Region. BPC's efforts towards building rapport with the truck driver population were supported through a branded truck driver welfare programme called "BPC DOST" which was run during the year. With clear strategies and renewed vigour, the new fiscal will see BPC scaling new heights in this segment.

Keeping abreast of the corporate philosophy of service through innovation, the Retail Business, through a strategic alliance with the Police Department of Maharashtra, Madhya Pradesh and Chhattisgarh, commissioned 18 retail outlets. These outlets are run by Police welfare societies thus underlining BPC's commitment to social welfare.

The new RVI lends a warm and caring ambience to the retail outlet.

A similar innovative channel has been opened up in the rural market through association with Zilla Parishads and two retail outlets are being set up in Gadchiroli District of Maharashtra. Leveraging strategies of other corporates was also a way forward for the business with three retail outlets being commissioned in association with the "Haryali Kissan Bazar" initiative of M/s DCM Shriram Consolidated Limited and "Choupal Sagar" initiative of ITC Ltd.

The convenience retailing initiative of the business broke new ground with the commissioning of 146 "In & Out" Convenience Stores during the year. The network of 380 In & Out stores, by far the largest organized convenience retailing proposition in the country, grew by 62% in sales turnover to Rs.700 million. During the year, 5 "In & Out" stores moved up to the "millionaire club" by clocking sales of Rs.1 million per month, with several more within striking distance. Aware of its social commitment, select In & Out stores have special facilities for ease of access and upgraded toilet facilities for the benefit of physically challenged patrons. The basket of convenience offerings from the store continues to be enriched through the expanding web of alliances in the quest to fill customer need gaps in an innovative manner. The launch of "Launderettes" with IFB Industries and electronic dispensation of prepaid cards through E-Charge Tech Pvt. Ltd. were moves towards satiating the needs of the changing lifestyle of the urban consumer.

The concept of having "branded" service stations in the network was developed and launched during the year with the commissioning of the "V-Care" initiative in 2 retail outlets in Delhi. Research has shown that customer defections from authorized service stations to local garages for routine checks, repairs etc. usually happen post the warranty period, peaking at 60% in case of 5 year old vehicles. However, the overall customer experience at these local garages is far removed from the professional service rendered by the authorized service stations. The V-Care stations aim to fill

The Retail Team.

Speed Brand Ambassador, Narain Karthikeyan waves to the crowd.

this need gap among the vehicle owners by providing them with reliable, transparent and value for money services in the nature of basic vehicle care needs through a branded network. Through a revenue sharing formula with the dealers, these V-Care stations will also serve to augment site value capture.

The heart of the business was carefully tendered by increasing storage capacity to 3.05 million KL with the commissioning of a new Depot at Panki (Kanpur). During the year, the Manmad-Manglia stretch of MMPL was made fully operational with regular tank wagon loading commencing from Manglia for Northern Region. The pipeline is being extended to Delhi with TOPs at Kota and Bharatpur, to help in bridging product shortfall and consolidate BPC's product security in Northern Region. HSE continued to be a core focus area and 16 locations were upgraded to "Model Location" status with assurance of excellence in operational and service standards. The network of "Model Locations" is set to double during 2005-06.

The retail business has also been contributing to society in a major way. BPC continued to make pioneering moves in empowering women by providing them with gainful opportunities in the retail network. 500 Delivery Sales Women (DSWs) were added in the network during the year. With the help of IIM, Ahmedabad, some of the dealers were given exposure to custom designed training modules. The annualized event "Speed Run" has now become a signature event much sought after by vehicle enthusiasts; the Bangalore & Mumbai legs of the event witnessed a large turnout adding momentum to the brand.

The all women RO is a step forward for women empowerment.

On the financial side, however, the retail business had major problems during the last year. The increasing costs of procurement due to increase in international prices of crude oil and products could not be passed on to the consumers fully. This has resulted in a sharp decline in the margins for the retail business. The Government's efforts by way of reducing customs duties and conversion of excise duties from ad valorem to specific, were far too short of the uncovered gap. The average margins realised during 2004-05 were less than half of the margins realised in 2003-04. This has led to a substantial decrease in the earnings for all marketing companies and has affected their profitability considerably. In the case of BPC, the profitability of the retail business is very important as the major portion of the Company's sales are through this channel. The drop in BPC's profits is mainly a result of this reduction in retail margins.

In fact, the problem has worsened during the first three months of the financial year 2005-06 and the retail business has been making a loss on the mainline products. There is a need to urgently address the problems of MS – HSD retailing through a full fledged review of the taxes and duties and passing on some of the burden to the customers. The Company would continue its efforts towards this.

Overall, the retail business strategies are now focused to move to leadership position in the country and the learnings of the past year will stand BPC in good stead for playing a pivotal role in the changing auto fuel retailing scenario in the country.

I & C

Industrial and Commercial (I&C)

The year 2004-05 was eventful and challenging for the I&C Business, which achieved a number of milestones. The sales to industrial customers grew by 6.5% over 2003-04, which is above the industry average growth of 3.15%. During the year, the I&C business recorded the highest ever annual sales figure of 5.57 MMT.

BPC's foray into the LNG business during the year has reaped rich dividends in terms of volumes and margins. BPC sold a volume of 250 TMT of Regasified-LNG (R-LNG) to customers in Gujarat and along the HBJ pipeline. The volume would double to 500 TMT during 2005-06. Petronet LNG Ltd., BPC's joint venture with other players, is setting up a terminal at Kochi for re-gasification of LNG and BPC would be marketing R-LNG from this terminal as well. Petronet LNG is also looking forward to importing LNG from other sources like Iran at its Dahej terminal, where BPC would also be involved in marketing. Thus, BPC customers would be having a choice of Gas as a fuel in the days to come. This way, BPC expects to compensate for the loss in liquid fuels industrial business and be able to generate additional volumes and margins.

While the average industry growth in the sale of liquid fuels in the direct market was 0.43%, BPC could achieve a growth of 1.75%. In most of the products such as HSD, Furnace Oil/Low Sulphur Heavy Stock (FO/LSHS), Bitumen, Light Diesel Oil (LDO), Special Boiling Point Spirit (SBP) and Benzene, BPC's performance was higher than the industry average. However, Naphtha sales declined as there was a severe setback in demand of Naphtha from the power stations in the Southern States of the country.

Bunkering business was identified as an area of focus and as a result, a growth of 17.4% over 2003-04 was achieved. A strategic tie up has ensured that BPC will be the lead player in supplying bunker fuels at the Kakinada Deepwater Port.

M/s. Schenectady Herdillia Ltd.

Another area of focus was fuel supplies to Railway Consumer Depots (RCDs). With the commissioning of three new RCDs – at Moulali in Secunderabad, Dongapushi in Jharkhand and New Jalpaiguri in West Bengal – the business showed a growth of 12.9% in volume. Another RCD with a potential of 1500 KL/month at Sakleshpur near Hassan in Karnataka State, is at an advanced stage of completion and is slated for commissioning in early 2005-06.

A number of large customers have reposed their faith in BPC by renewing and concluding Long Term Agreements. The e-banking transactions during the year have risen to Rs.13.87 billion as compared to Rs. 7.76 billion during 2003-04.

BPC has always been keeping consumer needs in mind. Last year, acknowledging the requirements of Bitumen customers who needed a diversified product portfolio, a new product, Crumb Rubber Modified Bitumen (CRMB) was launched in February 2005. Plans are afoot to launch Polymer Modified Bitumen (PMB) in early 2005-06. The launching of these new products will further consolidate BPC's market share in Bitumen.

With new products, a customer friendly innovative marketing approach and a committed team, the I&C SBU is confident to face new challenges and competition in the coming years.

The I & C Team.

Lubricants

The Lubes Team.

Lubricants

The Lubricants Business has led the PSU companies in sales growth with a volume growth of 5% over last year. This growth was in spite of the spiralling base oil prices and other input costs.

The highlight of the year was the four major Genuine Oil Tie-ups signed by BPC with the market leaders in various segments. BPC's partners are M/s. Tata Motors, L&T Komatsu, ELGI Compressors and M/s ZF Steerings. These tie-ups are expected to generate healthy volume and customer loyalty, thereby increasing market share and also enhancing brand. The Genuine Oil tie-up for the 4 stroke engine oil, Hero Honda 4T Plus with M/s Hero Honda has resulted in BPC gaining the leadership position in the Hero Honda Genuine Oil segment.

The business has recorded an impressive growth in the Reseller segment, primarily due to the thrust in the Bazaar channel. This channel offers the highest potential to grow in the days to come, as many consumers are preferring the same and BPC's reach in this segment can be improved upon. Based on the market potential study, the process of placement of new distributors and repositioning of existing distributors in the Bazaar channel was initiated during the year.

A host of new initiatives have been taken in the Retail segment including training and education programmes for Driveway Salesmen in order to sustain the volume in the channel. Several attractive customer loyalty programs and sales promotion schemes were launched during the year, which have yielded good market response.

The Direct channel has also shown impressive growth. The volume growth was contributed, both by new customers as well as increase in supplies to existing customers. Several field trial projects are in progress and are likely to fructify in 2005-06.

Export of lubricants is another area of focus wherein the gains of the previous year were consolidated with impressive growth of 15.6% in 2004-05. Besides a traditional market like Nepal, BPC has exported consignments to West Africa for the first time. Several new business prospects in neighbouring countries in the Middle East, CIS countries, Africa and South East Asia are being pursued to get new business outside India.

The R&D Centre at Mumbai has developed several new formulations to meet the market requirements that include the latest generation high performance diesel engine oil meeting the stringent requirements of Euro-III engines.

With the growing interest in synthetics, in the light of the enhanced environmental awareness, synthetic automotive gear oil has been developed, which would not only contribute to the ecology by extending the oil drain interval, but also increase the service life of the gear & transmission system. The R&D Centre has also developed certain high performance products which would be beneficial to the resurgent steel, cement & automobile industries. These products would not only help in improving the quality of the finished product, but also the productivity.

In a span of just two years, MAK has become a very popular lubricant brand in the country. One of the major challenges this year was to take MAK forward after the launch of the umbrella brand and to gain the mind share of the consumer. Major initiatives were taken through promo campaigns, on ground activities at point of sale and co-branding with M/s. Tata Motors, L&T Komatsu, ELGI and ZF Steering, which has helped in improving brand positioning. New initiatives have been taken to make MAK the most endearing, reliable and innovative lubricant brand in the country.

A new Central Warehouse has been commissioned in Mumbai which will take care of the logistics requirements of the major lube storage hubs in the country. The project work for the Loni Filling Plant with state-of-the-art equipment and testing facilities is progressing as per schedule and is likely to be completed in 2005-06.

During the year, all the four Metro Labs have been certified for NABL accreditation with effect from March, 2005.

With an established umbrella brand, expected in-house base oil facilities at Mumbai Refinery, improvements in Genuine Oil tie-ups, better reach in Bazaar trade and focus on value added sales, the Lubricants business is poised for a healthy increase in its business over the next few years to come.

LPG

LPG

During the year 2004-05, the LPG Business Unit achieved sales of 2593 TMT, registering a growth of 11.34% over the previous year as against the industry growth of 9.65%. BPC's growth in LPG has been the highest amongst the industry;consequently, BPC's market share stood at 26.11%. This growth in market share was achieved through massive enrolments done year after year, covering both urban & rural population.

BPC has recorded an enrolment of 1.86 million new customers taking the total customer population to 21.32 million. The distributorship network has been further expanded with the commissioning of 142 new LPG distributorships during the year, taking the total number of distributorships to 2061.

During the year, the LPG filling at bottling plants was 2228 TMT representing a capacity utilization of about 115.8%. BPC also commissioned two new bottling plants at Bangalore and Vijayawada with bottling capacities of 44 TMTPA each during the year.

"Bharatgas" customers have benefited from various initiatives taken by BPC from time to time. In the last year, keeping the busy schedule of customers in mind, facilities were created to book refills on a 24x7 basis covering all customers. The increasing demand for extending the facility of booking over internet through www.ebharatgas.com and through common telephone number facility "1712" has been partially fulfilled during the year. 8.5 million customers from 128 cities can now book their refills through the internet. "1712" has been extended to 9 cities and in the days to come, BPC would be extending these facilities to all customers.

The "Beyond LPG" initiative, started during the last year for providing additional services and comforts through LPG distributors, was further strengthened during the year. The goods on offer now include household and kitchen items like pressure cookers, non-stick cookware, agricultural pump sets, teas of reputed brands, geysers etc. The initiative is a win-win situation for all the players involved viz. the producers, distributors and customers. The goods are offered through this channel at very attractive discounts and with exchange offers. Turnover of this "Beyond LPG" initiative has already reached Rs. 600 million and the channel offers a major benefit to distributors and consumers.

To upgrade customers' safety, BPC has planned to cover all the customers in a phased manner with anti-rodent LPG hoses branded as "Suraksha hoses". This would obviate one of the major reasons for accidents at the customers' premises. During the year, 2.2 million customers were supplied "Suraksha" hoses, which was a quantum leap over earlier years.

"Bharatgas" consumers have shown an encouraging response to the 46 Customer Relation Centres that are operational all over the country to provide clarifications and assistance on all LPG related matters to the customers.

BPC has been endeavouring to ensure the safety of the customers and give them an uninterrupted supply of cooking gas through a reticulated LPG system. During 2004-05, 3620 flats were commissioned with reticulated LPG. Another 15000 flats are being covered under reticulated LPG, which includes about 8500 flats where work is under progress.

In line with MoP&NG's objective of reaching LPG to the rural populace, BPC has launched 24 Rural Marketing Vehicles (RMVs) in various rural markets to serve "Bharatgas" customers in the rural areas across the country. This has significantly helped in reaching out to remote places in rural India and make LPG available for cooking, which in turn has contributed to improvement of lifestyle of the rural population.

At certain locations, there is a need for common cooking facilities for consumers. To address this requirement, the community kitchen concept was introduced and presently, 15 such centres are operating throughout the country. These kitchens are fully equipped with all the facilities required for cooking including LPG; such facilities are being used extensively, particularly at locations like hospitals, by the relatives of the patients coming for treatment to make their own cooked food.

Safe practices & safety have always been accorded the highest priority at BPC. Safety awareness campaigns during festivals and trade fairs at various locations all over the country were undertaken in the country during the year 2004-05. Safety of consumers, quality and productivity will continue to be the focus areas and BPC continues to excel in these areas.

Financially, the domestic LPG business is not currently a profitable business considering the frozen prices and increase in purchase costs due to increased international prices. The Government has taken several measures in 2004-05 trying to correct the situation. They have allowed two price increases of Rs. 20 each per cylinder during 2004-05. The removal of excise and customs duties on LPG has also provided a great relief to the business. The Government has also announced that they would provide the current level of subsidy from the budget for another two years. However, in spite of these measures, the marketing companies had to continue to provide a subsidy to the LPG Domestic consumers. The average subsidy provided by BPC was in the range of Rs. 118 per cylinder before sharing by the upstream companies. As both the customs and excise duties have already been reduced to a "Nil" level, there is no scope in adjustment of taxes further. There is an urgent need for either providing this subsidy directly through the main budget or a price increase in order to make this business break even. However, once these problems are sorted out in the medium and long term, this business would be a very profitable one.

The LPG Team.

'Beyond LPG' products are in great demand.

Aviation

AVIATION

The aviation sector in India is in the process of opening up. Many airlines commenced new operations and existing airlines increased their spread by flying to new destinations. Taking advantage of this increased activity, the Aviation Business Unit sold 587 TMT of ATF during 2004-05. This volume represents a growth of 4.8% over the previous year.

With ATF prices reaching very high levels, oil companies were forced to offer incentives for their customers to retain them and also to increase the uplift at Indian locations. In many of the international locations, the taxation policy makes upliftment of ATF cheaper than uplifting in India. The aviation business can get a major fillip in case the supplies to international airlines are declared as "Deemed Exports".

While retaining all major customers, BPC also enrolled a few new customers. The major growth came from the tourist charter business this year.

BPC continues with Shell Aviation as the Commercial and Technical partner. This agreement was beneficial for training personnel and benchmarking facilities with Shell facilities and international standards. On the commercial side, the volume delivered through international contracts entered by Shell grew by 163% from 31 TKL to 82 TKL.

BPC's superiority in the Information Technology area is being leveraged to provide value added services to customers. During 2004-05, BPC and British Airways have implemented an Electronic Data Interface (EDI). This would not only give benefits to the customer in the form of better and reliable data on time, but also provide ease of operation and less paperwork for BPC. As a result, British Airways have renewed their contract with BPC for a period of another two years and EDI is now available to all customers who are fuelling with BPC.

This technology is also being used for another customer, Northwest Airlines. Delivery tickets are being transferred electronically to this customer now, which are in line with the IATA specification of XML data transfer for delivery tickets. BPC is the first Indian fuel supplier to undertake this activity. The next step would be implementation of electronic invoicing for this customer.

BPC publishes a quarterly bulletin to appraise customers about the current trends and changes taking place in the aviation industry and the oil industry in India. This bulletin has been appreciated by the customers.

BPC has also made successful forays in the defence sector, supplying Aviation Lubricants to the Indian Navy, Kochi and Coast Guard, Goa. New customers were also enrolled for Aviation lubricants; as a result, sales increased 124% from 13 TKL to 29 TKL.

Approval of Aviation lubricants from the Centre for Military Airworthiness and Certification (CEMILAC) is the primary pre-requisite for supplying to the Indian Air Force. During the year, CEMILAC approved one more product viz. AeroShell Turbine Oil-500 (ASTO 500) and extended the approval of AeroShell Grease-7 by one more year. Applications for getting similar approval for three more products viz. ASTO 3, ASTO 750 and AeroShell Fluid 41 are pending with CEMILAC. These lubricants would constitute bulk of the requirement of the Indian Air Force and would provide BPC a good foothold in this profitable segment.

The Aviation Team.

The future of the aviation sector is quite challenging. The new aviation policy would bring in new customers to Indian Airports,thereby increasing the market size. However, it would also have an impact on the competition, which would get further intensified. Advent of new airlines offering cheaper travel would bring new fliers to Indian skies. BPC believes that with customer focus it should be able to maintain its market share and grow in the aviation business.

Hon'ble Prime Minister, Dr. Manmohan Singh at the Indian CEO Summit.

HUMAN RESOURCES

As on 1st April 2005, BPC had 12029 employees on its payroll. BPC has always put people above oil, attributes all its achievements to its people and believes that human resources are the most important resource of the organization.

In this highly competitive environment, employee retention has become a major challenge for all companies. BPC has accepted this challenge and introduced a variable pay component in its pay structure, which would differentiate between high performers and average performers. This Performance Related Incentive Scheme (PRISM) was distributed to its employees for the first time in October 2004. BPC has also effectively retained its employees with an attrition rate of just 3.33% for the year 2004 – 05.

BPC, PESB and Hay Group jointly undertook an empirical study on what makes for successful CEO's in the context of macro-economic, political and social imperatives being faced in India. More than 40 CEO's were interviewed in depth and their competencies were compared to a sample of outstanding CEO's from Europe and South America. Panel discussions and one to one meetings were held with key members of the Government, media and academics from India. Based on the above, 11 competencies were identified and were grouped into 4 clusters viz. Managing the Environment, Energizing Teams, Business Excellence and Inner Strength. These competencies were seen as being critical for success in the Indian business environment. The findings suggest that the best business leaders in India have some unique qualities – unlike those found in other excellent business leaders worldwide.

BPC were the National Champions at NMG - 2004.

The findings of the study were unveiled by the Hon'ble Prime Minister, Dr. Manmohan Singh at the "Indian CEO's – Competencies for Success" Summit on 22nd January 2005 at Vigyan Bhavan, New Delhi. The Summit was organized by BPC along with PESB, CII, SCOPE and FICCI. BPC was proud to be associated with a project of such national importance.

After restructuring the organization into SBUs, it was decided that BPC would develop competency models for critical jobs in the Company. M/s Hay Group, a worldwide leader in Competency Modeling, was chosen to facilitate the process. The critical roles in the organization were studied in depth and accordingly, competency models for these roles were developed. A methodology was worked out to profile the individual staff against the competency models through designing Competency Questionnaires.

BPC is in a process of implementing a Development Center for employees. The Development Center will be a method for assessing competencies of participants by trained assessors using various diagnostic processes in order to obtain information about participants' competencies and development potential. A core group of assessors have been identified who would be put through the techniques of a development center. The training would be in the form of observing live development centers with the assistance of external experts. Development centers for further profiling competencies of employees are expected to be operational in 2005 - 06.

BPC's HR strategies are focused on evolving and implementing need based training programs. 23,594 mandays of training have been conducted in BPC. This is to attain an environment of continuous upgradation of functional and developmental skills and competencies of all the employees. A total number of 8,262 employees were trained in the year 2004 – 05.

The Bharat Petroleum Learning Center located at Juhu, Mumbai facilitates learning and development for attaining better on the job results and improved business performance by analyzing the critical needs of Businesses and Entities, Competency Profiles of staff, leadership transition needs of the staff and Corporate Initiatives.

The Bharat Petroleum Scholarship for Higher Studies was launched in the year 2003-04. This Scheme enables deserving students, who demonstrate all round brilliance, seek financial support for their higher studies in well known institutions in India and abroad. During the year 2004-05, 22 scholars pursuing their higher studies abroad and 16 scholars pursuing higher studies in India have been recipients of the scholarship.

Hon'ble Petroleum Minister inaugurates BPC's Bangalore LPG Plant.

During the year, a Voluntary Retirement Scheme (VRS) was introduced in the Company in accordance with Department of Public Enterprises (DPE) guidelines and 430 employees including 117 management staff availed the same. The Scheme was financed through internal accruals of the Company and the total VRS payout worked out to Rs. 408 million.

The Ideas platform was created in the year 2000 to nurture creativity and innovation amongst employees. 'Ideas 2004' received the largest number of entries i.e. 302. Out of these, 22 teams from Technical, Sales and Marketing, Process and Systems improvement and Human Resources, won awards.

A BPC team was crowned the National Champions at NMG – 2004 organized by the All India Management Association. 99 teams representing various Corporates from all over the country participated in this championship. This team represented India in the Asian championship, held in Auckland (New Zealand) in October 2004, and were declared runners – up.

BPC's HR policies would be attuned towards retention of skilled manpower in the days to come.

INTEGRATED INFORMATION SYSTEMS

BPC continues to be a leader in the market in strategic use of Information Technology to achieve business goals and derive business benefits. BPC has achieved distinct milestones during the year 2004-05 in deploying various new IT initiatives.

The Company has successfully upgraded the SAP R/3 system from 4.0b to the Enterprise version on 1st August 2004 with no impact on routine business operations. With this upgrade, BPC has become the first oil company in the world to move to a technically superior and robust platform on the ERP front along with an IS-Oil solution. The SAP Enterprise version provides the required flexibility and extensibility for BPC to seamlessly manage new business scenarios and future business process changes. Taking advantage of the superior technical platform of the Enterprise version and the enhanced functionality that it offers, BPC has successfully implemented business processes for new initiatives like e-Choupal, B2B and CNG – LNG business. To support end to end processes of e-Choupal and 'Beyond LPG' initiatives, BPC has developed in-house web applications interfacing with SAP.

In line with the guidelines issued by the Central Vigilance Commission to all Government Departments, PSU Banks and other agencies, BPC has successfully implemented Electronic Fund Transfer (EFT) with effect from November 2004 for supplier payments at all the centers where such facilities are available with the banks. EFT ensures seamless transfer of funds eliminating unproductive back-end activities such as bank reconciliation, manual preparation of cheque and dispatch. The vendor account gets credited from within 24 hours to 5 days maximum. EFT is benefiting BPC to achieve better vendor relationship and receive better terms from vendors and suppliers leading to financial benefits.

BPC was awarded the NPMP Award for innovative use of Information Technology.

To enhance security and control in SAP R/3, a structured Governance mechanism has been put in place for all critical masters to ensure risk free business operation.

BPC has successfully gone live with the Corporate Finance Management and Real Estate Management modules from 1st April 2005. Corporate Finance Management is implemented to support better management of investments, borrowings and foreign exchange transactions. BPC plans to leverage Real Estate Management implementation by bringing the information on properties owned and leased spread across the country online for a meaningful analysis and decision making. The Real Estate Management module is envisaged to yield direct benefits to the company by supporting better space and rental management of properties.

Supply chain management is by far the most important activity which can result in cost cutting. BPC is currently implementing the Supply Chain Management project for its Lubes SBU. The project is expected to be implemented during the year 2005-06 and will provide a platform for the Lubes SBU to implement planning and optimization processes leading to reduction in inventory carrying cost and lost sales. This would also act as a pilot for implementing supply chain management for liquid fuels.

Recently BPC was awarded the prestigious "National Petroleum Management Programme (NPMP) Award for Excellence" in the categories of Information Technology for the most effective and innovative use of IT for improving overall corporate efficiency. Mrs. Gita Ramchandran, Chief Manager (IIS) received the award for Best Woman Executive in recognition of her wide ranging roles, high order of performance and distinctive achievements in the areas of projects, construction and computer systems.

In short, BPC would continue to excel on its technical capabilities on the Information Technology side and would continue to support business effectively in the years to come.

HEALTH SAFETY AND ENVIRONMENT

As part of its continuing efforts to enhance safety adherences all around, BPC laid special emphasis on Road Transportation Safety during 2004-05. In a joint collaboration with M/s National Safety Council (NSC), BPC organised a seminar on "Road Transportation Safety for Corporates & Transporters" on 19th July, 2004 at Mumbai which was participated by 47 officials from all oil companies and also some private sector companies. 54 transporters transporting liquid fuels and LPG for the above companies also came forward to participate. The transporters deliberated on many facets and voluntarily agreed to action points like development of more skilled drivers for heavy vehicles, their retention, training at frequent intervals, taking care of fatigue of drivers, care for vehicle condition etc. Following this success, another 'Road Transportation Workshop' was held jointly with NSC for BPC's transporters at Mangalore in January'05 and a similar response was received from the participating transporters.

For enhancing safety awareness amongst employees, contractors and their employees, customers visiting retail outlets, domestic LPG consumers – a number of safety clinics, training programmes and workshops were held. During such safety promotional events, district and other officials from statutory bodies also participated.

To facilitate learning from incidences including near-misses, an "online reporting system" has been introduced which enables all locations to report and concerned officials in the Region and HQs to be informed at once. This system helps to immediately investigate, analyse the incident and share learning with all employees.

The organisation's HSE efforts have been recognised by regulatory bodies and other safety savvy organisations. The Corporation received 28 awards during the year from various organisations, which include OISD, NSC, Greentech Foundation, Golden Peacock Award etc.

INTERNATIONAL TRADE AND RISK MANAGEMENT

The importance of International Trade within BPC's operations is increasing consistently. During the year 2004-05, the BPC group imported 82.02 million barrels (11.12 MMT) of Crude Oil as against the previous year's figure of 76.42 million barrels (10.38 MMT). After deregulation, when the imports were independently started, the group was importing about 7.7 MMT. The value of imports touched a record high – from US$ 1,512 million in 2002-03 to US$ 3,183 million in 2004-05. About two thirds of these imports are done on term contract basis – while the rest are purchased on a spot purchase basis.

BPC signed its first International Swaps Dealers Association Agreement with M/s. Vitol Asia Pte Ltd.

There has also been an increased tendency to import products independently. LPG imports, which were earlier canalised through IOC, are now being undertaken by BPC itself. The quantum of LPG imports soared from a mere 20 TMT in 2003-04 to 285 TMT during the current year. BPC has entered into a term contract with M/s. Saudi Aramco and M/s PETCO, which is a Trading wing of Petronas, Malaysia, for supply of 180 TMT and 84 TMT of LPG respectively. BPC also imported 32.33 TMT of base oil during 2003-04.

Recognising this importance, BPC has revised the organizational structure on the International Trade and Risk Management (ITRM) function on international lines including front office, mid office and back office. This new structure, along with increased manpower trained for effective discharge of their duties, would help BPC in effectively trading and mitigating risks. BPC has also put in place a policy on Commodity Risk Management. This policy dealt with the entire gamut of risk exposure, governance structure, business model, delegation of authorities, reporting mechanism and control. This was done with advice from noted international consultants, M/s. Accenture. After putting in place the risk policy, which laid out the boundaries for risk management activities in BPCL, after obtaining approvals from RBI for hedging and enlisting capable counterparties, BPC has executed its first commodity derivative trade.

BPC has implemented Tempest XL software to help in risk management activities. It also has a module for managing physical operations which is integrated with the main product Tempest XL. BPC is the first Triple Point customer to implement Tempest XL fully integrated with Physops XL. Tempest XL will be used for capturing physical and derivative trades, scheduling and nomination, vouchering and settlement of trades, managing risks, generation of MIS, etc. An interface with our SAP system enables transfer of trade and settlement data from TRM system directly into the SAP system.

Risk management has considerable significance in BPC's business. It would help in reducing volatilities in the procurement costs and sales realisation. It can also help in offering innovative packages like flat pricing to the customers. In the days to come, Risk Management would play an even greater role.

EXPORTS

BPC has been exporting Naphtha and Fuel Oil from Mumbai Refinery. BPC's exports jumped to 519.88 TMT as against 485.66 TMT in the previous year. The increase in value has been much more significant and stood at US$ 194 million as against US$ 119 million in the previous year. The rupee value of exports rose from Rs. 5,485 million to Rs. 8,656 million, an increase of 57.82%. As a result of this substantial increase of value, BPC qualifies for availing benefit under the 'Target Plus' scheme announced under the Import Export policy of the Government of India as per which any company achieving a growth percentage in excess of 20% would be eligible for a duty credit entitlement at 10% on the incremental growth. The benefit to BPC in this case works out to Rs. 321.96 million. In addition, during the year 2004-05, BPC availed Advance Licence worth Rs. 701 million as against a sum of Rs. 555 million during 2003-04.

Clear focussing of exports, increase in premiums by identifying the users for product being offered and proper usage of Government incentives is making exports an economically feasible option for evacuation of products.

RESEARCH & DEVELOPMENT

The Corporate R&D Centre (CRDC), Greater Noida, and the Product & Application Development Centre (P&AD), Sewree, Mumbai continued their efforts to provide competitive advantage to the Corporation's business operations through innovations in the areas of refining processes, speciality products and lubricants.

In the area of petroleum refining, R&D activities included value addition through selection of optimum catalysts for improved distillate yields and higher throughputs; quality upgradation to meet new fuel specifications; developing cost effective schemes by making use of suitable additives in blending of Refinery streams for desired product quality. Advanced technical support was also provided through development of new test methods, studies on corrosion and fouling, crude and product evaluation etc.

CRDC has also initiated application oriented studies in the area of alternate fuels viz. Bio-diesel and Hydrogen. Necessary facilities for conducting field trials and testing of products have been established. It is believed that in future, these fuels would be of great importance and BPC would be ready to take advantage of R&D activities.

In the area of lubricants, P&AD developed several new formulations for meeting market requirements that included engine oils, greases, metal working fluids, rust preventive oils and improved formulations for nine existing grades during the year.

Readings being taken at CRDC's FCC Pilot Plant Unit.

The Indian refining industry is moving through a period of change. Auto fuel quality has become more stringent as the nation switches over to Euro-III – BS II specifications. The crude oil situation has dramatically changed in the last one year and crude prices have skyrocketed to over US$ 55 per barrel. Business sense demands that BPC critically looks at emerging changes, reassesses the impact of continuing practices, product quality etc. to ensure that the best use of investments is made for improved commercial results.

EXPLORATION AND PRODUCTION OF CRUDE OIL AND GAS

Exploration and Production (E&P) involves typically three phases of operations viz. Exploration, Development and Production. BPC proposes to balance the risk by looking into a mix of exposure to all the three phases with an E & P budget of Rs. 10 -15 billion for the next four to five years.

BPC has been awarded three blocks under the NELP IV round - two blocks in the deep sea water in the Krishna-Godavari and Mahanadi basins in consortium with ONGC and OIL and one on-land block in the Cauvery basin along with ONGC. The exploration works on these blocks have since commenced and it is estimated that the total expenditure for BPC would be approximately Rs.1.58 billion during the exploration phase.

More recently, BPC's team has actively participated in the review of information thrown open for exploration for the 20 exploratory blocks on offer under NELP-V. Although BPC did participate in the bidding, there was no success. However, BPC would continue to participate in these rounds in the years to come.

BPC is also actively considering participation in the offshore marginal fields offered by ONGC where oil / gas has been discovered. This involves providing services for development and exploitation of these fields. BPC is also open to the opportunity of acquisition of some assets for 'farming-in' ventures i.e. to buy either equity or full assets in the existing E&P companies and is on a lookout for suitable opportunities.

The above-mentioned strategy and participation would help BPC acquire a balanced portfolio of risks and opportunities on offer in the upstream sector and would stand it in good stead in the emerging business environment.

NATURAL GAS DISTRIBUTION PROJECTS

BPC has recently commissioned a Natural Gas Distribution Project in Gandhinagar District of Gujarat. This project will be extended further to cater to the demand of Natural Gas in the districts of Mehsana and Sabarkantha. The entire project envisages an estimated expenditure of Rs. 3.36 billion with a target volume of 1.3 million standard cubic meter per day of Natural Gas.

A joint venture company has been incorporated under the name "Central India Gas Company Limited" for city gas distribution in Kanpur and the surrounding areas. BPC is one of the promoters of this company along with GAIL. A similar joint venture would also be incorporated for the city of Pune.

OUTLOOK

Hon'ble Petroleum Minister and Minister of Mines, Ecuador inaugurate BPC's pavilion at PETROTECH - 2005.

The high oil prices, which have threatened oil consumption throughout the world, are also forcing the oil marketing companies to take temporary losses. The strong resistance to increasing prices, despite increase of international prices, would continue for some time to come. The chances of crude oil prices dropping internationally also are not very high. Thus, the oil industry would be seeing a squeeze on margins and losses in the short term. However, this situation is not going to continue for long and once the prices are de-regulated, there is a good probability of normal margins returning, which would bring the profitability back. The industry would see more broadbasing of profits by way of acquisitions, mergers etc. which would also reduce the risk of exposure in one particular activity.

On the environmental investment side, one round of fuel upgradation has already taken place and in the medium term there would be a consolidation of these norms. However, the refiners will have to start thinking about extra capital expenditure to bring themselves in line with the revised fuel norms which would become applicable effective 2010.

The Natural Gas market is certainly expected to grow and the growth will be at the cost of industrial fuels like Naptha and Furnace Oil. With the establishment of markets abroad for these fuels, BPC has taken the required steps to hedge these risks.

Overall the sector is quite turbulent but there is definite growth in the years to come.

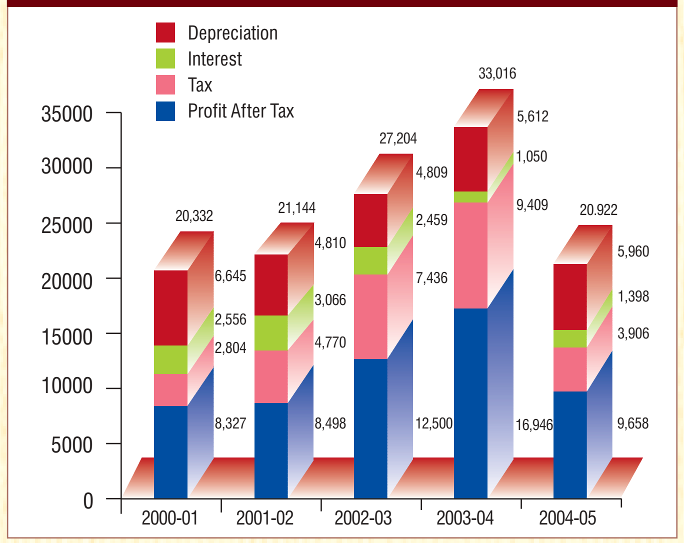
INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

BPC has a system of internal controls to ensure optimum utilization and protection of resources, IT security, speedy and accurate reporting of financial transactions and compliance with applicable laws and regulations, as also internal policies and procedures. For this purpose, the company has formulated a clearly defined organization structure, authority limits and internal guidelines, rules for all operating units and service entities. SAP R/3 and Business Information Warehouse (BIW) systems have further enhanced the internal control mechanism.

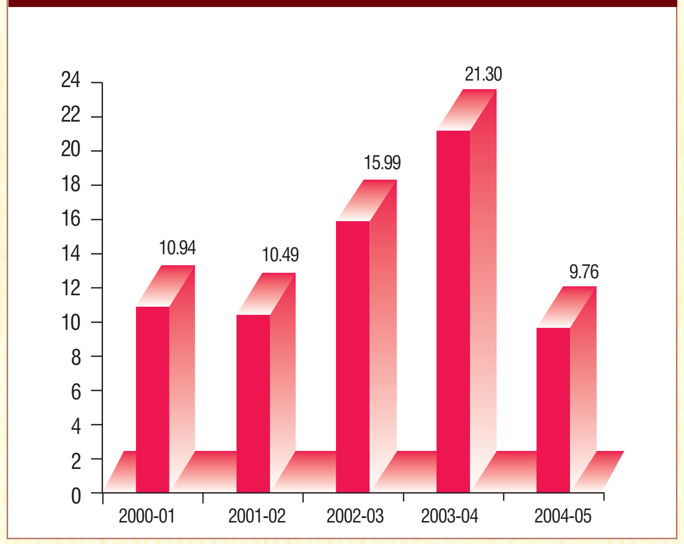
BPC has an internal audit department consisting of experts from various functions, which supplements the review of key business processes and controls through regular audits. Audit reports, significant risk area assessment and adequacy of internal controls are also periodically reviewed by the Audit Committee through meetings held with the management, internal audit and statutory auditors.

Ideas abound at the Finance Meet.

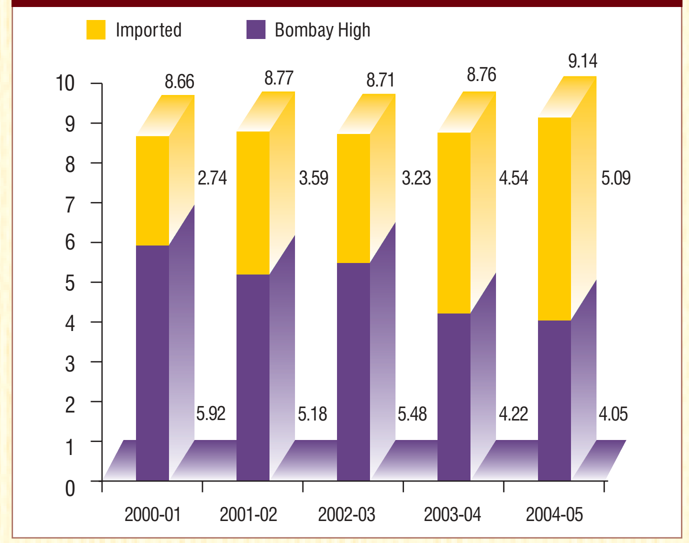
GROSS PROFIT (Rs. in Million)



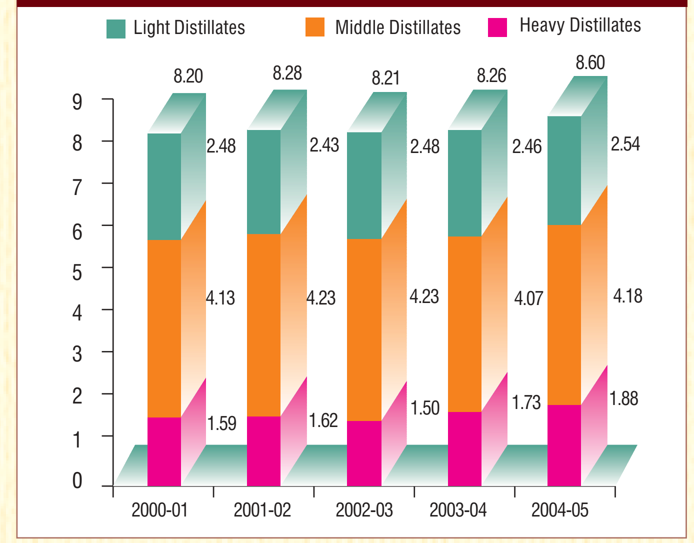
RETURN ON CAPITAL EMPLOYED (Percentage)



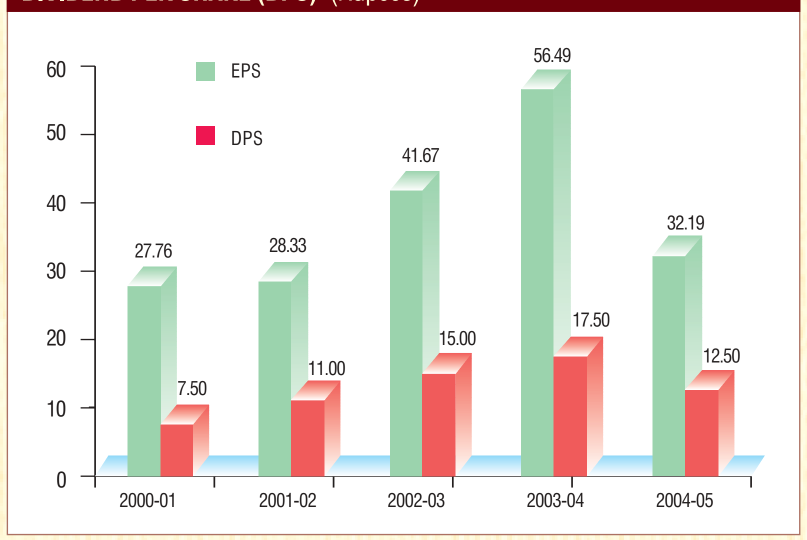
CRUDE PROCESSED (Million Metric Tonnes)



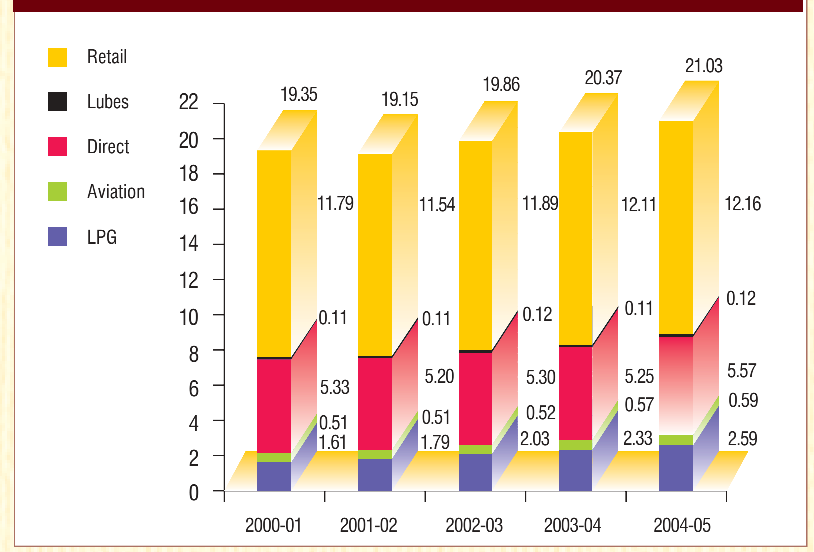
PRODUCTION (Million Metric Tonnes)



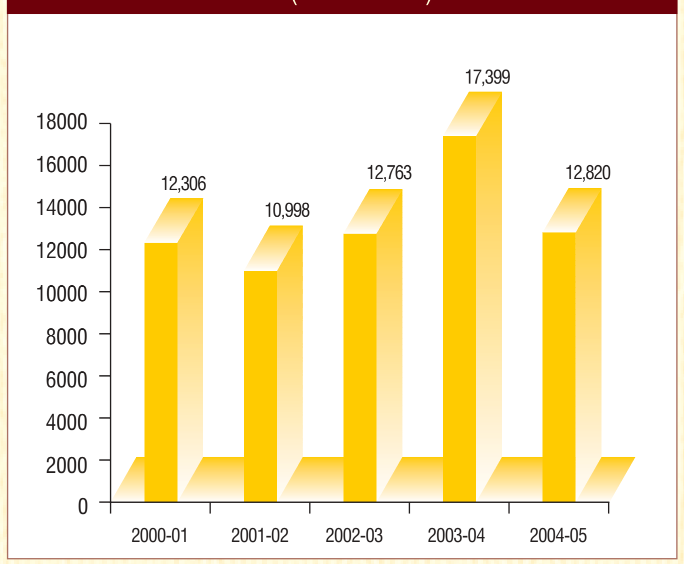
EARNINGS PER SHARE (EPS) / DIVIDEND PER SHARE (DPS) (Rupees)



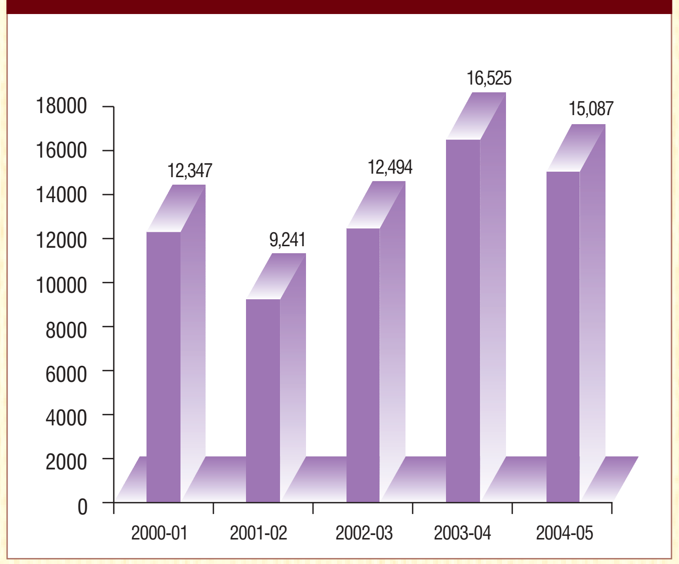
MARKET SALES VOLUME (Million Metric Tonnes)



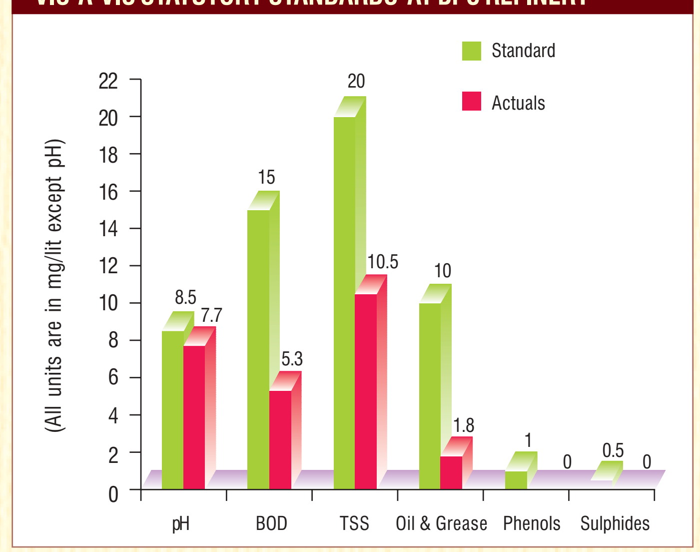
RESOURCES GENERATED (Rs. in Million)



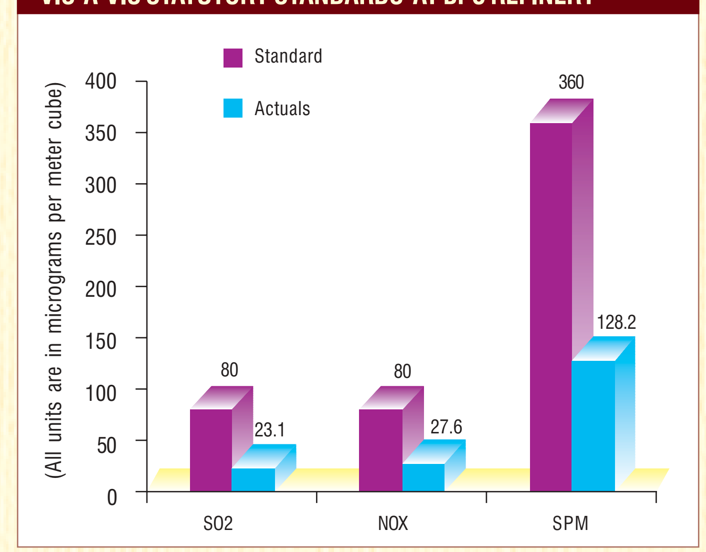
CAPITAL EXPENDITURE (Rs. in Million)



TREATED EFFLUENT WATER QUALITY VIS-A-VIS STATUTORY STANDARDS AT BPC REFINERY



TYPICAL AMBIENT AIR QUALITY VIS-A-VIS STATUTORY STANDARDS AT BPC REFINERY



Directors' Report

The Directors are pleased to present their report on the performance of Bharat Petroleum Corporation Limited (BPC) for the year ended 31st March, 2005.

C & MD, BPC exchanges the MOU for 2005-06 with Secretary, MOP & NG.

PERFORMANCE OVERVIEW

Group Performance

The combined Refinery throughput at BPC's Refinery at Mumbai, Kochi Refineries Limited (KRL) and Numaligarh Refinery Limited (NRL) increased from 18.81 MMT during the last year to 19.10 MMT during the current year. Group market sales increased from 20.95 MMT to 21.80 MMT. In addition, the Group also exported 1.29 MMT of products.

Financially, the Group companies achieved a sales turnover of Rs. 720.37 billion, up from last year's level of Rs. 627.72 billion. Group profit after tax (PAT) decreased from Rs. 23.64 billion to Rs. 20.74 billion. After setting off the minority interest, the Group earnings per share decreased from Rs. 67.80 to Rs.51.40.

CONSOLIDATED GROUP RESULTS

	2004-05	2003-04
Physical Performance		
Crude Throughput (MMT)	**19.10**	18.81
Market Sales (MMT)	**21.80**	20.95
Financial Performance		Rs. in Million
Sales / Income from Operations	**720,366.03**	627,720.02
Less: Excise Duty Paid	**(76,117.60)**	(72,090.06)
Net Sales / Income from Operations	**644,248.43**	555,629.96
Gross Profit	**41,032.93**	49,172.30
Interest	**2,468.94**	2,576.66
Depreciation & amortisation	**8,809.71**	8,266.09
Profit before Tax	**29,754.28**	38,329.55
Provision for Taxation - Current	**7,823.91**	11,807.55
Profit after Current Tax	**21,930.37**	26,522.00
Provision for Taxation - Deferred	**2255.65**	2173.28
Excess/ (Short) Tax provision in earlier years written back/provided for	**1065.93**	(705.09)
Net Profit	**20,740.65**	23,643.63
Minority Interest	**5,321.03**	3,304.63
Net Income of the group attributable to BPC	**15,419.62**	20,339.00
Group Earnings per share attributable to BPC (Rs.)	**51.40**	67.80

Consolidated Financial Statements of BPC Group Companies

As per Clause 32 of the Listing Agreement, the Consolidated Financial Statements have been prepared and presented in accordance with AS-21-Consolidated Financial Statements and AS-27-Financial Reporting of interests in Joint Ventures.

Company Performance

BPC Refinery had a crude throughput of 9.14 MMT, which was higher than 8.76 MMT achieved during the last year. BPC's domestic market sales increased from 20.37 MMT to 21.03 MMT registering a 3.24% growth. The market share decreased marginally from 22.07% to 21.92%.

Financially, BPC achieved a 19.48% growth in sales turnover from Rs.534.48 billion to Rs.638.57 billion. However, gross profit before interest, depreciation and tax decreased by 36.63% to Rs.20,921.90 million. The profit before tax decreased by 48.54 % from Rs.26,355.15 million to Rs.13,563.48 million. After providing for tax, (including deferred tax) of Rs.3,905.52 million as against Rs.9,409.47 million during the last year, the profit after tax showed a decrease of 43.01% from Rs.16,945.68 million last year to Rs. 9,657.96 million.

The Board of Directors has declared two interim dividends of Rs.5 and Rs.7.50 per share for the year amounting to total interim dividend of Rs.12.50 per share. However, the Board has not recommended any final dividend. The total amount of interim dividends inclusive of dividend tax works out to Rs.4,261.59 million.

The review of accounts by the Comptroller and Auditor General of India (C&AG) under Section 619(4) of the Companies Act, 1956 is annexed as Annexure D. The C&AG has nil comments on the Accounts for the year ended 31st March 2005.

The earnings per share translates to Rs.32.19 as compared to Rs.56.49 during 2003-04. Internal cash generation during the year was lower at Rs.12,819.55 million as against Rs.17,399.41 million last year. BPC contributed Rs.152.19 billion to the exchequer by way of taxes and duties vis-à-vis Rs.140.86 billion during the last financial year.

Borrowings from the banks increased to Rs.30,804.13 million from Rs.15,629.48 million at the close of the previous year.

Public deposits as at 31st March 2005 stood at Rs.2,231.35 million as compared to Rs.2,661.37 million at the end of the previous year. The amount of deposits, matured but unclaimed, at the end of the year was Rs.21.66 million, which pertained to 125 depositors.

The total Capital Expenditure during the year 2004-05 amounted to Rs.15,087.40 million.

FINANCIAL HIGHLIGHTS

Highlights of the financial results, as compared to those of the previous year, are as follows:

		Rupees in Million
	2004-05	2003-04
Sales Turnover - Gross	**638,570.03**	534,483.59
Gross Profit before Depreciation, Interest and Tax	**20,921.90**	33,016.44
Interest	**1,398.03**	1,049.72
Depreciation & amortisation	**5,960.39**	5,611.57
Profit before tax	**13,563.48**	26,355.15
Provision for taxation - Current	**2,805.10**	8,526.00
Provision for taxation - Deferred	**1466.34**	758.39
Excess/(Short) Tax provision in earlier years written back/provided for	**365.92**	(125.08)
Net Profit	**9,657.96**	16,945.68
Transfer from/(to) Debenture Redemption Reserve	**1,860.00**	(1,700.00)
Balance brought forward from the previous year	**0.01**	0.01
Amount available for disposal	**11,517.97**	15,245.69
The Directors propose to appropriate this amount as under :		
Towards Dividend:		
Interim Dividend (declared & paid) - @ Rs. 5 per share (previous year Rs. 6 per share)	**1,500.00**	1,800.00
Second Interim Dividend (declared) - @ Rs. 7.50 per share	**2,250.00**	-
Final (proposed) Dividend – (previous year Rs. 11.50 per share)	**-**	3,450.00
Towards Corporate Dividend Tax	**520.43**	672.66
For transfer to General Reserve	**965.80**	9,323.02
Balance carried to Balance Sheet	**6,281.74**	0.01
Summarised Cash Flow Statement:		
Cash Flows:		
Inflow/(Outflow) from operations	**2,385.04**	26,119.16
Inflow/(Outflow) from investing activities	**(9,619.38)**	(13,097.17)
Inflow/(Outflow) from financing activities	**(5,979.34)**	(11,682.92)
Net increase/ (decrease) in cash & cash equivalents	**(13,213.68)**	1,339.06

Annual Accounts of the Subsidiary Companies

In view of dispensation granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Directors' Report and the Auditors' Report of the Subsidiary Companies are not attached to the Balance Sheet of the Company. However, in compliance with the conditions of the dispensation, the Consolidated Financial Statements have been presented in the Annual Report and the summarized Balance Sheet and Profit & Loss Account of the subsidiaries are enclosed as Annexure E to the Directors' Report for information. The Audited Annual Accounts of KRL and NRL and related detailed information are open for inspection by any member at BPC's Registered Office. Further, BPC will make available these documents, upon request, to any of its members or members of its subsidiaries and the said documents will also be published on BPC's website.

REFINERY

The BPC Refinery processed a record 9.14 MMT of crude during the year, which was higher than 8.76 MMT achieved during the previous year. The crude processing has been a record for any financial year so far. The gross margin per tonne of crude processed was marginally lower at US$ 4.56 per barrel as against US$ 4.64 per barrel during the earlier year. However, the overall gross margin at Rs.14,064.09 million was the highest in the Refinery in recent years. The Refinery has also commissioned a CDU – VDU complex and a number of other projects in order to bring it upto Euro-III levels. The details of Refinery performance, activities and future plans are discussed in the Management Discussion and Analysis Report (MD&A).

MARKETING

BPC's overall marketing sales were 21.03 MMT as compared to 20.37 MMT achieved during last year. The main contribution in increase in sales comes from HSD, FO, LPG and other speciality products. BPC also posted the highest growth in the Industry in alternate fuels i.e. CNG and Auto LPG. However, Naphtha sales dipped due to lack of demand from Power Plants in Southern Region. BPC also exported 0.52 MMT of Naphtha and crude oil ex-Mumbai Refinery. A further detailed discussion of marketing performance is covered in MD&A.

PROJECTS

Central India Refinery Project

A 6 MMTPA capacity grassroots Refinery at Bina, in Madhya Pradesh, with Crude Oil / Supply system consisting of a Single Point Mooring system (SPM), Crude Oil Storage Terminal (COT) at Vadinar and a 935 km long cross-country crude oil pipeline from Vadinar to Bina is being set up by the Joint Venture Company, Bharat Oman Refineries Limited (BORL), promoted by BPC and Oman Oil Company Limited (OOCL).

The revised project cost, duly approved by the Government of India, is Rs.63,540 million (September 2001 prices) including a foreign exchange component of Rs.20,250 million. So far, BPC and OOCL have each contributed Rs.755 million as their equity contribution in the project.

The implementation of the project was delayed as environmental clearances from the Government of Gujarat were awaited – the same have since been received. OOCL has decided to limit its equity contribution to the present level of Rs.755 million. In view of this, Government of India has granted approval to BPC for enhancing its equity contribution upto 50% in BORL.

All Special Leave Petitions (SLPs) which were pending in the Hon'ble Supreme Court relating to the Government of Gujarat's clearance to BORL under the Wild Life Protection Act (WLPA), have been disposed off, vide the Hon'ble Court's order dated 19th January 2004, in favour of the Company.

The BPC Team deliberates on visions for the future.

However, due to considerable lapse of time, significant changes have occurred in the demand / supply scenario for petroleum products in the country and also in the product specifications based on the auto fuel policy. In view of the changes in the quantity and quality of products required, a review of the Bina Refinery's process configuration is being undertaken to meet the new quality specifications of products.

All statutory and environmental approvals have been received for the project. The State Government of Madhya Pradesh had already granted certain fiscal incentives / tax concessions for the Bina Refinery Project. They have, vide their letter dated 23rd February 2005, also decided to grant deferment of M.P. Commercial Tax upto Rs.2,500 million per year for a period of 15 years from the year of commercial production, which has further improved the profitability and bankability of the project.

The striking BPC pavilion at PETROTECH - 2005.

Uttar Pradesh Refinery Project

To cater to its long-term product requirements, BPC will also be setting up a 7 MMTPA capacity grassroots Refinery at Lohagara in Allahabad District of Uttar Pradesh. This location of the project has been selected based on the maximum deficit of petroleum products in the region. The crude oil import facilities being set up by BORL at Vadinar in Gujarat for the Bina Refinery will be augmented suitably to take care of the crude requirement of U.P. Refinery also. The SPM, COT and the crude pipeline from Vadinar to Bina will be shared and a new crude pipeline (approx. 400 kms. long) will be laid from Bina to Lohagara.

Approval has been received for diversion of 450 acres of forestland for the Refinery. Acquisition of balance portion of land for the Refinery & Township is under progress. The environmental clearances for the Refinery, Power Plant and extension of crude oil pipeline from Bina to Lohagara have been received.

The estimated cost of the Refinery project along with related infrastructure and sharing of crude import and transportation facilities (SPM, COT and crude pipeline), amounts to Rs.61,800 million.

Implementation of the Refinery project will be taken up by extending the crude oil pipeline from Bina to Lohagara in Phase II after completion and stabilization of the Bina Refinery project in Phase I.

Refinery Modernization Project

In order to upgrade the Mumbai Refinery for producing environment-friendly products in line with future specifications and also for reducing source emissions SO_2 from the Refinery, the Refinery Modernization Project (RMP), with an approved cost of Rs.18,310 million is being implemented. This Project, besides improving distillate yield and energy efficiency of the main process, will enhance the crude oil processing capacity of the Refinery to 12 MMTPA. The process unit comprises of the Hydrocracker Unit, Hydrogen Unit, CDU/VDU, Sulphur Recovery Unit (SRU) and offsite utilities. The project is expected to be commissioned by August 2005.

Production of High Quality Lube Oil Base Stock (LOBS) at Mumbai Refinery

The project envisages setting up of facilities for production of high performance Group II Lube Oil Base Stock to meet the captive as well as domestic demand. The facilities proposed include 180 TMTPA capacity LOBS plant, storage tanks for intermediate as well as finished products and matching offsites and utilities. The approved cost of the project is Rs.3,710 million including a foreign exchange component of Rs.1,000 million. The physical progress of the project is 70 % and is scheduled for mechanical completion in February 2006.

Extension of Mumbai – Manmad Product Pipeline to Piyala with Feeder line from Piyala to Bijwasan

BPC is currently transporting petroleum products from its Mumbai Refinery through a 18" dia. multi-product pipeline to Manmad terminal and further through a 14" dia. multi-product pipeline to Manglia terminal. BPC is expanding its Mumbai Refinery capacity to 12 MMTPA which is expected to be commissioned by August 2005. To economically evacuate the products from the BPC Refinery and to cater to the requirements of Northern Region, it is proposed to extend the Mumbai-Manmad Manglya pipeline to Piyala with a feeder line from Piyala to Bijwasan, at an approved cost of Rs.8,074.6 million inclusive of a foreign exchange component of Rs.2,365.6 million.

With the total pipeline length from Mumbai to Bijwasan (Delhi) being approximately 1358 kms, this will be one of the longest pipelines in the country. The project is scheduled for mechanical completion in September 2006.

RESEARCH & DEVELOPMENT

BPC's Corporate R&D Centre (CRDC) at Greater Noida and Product & Application Development Centre (P&AD) at Sewree, Mumbai continued their efforts to provide competitive advantage to BPC's business operations through innovations in the areas of refining processes, speciality products and lubricants.

In the area of petroleum refining, R&D activities included value addition through selection of optimum catalysts for improved distillate yields and higher throughputs; quality upgradation to meet new fuel specifications; and developing cost effective schemes by making use of suitable additives in blending of Refinery streams for desired product quality. Advanced technical support was also provided to Refinery and Marketing operations through development of new test methods, studies on corrosion & fouling, crude/product evaluation etc.

CRDC has also initiated application oriented studies in the area of alternate fuels viz. Bio-diesel and Hydrogen. Necessary facilities for conducting field trials and testing of products have been established.

In the area of lubricants, P&AD developed several new formulations for meeting market requirements that included engine oils, greases, metal working fluids, rust preventive oils and improved formulations for nine existing grades during the year.

The areas covered under R&D and the benefits derived from R& D activities are detailed in Form B of Annexure A of the Directors' Report.

INDUSTRIAL RELATIONS

The industrial relations have been peaceful and cordial throughout the year because of extensive communication between all the stakeholders i.e. management, unions and workmen.

FULFILMENT OF SOCIAL OBLIGATIONS

Corporate Social Responsibility is one of the key components of BPC's Corporate Vision and the Company allocates significant resources towards these activities.

Under the Component Plan, welfare projects were given

BPC lifts the President PSPB Trophy.

fresh impetus at 37 adopted villages spread over 13 states across the country. In these adopted villages, BPC has provided borewells, hand pumps and tubewells, constructed multi-purpose community centres to accommodate schools, health centres, rooms for adult education/vocational guidance, sanitation blocks to promote hygiene and distributed smokeless chulas / solar cookers and sewing machines etc.

Community Facilities: BPC extended support by donating ambulances and hospital equipments to far flung tribal areas i.e. Bastar (Chattisgarh) and Dangs (Gujarat) and supported activities in the area of AIDS awareness, TB eradication, cancer detection and prevention, de-addiction, polio immunization etc. in the adopted villages.

Environment Conservation: BPC has also undertaken initiatives in environment conservation through afforestation, rainwater harvesting, regeneration of mangrove plantations, promotion of alternate sources of energy - biogas and solar lighting etc.

BPC sportspersons continued to excel and bring laurels in sports. Adrian D'souza, Hockey player represented India in the Athens Olympics. He was highly acclaimed for his innovative defence against attacking Sohail Abbas – Penalty corner specialist from Pakistan. Devendra Joshi, Billiards & Snooker player won the Silver Medal in the IBSF World Billiards Championships organized by International Billiards & Snooker Federation (IBSF) and a Bronze Medal in the IBSF World Billiards held at Malta. He also finished as runners up in both the Billiards as well as the Snooker National Championships. Poulami Ghatak, Table Tennis player won the National Women's Table Tennis championship defeating Mouma Das in the finals. So far, she has won 4 National titles. Anup Sridhar, Badminton player won his maiden National Badminton Title in Jamshedpur defeating seasoned campaigner, Abhin Shyam Gupta in the finals.

BPC was awarded the President PSPB trophy by virtue of the points obtained in various Petroleum Sports Promotion Board (PSPB) tournaments conducted during the year.

Details relating to employees belonging to Scheduled Caste (SC), Scheduled Tribe (ST) and Other Backward Classes (OBC) are given in Annexure C.

BPC also provides 3% reservations for Physically Disabled Persons in recruitment processes as per the provisions of "Persons with Disabilities' (Equal Opportunities Protection of Rights and Full Participation) Act, 1995.

IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

The Official Language Implementation Committees are functioning at the Corporate, Regional, Area and Location levels, to promote the use of Hindi at work. Hindi workshops were conducted in all the Regions and Refinery. Hindi training classes, Hindi typing / stenography training and training programmes for bilingual software 'LEAP' were also conducted. Various competitions and cultural programmes were organized during Hindi Fortnight from 14-28 September, 2004. Translation of various documents, questionnaires, booklets etc. was also undertaken.

CITIZENS' CHARTER

Citizens' Charter - a tool for ensuring transparency in educating and communicating with the customers about their rights, apart from various infrastructure / services being available for the customers, is always in the forefront of all activities of the Corporation. The financial year was very eventful particularly in respect of enhancing the customer service level. The Grievance Redressal Mechanism is fully established and positioned at various consumer contact points.

Various schemes, programmes and services to provide value addition to retail customers were pioneered by BPC which received good response and created a brand differentiation in the minds of customers. Various customer focused initiatives taken by different SBUs are discussed in the MD&A Report.

VIGILANCE

Like in the previous years, the Vigilance department continued to assist the management to achieve the highest standards of stewardship of public funds while carrying out business operations.

Awareness being the first step towards action, BPC enthusiastically organized programmes during Vigilance Awareness Week from 1st to 6th November at all its locations throughout the country in which customers, clients, dealers, distributors, contractors, vendors etc. also participated. Hoardings at outlets at important locations in Mumbai and Delhi were put up, displaying slogans emphasizing the need for awareness among the public to fight corruption.

The Vigilance machinery continued to act effectively on complaints and source information with the purpose of safeguarding stakeholders' interests, while ensuring that the motivated complaints, if any, were effectively weeded out. Adequate briefing was provided to MoP&NG and Central Vigilance Commission(CVC) to enable them to reach just conclusions in the case of matters referred by them.

SUBSIDIARY COMPANIES

Kochi Refineries Limited (KRL)

BPC holds 54.81% of the paid up equity of KRL, which was declared a Mini Ratna Company (Category I) in the current year. KRL has started implementation of its Capacity Expansion-cum-Modernization Project, which involves inter-alia, implementation of facilities required for upgrading MS and HSD to conform to Euro-III norms, expansion of crude oil refining capacity by 2.5 MMTPA and modernization of the Refinery to reduce operating costs. The progress of the first phase was more than 87% during the year.

KRL received the Excellence Award for 2003-04 in recognition of excellence in financial strength and achievements, internal processes, innovation & learning and customer orientation by Indian Institute of Industrial Engineering Enterprise. Also, the Greentech Award for safety was awarded to KRL for the year 2003-04 by Greentech Foundation, New Delhi for the Refinery sector; the Golden Peacock National Award for Outstanding Innovation for 2004 instituted by the Institute of Directors in recognition of the development of Natural Rubber Modified Bitumen by KRL's R&D section. KRL also received a special prize for Outstanding Performance in Systems and Housekeeping in the Integrated Materials Management Competition 2004 instituted by Indian Institute of Materials Management, Cochin Chapter. The Refinery has completed 263 days of continuous free operation equivalent to 2.7956 million manhours.

The KRL Refinery glows at night.

KRL achieved a turnover of Rs.154.40 billion for the year 2004-05 as against Rs.117.16 billion in the previous year. Profit after tax for the year 2004-05 was Rs.8,421.17 million as compared to Rs.5,550.87 million in the previous year. KRL has declared a dividend of 56% for the year 2004-05 (inclusive of first interim dividend of Rs.2.30 per share and second interim dividend of Rs.3.30 per share) against 120% paid for the previous year.

Merger of KRL with BPC

The Boards of Directors of BPC and KRL have recommended the Scheme of Amalgamation of KRL with BPC. The Boards have also recommended a swap ratio of 4 fully paid up equity shares of Rs.10/- each of BPC for every 9 fully paid up equity shares of KRL. The merger is however, subject to the necessary approvals of the Government of India, Shareholders/ Creditors of BPC/ KRL and other Judicial/ Regulatory authorities as may be required under the applicable law and the same will be implemented as on the appointed date of 1st April 2004.

Numaligarh Refinery Limited (NRL)

BPC holds 62.96% of the paid up equity in NRL which is a Mini Ratna Company (Category I). As on 31st March, 2005, the 3 MMTPA Refinery completed 1137 days of Lost Time Accident free operation since its commissioning. The crude oil processed during the year was 2.04 MMT, as compared to 2.20 MMT during the previous year. For the year ended 31st March, 2005, NRL achieved a turnover of Rs.42.99 billion and earned a profit after tax of Rs.4091.52 million as against a turnover of Rs.32.20 billion and profit after tax of Rs.2149.54 million for the previous year. The Board of Directors has recommended a dividend of Rs.1.70 per share as against a dividend of Rs.0.88 per share paid for the previous year.

An International Safety Rating System (ISRS) audit was conducted by DNV and NRL has achieved an excellent rating of ISRS 'Level 9'. Also NRL won the third prize in the area of "Furnace/Boiler Efficiency' under Category I on the basis of a Joint Oil Conservative Survey organized by the Centre for High Technology during the 14th Oil & Gas Conservation Fortnight. The Greentech Foundation's Silver Award in the Petroleum Refining Sector for Outstanding Achievement in Environment Management for the year 2003-04 was also received by NRL.

The attractive NRL Energy Station.

JOINT VENTURE COMPANIES (JVC)

Bharat Shell Limited

Bharat Shell Limited (BSL), a JVC between BPC and Shell Overseas Investment BV (Shell) of Holland, markets Shell branded lubricants. During the financial year, BSL achieved sales of Rs.3,240.12 million as compared to Rs.2,680.14 million during the previous year. BSL made a profit of Rs.44.57 million for the current year as against a profit of Rs.50.16 million in the previous year.

Petronet India Limited

BPC has 16% equity participation in Petronet India Limited (PIL), a financial holding company, with investment of Rs.160 million. PIL is facilitating pipeline access on a common carrier principle, through its joint ventures for the pipelines put by them viz. Vadinar-Kandla (Sikka-Kandla section) Kochi-Karur and Mangalore-Hassan-Bangalore. For the financial year 2004-05, PIL registered gross revenue of Rs.5.43 million against Rs.9.31 million in the previous year, resulting in a net loss of Rs.14.74 million against a net loss of Rs.43.88 million in the previous year. The new pipeline policy has influenced the future of this Company. As there are no possibilities of future projects, promoters and other investors in PIL thought that continuation of PIL is not viable and accordingly, the winding up process has been initiated.

The LNG Plant at Dahej.

Petronet CI Limited

Petronet CI Limited is a JVC set up for laying a pipeline of about 1760 kms for evacuation of petroleum products from Refineries at Jamnagar/Koyali to feed various consumption zones in Central India. BPC has equity participation of 11%, aggregating to Rs.15.84 million. The project was to be implemented on Build Own Operate and Transfer (BOOT) basis, for which the bids invited evoked a poor and conditional response. Due to unwillingness of the promoters to participate in the project, the project has been abandoned and process for winding up of the company has been initiated.

Petronet CCK Limited

BPC has 26% equity in Petronet CCK Limited (PCCKL) amounting to Rs.260 million. It owns the Kochi-Karur pipeline which commenced commercial operations from September 2002. Pumping till March 2005 amounted to 2.87 MMT. PCCKL registered a turnover of Rs.372.26 million and cash profit of Rs.147.33 million for the year ended 31st March, 2005 against a turnover of Rs.309.78 million and a cash profit of Rs.24.70 million in the previous year.

Petronet LNG Limited

Petronet LNG Limited (PLL) was set up for importing LNG and setting up LNG terminals at Dahej and Kochi, to supply natural gas to various industries in the country. PLL was promoted by four public sector companies viz. BPC, IOC, ONGC and GAIL, who contributed equally with 12.5% of the equity. The balance 50% equity was raised over a period of time from Gaz de France – 10%; the Asian Development Bank – 5.2%; and balance 34.8% from the public raised in the month of March 2004. BPC's investment of 12.5% amounts to Rs.987.50 million. PLL has achieved financial closure on project finance basis and converted its short term loans of Rs.12,600 million into long term loans.

PLL has set up LNG receipt and regasification terminal facilities of 5 MMTPA capacity at Dahej in Gujarat and started commercial supplies of regasified LNG from the said terminal. PLL has decided to expand its capacity at Dahej to 10 MMTPA. The company completed implementation of Enterprise Resource Planning (ERP) solutions covering all aspects of its business. The Company also obtained ISO 9001 and OSHAS certification during 2004-05.

Indraprastha Gas Limited

Indraprastha Gas Limited (IGL) was set up for implementing the project for supply of CNG to the household and automobile sectors in Delhi. BPC has invested Rs.315 million in IGL, which amounts to 22.5% of its equity. Besides commissioning over 134 CNG stations (including 2 in Noida), IGL has laid considerable infrastructure for supply of piped natural gas as also connections to numerous domestic and commercial consumers.

IGL registered a turnover of Rs.5,282.28 million for the year 2004-05 as compared to Rs.4,918.08 million in the previous year, profit after tax for the year 2004-05 was Rs.926.85 million as compared to Rs.821.94 million in the previous year. The Board of Directors of the Company has recommended a dividend of 20% for the current year against a dividend of 15% in the previous year.

VI e Trans Private Limited

An investment of Rs.1 million, representing 33.33% of the equity of VI e Trans Pvt. Ltd. was made in May, 2001. The company is engaged in providing logistic support systems for the Indian surface industry and its users, with the help of electronic and physical infrastructure and web-based systems. The year 2004-05 has been the year of consolidation for the company. The company registered a turnover of Rs.30.35 million for the year ended 31st March 2005, as against a turnover of Rs.23.09 million in the previous year. The company has ended the year with a loss of Rs.0.53 million for the current year after the provision of deferred tax liability of Rs.1.01 million as compared to a loss of Rs.2.07 million in the previous year.

Central U.P. Gas Limited

Central U.P. Gas Limited is a JVC set up in March 2005, with GAIL (India) Ltd as the other partner, for implementing the project for supply of CNG to the household, industrial and automobile sectors in Kanpur. This project will be implemented on the lines of IGL. BPC's investment in this project is expected to be Rs.150 million, this being 22.5% share of the equity capital. Uttar Pradesh State Industrial Development Corporation Ltd (UPSIDC), a representative of the Government of Uttar Pradesh, will invest up to 5% share and financial institutions will have the balance 50% share in the project.

BPC receives the MOU Award for Excellence for the year 2002-03.

CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION AND FOREIGN EXCHANGE

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

MEMORANDUM OF UNDERSTANDING WITH MINISTRY OF PETROLEUM & NATURAL GAS

For the sixteenth successive year, BPC has entered into a Memorandum of Understanding (MOU) with MoP&NG for the year 2005-06. For the 14th consecutive year (year ending March 2004), BPC has achieved an 'Excellent' rating. Based on an internal evaluation of performance for the year 2004-05, BPC once again merits an "Excellent" rating, subject to approval by the Government of India.

BPC received the Prime Minister's MOU Award for Excellence for the year 2002-03 from Hon'ble Prime Minister, Dr. Manmohan Singh.

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 31st March 2005 are not required to be given.

BPC forges ties with Virgin Atlantic Airlines.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement, the Report on Corporate Governance, together with the Auditors' Certificate regarding compliance of the SEBI Code of Corporate Governance, is annexed as Annexure B. The Annual Report also contains a separate section on the 'Management Discussion and Analysis' which is part of the Directors' Report.

The forward looking statements made in the 'Management Discussion and Analysis' are based on certain assumptions and expectations of future events. The Directors cannot guarantee that these assumptions are accurate or these expectations will materialise.

DELISTING OF SECURITIES

BPC is presently listed on the Stock Exchange, Mumbai (BSE), The National Stock Exchange of India Ltd (NSE), The Madras Stock Exchange Ltd, The Delhi Stock Exchange Association Ltd and the Calcutta Stock Exchange Association Ltd. However, there was no trading in BPC shares on the MSE, DSE and CSE, during the last five years, the prime reason being spread of nationwide trading terminals of BSE and NSE, coupled with internet trading. Accordingly, the Directors have recommended delisting of BPC's shares from MSE, DSE and CSE subject to approval of the members at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors of BPC confirm that:

The financial statements are prepared in conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to BPC, on the historical cost convention, as a going concern and on accrual basis. There are no material departures from prescribed Accounting Standards in the adoption of the Accounting Standards. The accounting policies used in the preparation of the financial statements have been consistently applied, except where otherwise stated in the Notes on Accounts.

The Board of Directors and the management of BPC accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present BPC's state of affairs and profits for the year. To ensure this, BPC has taken proper and sufficient care in maintaining adequate accounting records in accordance with the provisions of the law; and also in installing a robust system of internal controls, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. BPC's internal auditors have conducted periodic audits to provide reasonable

The energetic LPG Team is raring to go for the Mumbai Marathon.

assurance that the established policies and procedures of BPC have been followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls.

The financial statements have been audited by the Statutory Auditors– M/s. V. Sankar Aiyar & Co., Chartered Accountants.

The Audit Committee of the Board meets periodically with the internal auditors and the statutory auditors to review the manner in which the auditors are discharging their responsibilities; and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

DIRECTORS

Shri S. Behuria resigned from the post of Chairman & Managing Director of BPC with effect from 28th February 2005 on his appointment as Chairman, Indian Oil Corporation Limited.

Shri M.S.Srinivasan, Special Secretary, MoP&NG, resigned from Directorship of BPC with effect from 16th June 2005.

Dr. B. Mohanty, on relinquishing the charge of Joint Advisor (Finance), MoP&NG, resigned from Directorship of BPC with effect from 29th October, 2004. Shri A.K.Srivastava, on relinquishing the charge of Joint Secretary, MoP&NG, resigned from Directorship of BPC with effect from 7th March 2005.

The Directors have placed on record their appreciation of the valuable contributions made and guidance given by Shri S. Behuria, Shri M.S.Srinivasan, Dr. B. Mohanty and Shri A.K.Srivastava, for the development and progress of BPC's business.

Shri Ashok Sinha, Director (Finance) took over additional charge as Chairman & Managing Director with effect from 1st March 2005 and he was appointed as Chairman & Managing Director with effect from 19th August, 2005. He will hold additional charge as Director (Finance) till the appointment of the new incumbent.

Shri Ajay Tyagi, Joint Secretary, MoP&NG, and Smt. Aditi S. Ray, Joint Advisor, MoP&NG were appointed as Additional Directors under Article 77A of the Articles of Association of the Company with effect from 21st April 2005.

The above two Directors, having been appointed as Additional Directors, hold office till the ensuing Annual General Meeting. Notices under Section 257 have been received, proposing their names for appointment as 'Directors retiring by rotation' at the ensuing Annual General Meeting.

As required under Section 256 of the Companies Act, 1956, Shri S.A. Narayan, Director (Human Resources) and Shri S. Radhakrishnan, Director (Marketing) will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Directors at the said Meeting.

As required under the Corporate Governance Code, brief biodatas of Shri Ajay Tyagi, Smt. Aditi S. Ray, Shri S.A. Narayan and Shri S. Radhakrishnan are provided in the Corporate Governance Report.

STATUTORY AUDITORS

M/s. V. Sankar Aiyar & Co., Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the year 2004-05, by the C&AG, under the provisions of Section 619(2) of the Companies Act, 1956. They will hold office till the ensuing Annual General Meeting. The C&AG has been approached for the appointment of Statutory Auditors for the financial year 2005-06.

The SAP Data Centre houses a range of servers.

ACKNOWLEDGEMENTS

The Directors sincerely acknowledge the high degree of commitment and dedication displayed by the employees of the company at all levels.

The Directors express their heartfelt gratitude to BPC's valued customers for their patronage and assure them that BPC is striving to give them the very best.

The Directors also thank the dealers, distributors, contractors, vendors and suppliers for their contribution to BPC's success.

The Directors are also grateful for the guidance and support received from the officials from the Government of India, especially from the MoP&NG.

The Directors thank each of BPC's shareowners for their continued confidence and support in BPC's management.

For and on Behalf of the Board of Directors

Sd/-

Mumbai
Date: 22nd August, 2005

Ashok Sinha
Chairman & Managing Director

ANNEXURE A

Efforts made by BPC in regard to Conservation of Energy, Technology Absorption, 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

(i) Energy conservation measures taken:

Energy conservation efforts received continuous focus both in terms of improvement in operations/maintenance as well as development of new projects. Continuous monitoring of fuel consumption and hydrocarbon loss is undertaken using sophisticated instruments and data acquisition system. An elaborate energy accounting system and Management Information System are important features of BPC's Refinery.

(ii) Additional investments and proposals, if any, being implemented for and impact of the measures for reduction of consumption of energy and consequential impact on the cost of production of goods:

The following energy conservation and loss control measures were adopted during the year which have resulted in significant fuel savings:

- Commissioning of highly energy efficient integrated Crude & Vacuum Units
- Provision of 25 Fibre Reinforced Plastic (FRP) blades in lieu of existing Aluminium blades in air-fin coolers in the Catalytic Cracking Unit (CCU) and High Vacuum Unit. (HVU)
- De-coking of furnaces in the Heavy Crude Unit (HCU) and HVU using modern pigging techniques and cleaning of convection coils.
- Replacement of leaky steam traps.
- Procurement and use of Air Operated Diaphram Pumps for removal of residual oil from crude oil tanks before handing over for maintenance jobs.

As a part of Oil & Gas Conservation Fortnight 2005, M/s. Center for High Technology had organised a detailed Steam Leak Survey at BPC Refinery along with external experts. The steam leaks have reduced by more than 60% as compared to the previous survey which was carried out in 2003. In addition, various awareness programmes on Oil Conservation theme were conducted, both inside & outside the refinery, including free PUC check ups for more than 5000 vehicles.

BPC Refinery is implementing/planning to implement various energy conservation & loss control projects as given below:

- Replacement of damaged insulation of various steam headers.
- Increasing condensate recovery from Sulphur Recovery Unit.
- Installation of secondary vapour seals of crude oil tanks in a phased manner.

(iii) 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

The Refinery is undertaking the following projects to obtain the benefits of the latest technological developments and advances:

- As a part of the Refinery Modernization Project (RMP), the Hydrocracker unit is being set up to produce superior quality middle distillates and to reduce overall SO_2 emissions from the Refinery. The following technologies have been obtained for the project:

  Hydrocracker : M/s. Chevron Lummus Global, USA
  Hydrogen : M/s. Haldor Topsoe, Denmark
  Sulphur Recovery : M/s. Delta Hudson, Canada

- Revamping of the Catalytic Reforming Unit(CRU) was for production of high octane Motor Spirit blend stock and for increasing capacity. The following technology has been obtained for the project:

  Fixed Bed Platforming process : M/s. UOP, USA.

- Setting up facilities for production of high performance environment friendly Group-II Lube Oil Base Stock (LOBS) facilities using unconverted oil from the Hydrocracker. The following technology has been obtained for the project:

  Isodewaxing/Hydrofinishing Technology : M/s. Chevron Lummus Global, USA.

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

FOREIGN EXCHANGE EARNINGS/OUTGO

(i) Activities related to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans :

1) Exports

BPC's exports jumped to 519.88 TMT as against 485.66 TMT in the previous year. The increase in value has been much more significant and stood at US$ 194 million as against US$ 119 million in the previous year.

The rupee value of exports rose from Rs. 5,485 million to Rs. 8,656 million, an increase of 57.82%. As a result of this substantial increase of value, BPC qualifies for availing benefit under the 'Target Plus' scheme announced under the Import Export policy of the Government of India as per which any company achieving a growth percentage in excess of 20% would be eligible for a duty credit entitlement at 10% on the incremental growth. The benefit to BPC in this case works out to Rs. 321.96 million.

2) Import of Crude Oil

During the year 2004-05, BPC group imported 82.02 million barrels (11.12 MMT) of Crude Oil as against 76.42 million barrels (10.38 MMT) in the previous year and the value of imports touched a record high of US$ 3,183 million i.e. Rs. 1,42,789.62 million as against US$ 2,161.45 million i.e. Rs. 98,562.48 million in the previous year.

3) Import of LPG

LPG imports also soared from a mere 20 TMT valued at US$ 6.17 million i.e. Rs. 279.55 million in 2003-04 to 285 TMT valued at US$ 112.94 million i.e. Rs. 5,024.12 million during the current year. BPC has entered into a Term contract with M/s. Saudi Aramco and M/s PETCO (Trading wing of Petronas, Malaysia) for supply of 180 TMT and 84 TMT of LPG respectively, during the current year.

4) Base Oil

During the year 2004-05, BPC imported 7.2 TMT of Base Oil as against 32.33 TMT in the previous year valued at US$ 3.62 million i.e. Rs. 161.72 million as against US$ 14.88 million i.e. Rs.677.55 million in the previous year.

(ii) The details of foreign exchange earnings & outgo are given below :-

Rs. in Million

	2004-05	**2003-04**
Earnings in Foreign Exchange	**19,434.12**	13,192.11
– includes receipt of Rs 7,605.75 million (Rs 5,891.36 million) in Indian currency out of the repatriable funds of foreign airline customers.		
Foreign Exchange Outgo	**74,254.17**	49,526.67
– 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

A. Power & Fuel Consumption	**2004-05**	2003-04
1. Electricity		
a) Purchased		
Units (million KWH)	**5.13**	0.47
Total Amount (Rs. million)	**79.09**	61.74
Rate/Unit (Rs./KWH)*	**15.43**	132.57
b) Own Generation		
Through Steam Turbine/Generator/ Captive Power Plant (CPP)		
Units (million KWH)	**317.41**	278.77
Units per Ton of Fuel	**2,755.25**	2,707.21
Cost/Unit (Rs./KWH)**	**3.94**	3.17
2. Coal	**Nil**	Nil
3. Furnace Oil/Liquid Fuel		
LSHS Qty - MT	**177,981**	171,987
Total amount (Rs. million)	**1,668.44**	1,393.40
Avg. Rate (Rs./Unit)	**9,374.27**	8,101.79
IBP-60 Qty - MT	**7,287**	7,863
Total amount (Rs. million)	**129.23**	93.09
Avg. Rate (Rs./Unit)	**17,734.10**	11,838.75
4. Others/Internal Generation		
External Fuel :		
Bombay High Associated Gas (BHAG)		
Qty - (MT)	**464**	1,921
Total amount (Rs. million)	**2.01**	8.30
Average Rate (Rs./Unit)	**4,327.22**	4,320.09
Internal Fuel :		
Refinery Gas Qty - (MT)	**94,555**	87,173
Total amount (Rs. million)	**886.38**	706.26
Average Rate (Rs./Unit)	**9,374.27**	8,101.79
Pressure Swing Adsorption (PSA) Off Gas Qty - (MT)	**17,051**	12,278
Total amount (Rs. million)	**28.20**	17.55
Average Rate (Rs./Unit)	**1,653.72**	1,429.24
FCC Units Coke Qty - MT	**89,799**	85,812
Total amount (Rs. million)	**841.80**	695.23
Average Rate (Rs./Unit)	**9,374.27**	8,101.79

Notes :

* Cost per unit of Power Purchased has decreased due to higher purchase of power from Tata Power Company.

** Cost per unit of power generated in CPP has increased due to increase in fuel cost, depreciation, duty on power and repairs and maintenance cost.

B. Energy Consumption per unit of production

	Unit	Stds. if any #	**2004-05**	2003-04
Production of Petroleum products	MT		**8,597,737**	8,259,249
Electricity	KWH / MT		**37.51**	33.81
LSHS / IBP-60	Kg/MT		**21.55**	21.78
Gas (Excluding CPP)	Kg/MT		**13.03**	12.27
FCC Units Coke	Kg/MT		**10.44**	10.39

No fixed consumption parameter can be attributed to a particular product as the product pattern of the Refinery is governed by supply / demand scenario of products and Govt. directives. It is also a function of quantity / type of crude processed, planned shut-down of processing units for maintenance/inspection and severity of operations of processing units which varies widely.

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D is being carried out by the Company :

i) Catalytic processes
ii) Clean Fuel Technology
iii) Residue upgradation
iv) Detailed crude evaluations
v) Value added products
vi) Modelling and simulation of Refinery processes
vii) Corrosion and fouling
viii) Analytical methods development
ix) Alternate fuels
x) Product and application development
  a. High performance Diesel Engine Oil
  b. Synthetic Gear Oil
  c. Rust Preventive for cold rolled sheets for Steel Plants
  d. High performance Greases
  e. Metal Working Fluid
  f. Exclusive grades for Defence
  g. Radiator Coolant
  h. Alternate formulations for existing grades

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

i) Improved yields of distillates and increased feed throughput in Fluid Catalytic Cracking Units in the Refinery through selection of improved catalysts/additives.

ii) Adsorbent formulations developed for Ultra Low Sulphur Diesel and Gasoline.

iii) Developed a cost effective & user friendly alternate packaging for Bitumen products.

iv) Scheme developed for production of winter grade FO and Diesel through use of suitable additives and blending streams so as to result in cutter stock savings.

v) Detailed crude evaluations helped in enhancing value realization and enlarging crude basket.

vi) Usage of optimum anti-foulants for reducing energy costs.

vii) Advanced technical support to the Refinery and the Marketing operations for resolving technical/customer problems and launching new products, e.g., new grades of bitumen.

viii) The following new products were developed:

(a) The high performance latest generation Diesel Engine Oil would meet the lubricants requirements of diesel engine vehicles meeting Euro-III emission norms.

(b) Synthetic Gear Oil developed would help in extending the drain interval and life of the transmission system.

(c) The new grades of Rust Preventive Oils would strengthen our portfolio and would help in increasing our market share in this segment.

(d) High performance greases would increase our existing grease portfolio and thereby increase our market share.

(e) Metal Working Fluid grades would help in increasing our Metal Working Fluids portfolio and would help us to increase our market share in this segment.

(f) The exclusive grades developed would provide another indigenous alternative to Defence.

(g) The new grade of Radiator Coolant would enhance our portfolio on Radiator Coolants and provide the customer with another viable option.

(h) Developed alternate formulations for nine existing grades. These formulations would help in reducing the input cost/providing flexibility in operation.

3. Future Plan of Action:

a) Intensifying and enlargement of activities in the area of Refinery processes and residue up-gradation.
b) Development of new processes for clean fuels
c) Enlargement of crude basket
d) Value added products/solvents from the Refinery streams
e) Bio-technological processes
f) Alternate Fuels e.g. Bio-diesel and Hydrogen
g) Undertaking collaborated research programmes with other R&D institutions, universities, etc.
h) Developing the following grades / products:
  i) High performance Gasoline Engine Oil
  ii) Long life Rear Axle Oils
  iii) Synthetic Gear Oils for Industrial gears
  iv) Metal Working Fluid
  v) High performance Greases
  vi) Exclusive grades for Defence
  vii) Alternate formulations for existing grades

4. Expenditure on R&D during 2004-05

(Rs. in million)

	Total
Capital Expenditure	119.66
Revenue/Recurring Expenditure	154.87
Total	274.53
Total R&D Expenditure as a % of total turnover	Negligible

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

   BPC has undertaken following projects to obtain the benefits of the latest technological developments and advances:

   - "BITUROX" technology from M/s. Porner, Austria for production of superior quality harder grade Bitumen.
   - Revamping of FCCU by incorporating advanced Feed Injection Technology from M/s.Stone & Webster, USA for improving FCCU yield.
   - As a part of RMP, the Hydrocracker unit and associated Hydrogen unit & Sulphur recovery facilities are being set up to produce superior quality middle distillates and reduce overall SO_2 emissions from the Refinery.
   - Revamping of the Catalytic Reforming Unit by using M/s. UOP's fixed bed platforming technology for production of high Octane Motor Spirit blend stock and for increasing capacity.
   - Setting up facilities for production of high performance environment friendly Group-II LOBS facilities using unconverted oil from the Hydrocracker.

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

   - Production of superior quality harder grade Bitumen
   - Yield improvement of value added products
   - Reduction of overall SO_2 emissions from the Refinery and manufacture of superior quality middle distillates
   - Production of superior quality Motor Spirit (Petrol).
   - Production of high performance Group-II LOBS

3. **Information regarding technology imported during last five years reckoned from the beginning of the financial year :**

(a) Technology Imported:	Year of Import
FCC – Feed Injection Technology from M/s Stone & Webster, USA, for yield improvement.	2001
Hydrocracker technology from M/s. Chevron Lummus Global, USA.	2001
Technology for production of Hydrogen from M/s. Haldor Topsoe, Denmark.	2001
Maximum Claus Recovery Concept (MCRC) technology for enhanced recovery of sulfur from off-gases from M/s. Delta Hudson, Canada, through M/s. Engineers India Limited (EIL).	2001
Fixed Bed Platforming process from M/s UOP, USA for production of high octane Motor Spirit blend stock and for increasing capacity.	2003
Isodewaxing / Hydrofinishing technology from M/s Chevron Lummus Global, USA for production of Group-II LOBS	2003

   (b) **Has Technology been fully absorbed?**

   Yes.

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

   Not applicable.

ANNEXURE B

Report on Corporate Governance

Bharat Petroleum Corporation Limited (BPC) is one of the largest organisation in the country with many stakeholders, the most important amongst them being the customers, the investors and the employees. It has always been BPC's endeavour to ensure optimization of returns and satisfaction levels accruing to all its stakeholders. BPC's core strength has always been the ardent pursuit of qualitative excellence for the maximization of customer and investor satisfaction.

1. **Company's philosophy on Code of Governance**

   BPC's corporate philosophy on Corporate Governance has been to ensure fairness to the stakeholders through transparency, full disclosures, empowerment of employees and collective decision making.

2. **Board of Directors**

   As per the Articles of Association of the Company, the number of Directors shall not be less than three and more than twelve.

   BPC being a Government Company, the Government has decided the composition of the Board of BPC, i.e. five Whole-time (Executive) Directors including the Chairman & Managing Director, three Part-time (Official) Directors and four Part-time (Non-Official) Directors.

   Shri S. Behuria, Chairman & Managing Director, Dr. B. Mohanty, Joint Advisor (Finance), MoP&NG and Shri A.K. Srivastava, Joint Secretary, MoP&NG resigned from the Board during the year 2004-05. Shri Ashok Sinha, Director (Finance) took over additional charge of Chairman & Managing Director w.e.f. 1st March, 2005 and he was appointed as Chairman & Managing Director w.e.f. 19th August, 2005. He will also hold additional charge as Director (Finance) till the appointment of the new incumbent. As a result, as on 31st March, 2005, there were eight Directors on the Board comprising four Whole-time (Executive) Directors, and four Non-executive Directors i.e. one Part-time (Official) Director and three Part-time (Non-Official) Directors.

   During the year, all meetings of the Board and the Annual General Meeting were chaired by the Chairman & Managing Director.

   During the year 2004-05, none of the Non-executive Directors of BPC had any pecuniary relationship / transaction with the Company.

   The Directors neither held membership of more than 10 Board Committees nor Chairmanship of more than 5 Committees (as specified in Clause 49) across all the companies in which they were Directors.

   The required information as indicated in Annexure I to Clause 49 of the Listing Agreement was made available to the Board of Directors.

   Details regarding the Board Meetings; Directors attendance thereat and the Annual General Meeting; Directorships and Committee positions held by the Directors are as under :

   Board Meetings

   Eleven Board Meetings were held during the financial year on the following dates:

19th May, 2004	7th July, 2004	30th July, 2004	30th August, 2004
25th September, 2004	29th October, 2004	10th December, 2004	17th January, 2005
31st January, 2005	28th February, 2005	24th March, 2005	

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2004-05

Names of the Directors	**Academic Qualifications**	**Attendance out of 11 Board Meetings held during the year and percentage thereof**		**Attendance at the last Annual General Meeting**	**Details of Directorships held in other Public Limited Companies**	**Memberships held in Committees as specified under Clause 49 of the Listing Agreement**
Whole-time Directors		**No. of Meetings Attended**	**%**			
Shri A. Sinha Chairman & Managing Director Additional Charge of Chairman & Managing Director (upto 18.8.2005) Director (Finance) (upto 28.2.2005)	B.Tech (Elect) M.B.A.	10	91	Attended	Chairman : 1. KRL 2. NRL 3. IGL Director : 4. BSL 5. BORL 6. PLL	Member : a) Investors' Grievance Committee 1) BPC b) Audit Committee 2) BSL 3) BORL 4) PLL c) Remuneration Committee 5) BSL 6) BORL 7) PLL
Shri S.A. Narayan Director (Human Resources)	B.Sc. (Hons) M.A. (Pers), L.L.B.	10	91	Attended	Director : 1) NRL 2) KRL 3) PIL 4) BSL	Member : a) Compensation Committee 1) PIL
Shri S. Radhakrishnan Director (Marketing)	B.Tech, (Mech). M.B.A.	11	100	Attended	Director 1) KRL 2) NRL	
Shri M. Rohatgi Director (Refineries)	B.Tech (Chem.), M.B.A.	11	100	Attended	Director 1) KRL 2) NRL 3) BORL	Member : a) Audit Committee 1) KRL Chairman : b) Remuneration Committee 2) BORL
Shri S. Behuria Chairman & Managing Director (upto 28.2.2005)	B.A. (Hons) PGDBA	10	100*	Attended	Chairman : 1) KRL 2) NRL Director : 3) BORL 4) BSL	Member : a) Audit Committee 1) BSL

KRL : Kochi Refineries Limited , NRL : Numaligarh Refinery Limited, IGL : Indraprastha Gas Limited, BSL : Bharat Shell Limited, BORL : Bharat Oman Refineries Limited, PLL : Petronet LNG Limited, PIL : Petronet India Limited,

* percentage computed by considering the meetings attended with the total meetings held during his tenure

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2004-05

Names of the Directors	**Academic Qualifications**	**Attendance out of 11 Board Meetings held during the year and percentage thereof**		**Attendance at the last Annual General Meeting**	**Details of Directorships held in other Public Limited Companies**	**Memberships held in Committees as specified under Clause 49 of the Listing Agreement**
Non-executive Directors **(a) Part-time (Official)**		**No. of Meetings Attended**	**%**			
Shri M.S. Srinivasan Special Secretary, Ministry of Petroleum and Natural Gas (upto 16.6.2005)	B.Tech (Civil), M.P.A., I.A.S,	9	81	Did not attend	Director : 1) IOC 2) HPC 3) GAIL	Chairman : a) Remuneration Committee : 1) IOC 2) BPC
Dr. B. Mohanty Joint Advisor (Finance), Ministry of Petroleum and Natural Gas (upto 29.10.2004)	M.Sc., Ph.D, I.E.S.	3	60 *	Did not attend	Director : 1) HPC 2) BLIL 3) GGSRL	Member : a) Audit Committee 1) HPC 2) BLIL 3) GGSRL b) Shareholders' Grievance Committee 4) HPC
Shri A.K.Srivastava Joint Secretary, Ministry of Petroleum & Natural Gas (upto 7.3.2005)	B.E. (Elect), B.E. (Mech), PGDM, I A S	7	70*	Did not attend	Director : 1) HPC 2) GAIL 3) IBP	

IOC : Indian Oil Corporation Limited, HPC : Hindustan Petroleum Corporation Limited, GAIL : GAIL (India) Ltd , IBP : IBP Co Ltd., : BLIL : Balmer Lawrie Investments Ltd. GGSRL : Guru Gobind Singh Refineries Ltd.

* Percentage computed by considering the meetings attended with the total meetings held during his tenure

Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2004-05

Names of the Directors	Academic Qualifications	Attendance out of 11 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorships held in other Public Limited Companies	Memberships held in Committees as specified under Clause 49 of the Listing Agreement
		No. of Meetings Attended	%			
(b) Part-time (Non-official)						
Shri V.D. Gupta	B.Sc. Engg (Hons)	10	91	Attended		Member : a) Audit Committee - BPC b) Remuneration Committee - BPC
Shri P.C. Sen	B.A.(History) (Hons), M.A. (History), M.Sc. (Eco), I.A.S.	6	55	Attended		Member : a) Audit Committee - BPC b) Remuneration Committee - BPC
Prof. A.H.Kalro	B.Tech (Hons), (Elect.), M.S., Ph.D (Industrial Engg)	9	81	Attended	TPSC	Chairman : a) Audit Committee 1) BPC 2) TPSC b) Investors' Grievance Committee - 3) BPC

TPSC : Torrent Power SEC Ltd.

3. Audit Committee

BPC took the initiative to introduce Corporate Governance in the organisation during the year 1996 itself by constituting the Audit Compliance Committee. The said Committee was reconstituted and renamed as the Audit Committee in the year 2000 and the role, powers and functions of the Audit Committee were specified and approved by the Board.

The Audit Committee comprises all three Part-time (Non-Official) Directors. The quorum for the meetings of the Committee is two members. Prof. A.H. Kalro is the Chairman of the Committee and Shri V.D. Gupta and Shri P.C. Sen are members of the Committee. Prof. A.H.Kalro possesses the requisite knowledge of Finance & Accounting for effective functioning of the Audit Committee.

Director (Finance) is a permanent invitee at the meetings of the Committee. Shri J. Ravichandran, ED(Audit) coordinates the meetings of the Audit Committee and also attends the said meetings as invitee. In addition, the other Whole-time Directors attend the meetings when the items pertaining to their functions are considered. The Statutory Auditors and Cost Auditors also attend the meetings, on invitation.

The role and responsibilities of the Committee include the following :

a) Overseeing the Company's Financial Reporting Process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.

b) Recommendation for fixation of Audit Fee.

c) Review with management the Quarterly, Half Yearly and Annual Financial Statements before submission to the Board.

d) Review of adequacy of Internal Control Systems with the Management, External and Internal Auditors.

e) Review of adequacy of the Internal Audit function, including the structure of the Internal Audit department etc.

f) Review of findings of the Internal Auditors and the implementation of recommendations on significant audit findings.

g) Review of findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or failure of Internal Control Systems of material nature etc.

h) Review of the nature and scope of audit with the External Auditors before the audit commences and post audit review of areas of concern.

i) Review of the Company's financial and risk management policies.

j) Examining the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (dividend) and creditors.

Nine meetings of the Audit Committee were held during the financial year on the following dates:

14th May, 2004	6th July, 2004	30th July, 2004
14th September, 2004	29th October, 2004	2nd November, 2004
9th December, 2004	31st January, 2005	21st February, 2005

Attendance at the Audit Committee Meetings :-

Names of the members	No of meetings attended	%	Attendance at the Last Annual General Meeting
Prof. A.H. Kalro Chairman	9	100	Attended
Shri V.D. Gupta Member	8	89	Attended
Shri P.C. Sen Member	8	89	Attended

The Committee at its meetings held on 30th July, 2004, 29th October, 2004 and 31st January, 2005 reviewed the Half Yearly / Quarterly Financial Statements as on 30th June, 2004, 30th September, 2004 and 31st December, 2004 respectively. Further, the Annual Financial Statements as on 31st March, 2005 were reviewed by the Committee at its meeting held on 19th May, 2005, before the same were submitted to the Board for approval.

4. Remuneration Committee

BPC being a Government Company, appointment and remuneration of Whole-time Directors are determined by the Government through MoP&NG. The Part-time (Official) Directors do not receive any remuneration from the Company. The Part-time (Non-Official) Directors receive sitting fees of Rs.10,000 for each Board / Committee meeting attended by them.

However, BPC has constituted the Remuneration Committee comprising one Part-time (Official) Director as the Chairman and two Part-time (Non-Official) Directors as members, to formulate and review policies related to remuneration / perquisites / incentives to the Whole-time Directors and below board level executives.

a) Details of remuneration paid to the Whole-time Directors during the financial year 2004-05 are as follows :

Names of Directors	All elements of remuneration packages of the Directors i.e. salary, benefits, bonus, pension etc. Rs.	Details of fixed component and performance linked incentives Rs.	Other Benefits Rs.
Shri Ashok Sinha Chairman & Managing Director	Rs. 13,32,483	Fixed Comp : 7,30,320 PLIS : 92,183	5,09,980
Shri S.A. Narayan Director (Human Resources)	Rs. 9,35,931	Fixed Comp : 7,10,156 PLIS : 89,494	1,36,281
Shri S. Radhakrishnan Director (Marketing)	Rs. 9,58,503	Fixed Comp : 7,18,035 PLIS : 90,554	1,49,914
Shri M. Rohatgi Director (Refineries)	Rs.9,43,796	Fixed Comp : 7,17,026 PLIS : 90,491	1,36,279
Shri S. Behuria Chairman & Managing Director (Upto 28.2.2005)	Rs.14,05,952	Fixed Comp : 6,84,373 PLIS : 86,187	6,35,392

Service Contracts : Five years which is renewable for further similar periods.

Notice period : Three months

BPC has not introduced any Stock Options Scheme

PLIS : Performance Linked Incentive Scheme

During the year, the Part-time (Non-Official) Directors received sitting fees for attending the meetings of the Board / Committees as follows:

Name of Director	Remuneration (Rs.)
Shri V.D. Gupta	1,80,000
Shri P.C. Sen	1,40,000
Prof. A.H. Kalro	1,90,000

5. Investors' Grievance Committee

The Committee comprising Prof. A.H. Kalro, Director and Shri Ashok Sinha, Chairman & Managing Director, monitors the shareholders'/investors' complaints and redressal of their grievances. The Committee, at its meeting held on 25th March 2005, reviewed the services to the shareholders / investors including response to complaints/communications and expressed its satisfaction on the performance of the Investor Relations department of the Company.

Shri D.M. Naik Bengre, Company Secretary, acts as the Compliance Officer for matters related to investor relations.

During the year, seven complaints were received from investors through SEBI, NSDL and BSE, which were attended to and resolved on priority. However, one complaint relating to delay in transfer of shares and non-receipt of dividend received during the year, has remained unresolved as the matter is sub-judice.

All valid share transfer requests received during the year were duly processed and approved within the stipulated period of 30 days. There was no share transfer request in physical form pending as on 31st March, 2005.

6. Annual / Extraordinary General Meetings

	Date and Time of the Meeting	Venue
49th Annual General Meeting	25th September, 2002 at 10.30 a.m.	Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400 021
50th Annual General Meeting	18th August, 2003 at 10.30. a.m.	
51st Annual General Meeting	30th August, 2004 at 10.30. a.m.	

During the year 2004-05, there was no occasion to resort to Postal Ballot as no proposal requiring Postal Ballot was proposed for consideration of the shareholders.

6A Brief Resumes of Directors seeking re-appointment

1. Shri S.A. Narayan, Director (Human Resources)

   Shri S.A. Narayan, Director (Human Resources), is a B.Sc.(Hons) and M.A. in Personnel Management from Tata Institute of Social Sciences, Mumbai. He has also completed his L.L.B. from the University of Mumbai. Shri S.A. Narayan has handled different aspects of personnel and HR in BPC during the last 27 years, besides another five years in private and multinational Corporations. He is also Director on the Boards of Kochi Refineries Ltd., Numaligarh Refinery Ltd., Petronet India Ltd. and Bharat Shell Ltd.

   Shri S.A. Narayan was appointed as Director (Human Resources) on 10th June, 1998. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

2. Shri S. Radhakrishnan

Shri S. Radhakrishnan is a B.Tech (Mech.) from Indian Institute of Technology, Madras and M.B.A. from Indian Institute of Management, Bangalore. He has wide ranging experience in marketing of petroleum products. Prior to appointment as Director (Marketing), he was holding the position of Managing Director in Bharat Shell Ltd. He is also Director on the Boards of Kochi Refineries Ltd. and Numaligarh Refinery Ltd.

Shri S. Radhakrishnan was appointed as Director (Marketing) on 1st November, 2002. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

3. Shri Ajay Tyagi

Shri Ajay Tyagi, Joint Secretary, Ministry of Petroleum & Natural Gas, is a senior IAS officer. He is an Electrical Engineer and also a graduate in Computer Science. In addition to BPC, he holds the Directorships of GAIL (India) Ltd. and IBP Co Ltd.

Shri Ajay Tyagi was appointed as Additional Director w.e.f. 21st April, 2005, 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. Being an Additional Director, he holds office upto the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a member, proposing his name as Director of the Company.

4. Smt Aditi S. Ray

Smt. Aditi S. Ray, Joint Advisor, Ministry of Petroleum & Natural Gas, is a member of the Indian Economic Service. She is an M.A. in Economics (First Class) from the University of Calcutta. She has held senior positions in various ministries of the Government of India.

Smt. Aditi S. Ray was appointed as Additional Director w.e.f. 21st April, 2005, 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. Being an Additional Director, she holds office upto the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a member, proposing her name as Director of the Company.

7. Disclosures and Compliance

Except where the Company has incurred expenses on behalf of joint ventures as co-promoter and the same are recoverable from the joint venture companies, there were no transactions of material nature that may have potential conflict with the interests of the Company at large. The details of 'Related Party Disclosures' are shown in Note 15 forming part of Accounts.

BPC has been particular in adhering to the provisions of the laws and guidelines of regulatory authorities including SEBI and covenants in the agreements with the Stock Exchanges and Depositories. During the last three years, there was no instance of non-compliance of any provisions of law, guidelines from regulatory authorities and matters related to capital markets.

8. Code of Conduct, Procedure and Disclosures for Prevention of Insider Trading and Code of Corporate Disclosure Practices

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, the Company has adopted the 'Code of Conduct, Procedure and Disclosures for Prevention of Insider Trading in the Securities of Bharat Petroleum Corporation Limited' and 'Code of Corporate Disclosure Practices'. Shri D.M.Naik Bengre, Company Secretary, has been appointed as the Compliance Officer for implementation of the said Codes.

9. Means of Communication of Financial performance

In order to give wider publicity and to reach the shareholders and other investing public across the nation, the half-yearly and quarterly results were published in various editions of 12 newspapers having wide circulation such as The Economic Times, The Times of India, The Hindu, The Financial Express etc. Reports on Limited Review of the Financial Results for the quarters ended 30th June 2004, 30th September, 2004, 31st December 2004 was obtained from the Auditors of the Company and filed with the Stock Exchanges. The Financial Statements for the first quarter ended June 2004, half year ended September 2004 and third quarter ended December 2004 were sent to the individual shareholders at their registered addresses.

Periodical financial performance of the Company is displayed on the website of the Company at www.bharatpetroleum.com and on the Electronic Data Information Filing and Retrieval System (EDIFAR), website launched by SEBI, in collaboration with the National Informatics Centre.

10. Management Discussion & Analysis Report

A detailed chapter on Management Discussion & Analysis is enclosed to the Directors' Report.

11. General Shareholder Information

SEBI has included BPC shares for compulsory trading in dematerialised form even for retail investors. Due to special efforts made to educate the shareholders regarding the benefits of holding shares in dematerialised form, the Company has achieved dematerialisation of 99.13% of its free floated shares listed for trading on the Stock Exchanges.

Annual General Meeting : Date, Time and Venue — Friday, 23rd September, 2005 at 10.30 a.m. at the Y.B.Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400 021.

Financial Calendar — BPC follows the financial year from April to March. The Unaudited Results for the first three quarters and the Audited Results for the year ended 31st March, 2005 were taken on record by the Board and published on the following dates :-

Quarter Ended	**Date of Board Meeting**	**Date of Publication**
Apr-June, 2004	30th July, 2004	1st August, 2004
July-September, 2004	29th October, 2004	31st October, 2004
Oct-December, 2004	31st January, 2005	1st February, 2005
Year ended		
31st March, 2005	19th May, 2005	20th May, 2005

Dividend Payment Dates

1st Interim — Payment of 1st Interim Dividend at Rs. 5.00 per share was approved by the Board at its meeting held on 10th December 2004. The record date for deciding the entitlement of the shareholders / beneficial owners was fixed as 27th December 2004 and Dividend was paid as per the entitlements on 30th December 2004.

2nd Interim — Payment of 2nd Interim Dividend at Rs. 7.50 per share was approved by the Board at its meeting held on 19th May 2005. The record date for deciding the entitlement of the shareholders / beneficial owners was fixed as 8th June 2005 and Dividend was paid as per the entitlements on 14th June 2005.

Date of Book Closure — Wednesday, 24th August 2005 To Tuesday, 20th September 2005 for the purpose of determining the names of shareholders / beneficial owners who would be entitled to the notice of the Annual General Meeting.

Listing on Stock Exchanges & Security Codes	The Company's shares are listed on the following Stock Exchanges :

Name of Stock Exchange	Security Code
The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 002.	500547
National Stock Exchange of India Ltd Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra, Mumbai 400 051.	BPCL
The Madras Stock Exchange Ltd. Exchange Building, Post Box No. 183, 11, Second line Beach, Chennai 600 001.	BPO
The Delhi Stock Exchange Association Ltd. DSE House, 3/1 Asaf Ali Road, New Delhi 110 002	02087
The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkatta 700 001.	12072

The Listing Fees have been paid for the year 2005-06 to all the above Exchanges.

ISIN Number For National Securities Depository Ltd. (NSDL) & Central Depository Services India Ltd. (CDSL)	
For equity shares	INE029A01011
For 345-9.95% Secured Redeemable Non-Convertible Bonds	INE029A08016
100-9.90% Secured Redeemable Non-Convertible Bonds	INE029A08024
Market Price Data : High, low during each month in the last financial year	Please see Annexure I
Performance in comparison to broad based indices i.e. BSE 100	Please see Annexure II
Registrar and Transfer Agents	Share Transfers are handled in-house i.e. at the Investor Relations Department, Bharat Bhavan III, Ground Floor, Walchand Hirachand Marg, Ballard Estate, Mumbai-400 001

Share Transfer System

A Committee comprising two Whole-time Directors considers the requests for transfer/transmission of shares, dematerialisaton of shares etc. A Committee comprising four Directors i.e. two Whole-time Directors and two Part-time (Official) Directors considers requests for issue of share certificates. Transfers in physical form are registered after ascertaining objections, if any, from the transferors, and no valid transfer applications are kept pending beyond the stipulated period of thirty days. Requests for dematerialization of shares are processed and confirmation is given to the respective depositories i.e. NSDL and CDSL within 15 days.

Distribution of shareholding as on 31st March 2005

Shareholder	No. of Shares Held	% of Holding
1) Government of India	198600060	66.20
2) Unit Trust of India	3357736	1.12
3) Life Insurance Corporation of India	25717380	8.57
4) Other Financial Institutions/Banks/Mutual Funds	15223071	5.07
5) Foreign Institutional Investors	44176538	14.73
6) Private Corporate Bodies	3821565	1.28
7) Non Resident Indians/Overseas Corporate Bodies	286174	0.09
8) Employees	2489499	0.83
9) Indian Public	6327977	2.11
	300000000	100.00

Distribution of shareholding on number of shares held by shareholders and shareholding pattern are given in Annexure III

Dematerialization of shares and liquidity

Out of the shares held by the shareholders other than the Government, 99.13% are held in dematerialised form as on 31st March 2005.

The Company has not issued any GDRs /ADRs/ Warrants etc.

Plant Locations

Refinery : Bharat Petroleum Corporation Limited
Mahul, Mumbai 400 074

Lubricant Plants : Bharat Petroleum Corporation Limited
Wadilube Installation, Mallet Road
Mumbai – 400 009

Bharat Petroleum Corporation Limited
24, Parganas,
Budge – Budge 743 319

Bharat Petroleum Corporation Limited
35, Vaidyanatha Mudali Street,
Tondiarpet, Chennai - 600 081

Address for correspondence

Investor Relations Department, Bharat Petroleum Corporation Limited, Bharat Bhavan III, Ground Floor, Walchand Hirachand Marg, Ballard Estate, Mumbai 400 001
Telephone No 22713001-004.

Annexure I

Market Price Data : Prices of BPC shares traded on the Major Stock Exchanges

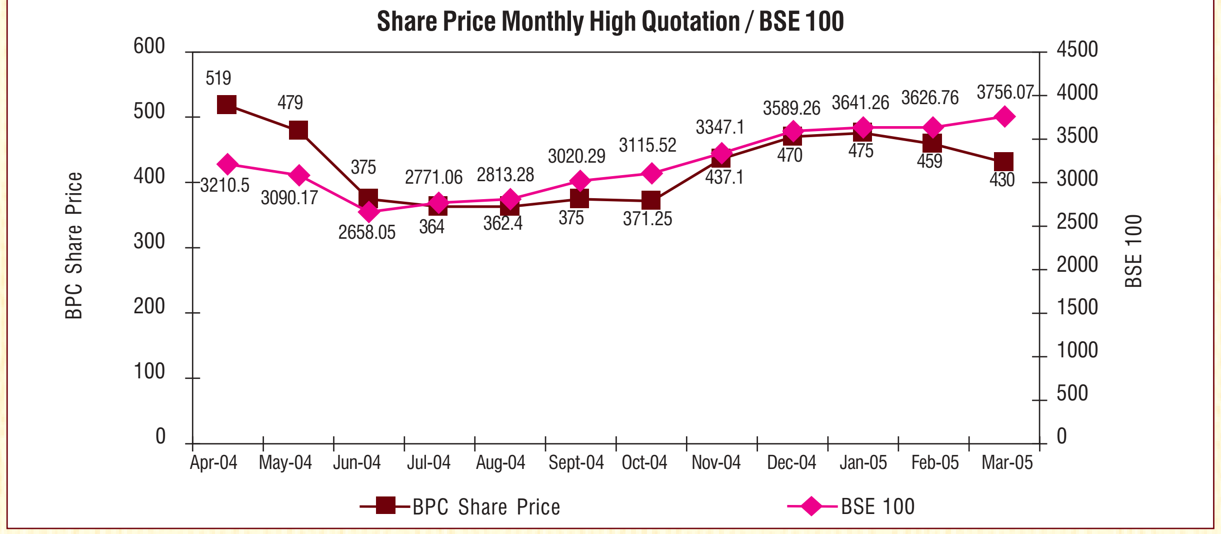
Month(s) (April 2004 - (March 2005)	Mumbai Stock Exchange 2004-2005			National Stock Exchange 2004-2005		
	High (Rs. per share)	Low (Rs. per share)	Monthly Volume	High (Rs. per share)	Low (Rs. per share)	Monthly Volume
April	**519.00**	459.00	7278900	**513.25**	458.00	19195380
May	479.00	**215.05**	10663149	500.00	**230.00**	25680852
June	375.00	296.00	7531949	376.00	298.00	20937729
July	364.00	305.50	5549989	375.00	275.70	16553367
August	362.40	311.30	4091100	362.40	311.00	12542288
September	375.00	334.10	3927361	374.40	331.10	11686430
October	371.25	336.00	3318302	371.20	335.25	10285491
November	437.10	337.50	6261756	439.80	335.10	18914402
December	470.00	397.00	4369313	467.00	397.25	17696496
January	475.00	383.00	3498968	474.90	383.00	12471714
February	459.00	410.25	3818544	459.80	410.00	13348152
March	430.00	345.50	4530599	435.00	340.00	14374011

Shares traded during 1st April, 2004 to 31st March, 2005

	BSE	**NSE**
No. of Shares traded	64839930	193686312
Highest Share Price	Rs. 519.00 (as on 23.4.2004)	Rs. 513.25 (as on 23.4.2004)
Lowest Share Price	Rs. 215.05 (as on 17.5.2004)	Rs. 230.00 (as on 17.5.2004)
Closing Share Price as on 31st March, 2005	Rs. 353.80	Rs. 353.50
Market Capitalisation as on 31st March, 2005	Rs. 106,140 million	Rs. 106,050 million

Annexure II

PERFORMANCE IN COMPARISON TO BROAD BASED INDICES i.e.BSE 100

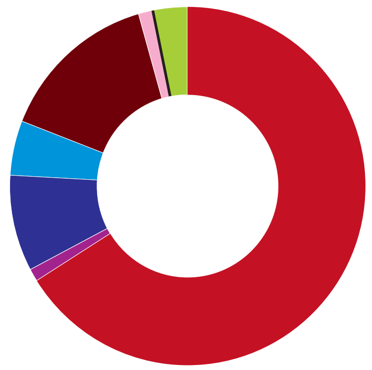


Annexure III

Distribution of Shareholding as on 31st March, 2005

No. of equity shares held	No. of Shareholders	No. of Shares	% to the total
Upto 5000	40540	8619270	2.87
From 5001 10000	90	662297	0.22
From 10001 50000	124	2817647	0.94
From 50001 100000	38	2789384	0.93
From 100001 500000	61	12847676	4.28
From 500001 1000000	12	8190064	2.73
From 1000001 2000000	12	16163333	5.39
From 2000001 3000000	5	12470235	4.16
From 3000001 & above	5	235440094	78.48
	40887	300000000	100.00

SHAREHOLDING PATTERN OF BPC AS ON 31ST MARCH 2005 (Percentage)



- 66.20% Govt. of India
- 1.12% Unit Trust of India
- 8.57% Life Insurance Corporation of India
- 5.07% Other Financial Institutions/Banks / Mutual Funds
- 14.73% Foreign Institutional Investors
- 1.28% Private Corporate Bodies
- 0.09% NRIs/Overseas Corporate Bodies
- 2.94% Others

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Bharat Petroleum Corporation Limited

We have examined the compliance of conditions of Corporate Governance by Bharat Petroleum Corporation Limited for the year ended 31st March, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Investor Grievance Committee, there were no investor grievances against the Company remaining unattended / pending for more than 30 days except in two cases, wherein transfer of certain shares remains to be effected consequent to restraint order and injunction of the Courts.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Date : 22nd August, 2005

ANNEXURE C

Statement showing the total number of Employees and the number of Scheduled Castes, Scheduled Tribes and Other Backward Classes amongst them as on 1st January, 2005

Group/ Class		Total No. of Employees	Scheduled Castes	Percentage to Total Employees	Scheduled Tribes	Percentage to Total Employees	Other Backward Classes	Percentage to Total Employees
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	(I) Other than lowest rung of Group A	2835	466	16.44	149	5.26	109	3.84
	(ii) Lowest rung of Group A	878	140	15.94	47	5.35	88	10.02
B		2627	389	14.81	166	6.32	51	1.94
C		2998	532	17.75	206	6.87	132	4.4
D (Excluding Safai Karamcharis)		2651	523	19.73	167	6.30	278	10.49
D (Safai Karamcharis)		86	53	61.63	5	5.81	8	9.3

Group/Class: A - Management; B/C = Skilled/Semi Skilled Workmen; D = Unskilled Workmen
Note: Reservations for OBCs implemented w.e.f. 8th September, 1993

Statement showing the total number of Employees and the number of Scheduled Castes (SC) and Scheduled Tribes (ST) -
(a) Position as on 1st January, 2005

Group/Class	Total No. Of Employees	EMPLOYEES BELONG TO		
		Other Community	SC	ST
(1)	(2)	(3)	(4)	(5)
A	3713	2911	606	196
B	2627	2072	389	166
C	2998	2260	532	206
D (Excl. Safai Karamcharis)	2651	1961	523	167
D (Safai Karamcharis)	86	28	53	5

(b) Particulars of Recruitment During the Period 1st January, 2004 to 31st December 2004

Vacancies Notified During The Period				Vacancies Filled By		
Group / Class	Other Community	SC	ST	Other Community	SC	ST
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A	139	30	13	148	24	10
B	7	1	5	11	1	1
C	41	6	5	45	6	1
D (Excl. Safai Karamcharis)	6	-	-	6	-	-
D (Safai Karamcharis)	-	-	-	-	-	-

Statement showing the Number of Reserved Vacancies filled by Members of Scheduled Castes and Scheduled Tribes during the year 2004

Group/ Class of Posts	Total No. of Vacancies Occurred	Total No. of Vacancies Actually Filled	No. of Vacancies Reserved for Scheduled Castes		No. of SCs Candidates Appointed	No. of SCs Vacancies Carried Forward from the Previous Year		No. of STs Candidates Appointed against Vacancies Reserved for SCs in the 3rd Yr. of Carry Forward
			Out of col. 2	Out of col. 3		Excess +	Shortfall –	
1	2	3	4	5	6	7		8
POSTS FILLED BY DIRECT RECRUITMENT								
Group "A"	182	182	30	30	24		5	-
Group "B"	13	13	1	1	1	41		-
Group "C"	52	52	6	6	6	72		-
Group "D" (Excl. Safai Karmacharis)	6	6	-	-	-	193	-	-
D (Safai Karmacharis)	-	-	-	-	-	48		-
POSTS FILLED BY PROMOTION								
Group "A"	16	16	6	6	10	-	2	-
Group "B"	16	16	2	2	2	-	-	-
Group "C"	44	44	-	-	-	80	-	-

Group/ Class of Posts	No. of Reservations lapsed after Carrying Forward for Three Years	No. of Vacancies Reserved for Scheduled Tribes		No. of STs Candidates Appointed	No. of STs Vacancies Carried Forward from the Previous Year		No. of SCs Candidates Appointed against Vacancies Reserved for STs in the 3rd Yr. of Carry Forward	No. of Reservations Lapsed after Carrying Forward for Three Years	Remarks
		Out of col. 2	Out of col. 3		Excess +	Shortfall –			
1	9	10	11	12	13		14	15	16
POSTS FILLED BY DIRECT RECRUITMENT									
Group "A"	-	13	13	10		9	-	-	-
Group "B"	-	4	4	1	-	-	-	-	-
Group "C"	-	5	5	1	-	14	-	-	-
Group "D" (Excl. Safai Karmacharis)	-	-	-	-	-	14	-	-	-
D (Safai Karmacharis)	-	-	-	-	2		-	-	-
POSTS FILLED BY PROMOTION									
Group "A"	-	12	12	2		10	-	-	-
Group "B"	-	4	4	1	-	9	-	-	-
Group "C"	-	3	3	2	18	-	-	-	-

ANNEXURE D

Review of the accounts of Bharat Petroleum Corporation Ltd. for the year ended 31st March 2005, 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.

1. Financial Position

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

(Rupees in million)

	2002-03	2003-04	**2004-05**
LIABILITIES			
(a) **Paid Up Capital**	3,000.00	3,000.00	**3,000.00**
(i) Government	1,986.00	1,986.00	**1,986.00**
(ii) Others	1,014.00	1,014.00	**1,014.00**
(b) **Reserves & Surplus**			
(i) Free Reserves & Surplus	41,745.99	51,069.01	**58,316.54**
(ii) Share Premium Account	—	—	—
(iii) Capital Reserve	8.29	8.22	**7.72**
(iv) Debenture Redemption Reserve	2,720.00	4,420.00	**2,560.00**
(c) **Borrowings**			
(i) From Government of India *	3.18	—	—
(ii) From Financial Institutions	—	—	—
(iii) Foreign Currency Loans	—	2,867.68	**12,046.00**
(iv) Cash Credit	17,445.05	12,761.80	**7,258.13**
(v) Others	15,383.28	11,242.12	**19,485.95**
(vi) Interest accrued and due	27.08	25.61	**26.04**
**Relending of World Bank Loan*			
(d) (i) **Current Liabilities & Provisions**	77,871.52	81,762.62	**88,867.72**
(ii) **Provision for retirement benefits**	2,074.17	2,338.53	**2,518.99**
(iii) **Deferred tax liability (net)**	7,465.56	8,223.95	**9,690.29**
TOTAL	**167,744.12**	**177,719.54**	**203,777.38**

(Rs. in million)

	2002-03	2003-04	**2004-05**
ASSETS			
(e) Gross Block	99,732.88	111,579.61	**126,688.37**
(f) Less : Cumulative Depreciation	45,689.18	51,122.69	**56,687.16**
(g) Net Block	54,043.70	60,456.92	**70,001.21**
(h) Capital Work-in-progress	9,618.45	14,077.88	**13,485.53**
(i) Investments	21,062.12	19,769.71	**16,771.38**
(j) Current Assets, Loans & Advances			
(i) Inventories	44,035.80	42,860.23	**62,585.56**
(ii) Sundry Debtors	8,428.52	8,210.74	**8,545.84**
(iii) Cash & Bank balances	6,742.56	6,266.05	**3,523.89**
(iv) Loans & Advances	23,801.37	26,075.19	**28,767.19**
(v) Other Current Assets	11.60	2.82	**96.78**
	83,019.85	83,415.03	**103,519.26**
(k) Misc. expenditure not written off	—	—	—
(l) Accumulated loss	—	—	—
TOTAL	**167,744.12**	**177,719.54**	**203,777.38**
(m) Working Capital [j–d(i) – c(vi)]	5,121.25	1,626.80	**14,625.50**
(n) Capital Employed (g + m)	59,164.95	62,083.72	**84,626.71**
(o) Net Worth [a + b(i) + b(ii) + b(iv) – k – l]	47,465.99	58,489.01	**63,876.54**
(p) Networth per Rupee of paid up capital (in Rupees)	15.82	19.50	**21.29**

2. Ratio Analysis

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under:

(in Percentage)

	2002-03	2003-04	**2004-05**
A. Liquidity Ratio			
i) Current Ratio [j / (d(i) + c(vi)]	106.57	101.99	**116.45**
ii) Current assets to total net assets	49.49	46.94	**50.80**
iii) Working capital to capital employed	8.66	2.62	**17.28**
B. Debt Equity Ratio			
[c(i to v but excluding short term loans)/o]	32.42	19.22	**19.87**

(in Percentage)

		2002-03	2003-04	**2004-05**
C.	**Profitability Ratios**			
a)	Profit before tax to			
	i) Capital employed	33.69	42.45	**16.03**
	ii) Net Worth	42.00	45.06	**21.23**
	iii) Sales including excise duty	4.11	4.93	**2.12**
b)	Profit after tax to Equity (o)	26.34	28.97	**15.12**
c)	Earnings per share (in Rupees)	41.67	56.49	**32.19**

3. Reserves & Surplus

The reserves and surplus of the Company were 20 times its paid up capital as on 31st March, 2005 as against 19 times as on 31st March, 2004 and 15 times as on 31st March, 2003.

4. Investments

The Company's investments reduced from Rs. 19769.71 million as at the end of 31st March, 2004 to Rs. 16771.38 million as at the end of 31st March, 2005. The reduction is mainly due to the sale of 6.96% Oil Companies Special Bonds 2009 worth Rs. 3000.00 million.

As against weighted average cost of borrowings (including hedging costs) of 6.50% (4.12 % post tax), the weighted average yield on investments during the year was 16.62 % (10.54 % post tax).

5. Sources and Utilisation of Funds

Funds amounting to Rs. 32243.53 million from internal and external sources were realised as well as utilised during the year as per details given below :

(Rupees in million)

Sources of Funds		
Funds generated from operation :		
Profit after tax	9,657.96	
Add : Depreciation including amortisation	5,965.68	
Add : Deferred tax	1,466.34	
Add : Loss on sale of assets	—	17,089.98
Sale/write off of fixed assets		236.74
Sale of Investments		2,998.33
Increase in loan funds		11,918.48
Total		32,243.53

(Rupees in million)

Utilisation of Funds	
Addition to fixed assets/capital work in progress	15,154.86
Dividend	4,270.43
Increase in working capital	12,818.24
Total	32,243.53

6. Working Capital

The working capital of the Company as on 31st March 2003, 2004 and 2005 was Rs. 5121.25 million, Rs. 1626.80 million and Rs.14625.50 million respectively. The increase in working capital during the current year was mainly due to increase in Inventory holdings offset to an extent by Current Liabilities and Provisions.

7. Working Results

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

(Rupees in million)

		2002-03	2003-04	**2004-05**
a)	Net Sales (excluding excise duty)	430,139.12	482,899.74	**592,634.53**
b)	Profit before tax	19,935.37	26,355.15	**13,563.48**
c)	Profit after tax excluding dividend tax	12,500.28	16,945.68	**9,657.96**

8. Inventory

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

(Rupees in million)

		2002-03	2003-04	**2004-05**
i)	Raw Materials	2,761.32	4,448.04	**8,287.67**
ii)	Stores & Spares (including in transit)	538.57	510.13	**526.32**
iii)	Stock-in-Process	1,139.24	817.47	**1,324.53**
iv)	Finished Goods	39,556.40	37,037.83	**52,393.26**
v)	Packages	40.27	46.76	**53.78**

a) The stock of raw materials at the close of each year was equivalent to about 0.72 month's consumption in 2004-05 as against 0.57 month's in 2003-04 and 0.34 month's in 2002-03.

b) The stores and spares (including packages) at the end of 2004-05 represented 5.11 months' consumption as against 5.18 months' in 2003-04 and 5.48 months' in 2002-03.

c) Finished Goods at the end of the year amounted to about 0.98 month's sales during 2004-05 as against 0.83 months' in 2003-04 and 0.98 months' in 2002-03.

9. Sundry Debtors

a) The position of sundry debtors for the last three years ending 31st March, 2005 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)
2002-03	10,573.10	2,144.58	2.18
2003-04	10,669.46	2,458.72	2.00
2004-05	**9,839.33**	**1,293.49**	**1.54**

b) The following table indicates the debts outstanding for more than one year as on 31st March, 2005.

(Rupees in million)

	Department / Undertakings	Others
(i) Debts outstanding for more than one year but less than two years.	96.74	48.45
(ii) Debts outstanding for more than two years but less than three years	369.61	39.66
(iii) Debts outstanding for three years and more	769.61	669.17

10. Dues receivable from/payable to Petroleum Planning & Analysis Cell (PPAC)

As of March 2005, the Company has an amount of Rs. 11075.55 million receivable from PPAC towards various regular settlements. The amount of net outstanding claims/(surrender) as at the end of 3 years is given below.

(Rupees in million)

Year	Balance Claims/ (Surrenders)	Interest	Total Amount
2002-03	10,799.03	628.32	11,427.35
2003-04	10,928.06	628.32	11,556.38
2004-05	**10,447.23**	**628.32**	**11,075.55**

11. Dividend

The Company has declared an interim dividend of 50% and also recommended a second interim dividend of 75% for the year 2004-05, as against an interim dividend of 60% and a final dividend of 115% for 2003-04. The dividend payout ratio , calculated as a percentage of total dividend paid / proposed (including dividend tax) to profit after tax during the last three years ended 31st March, 2005 was 44.22, 34.95 and 40.00 respectively.

Sd/-
REVATHY IYER
Principal Director of Commercial Audit &
ex-officio Member, Audit Board II, Mumbai.

Mumbai
24th June, 2005

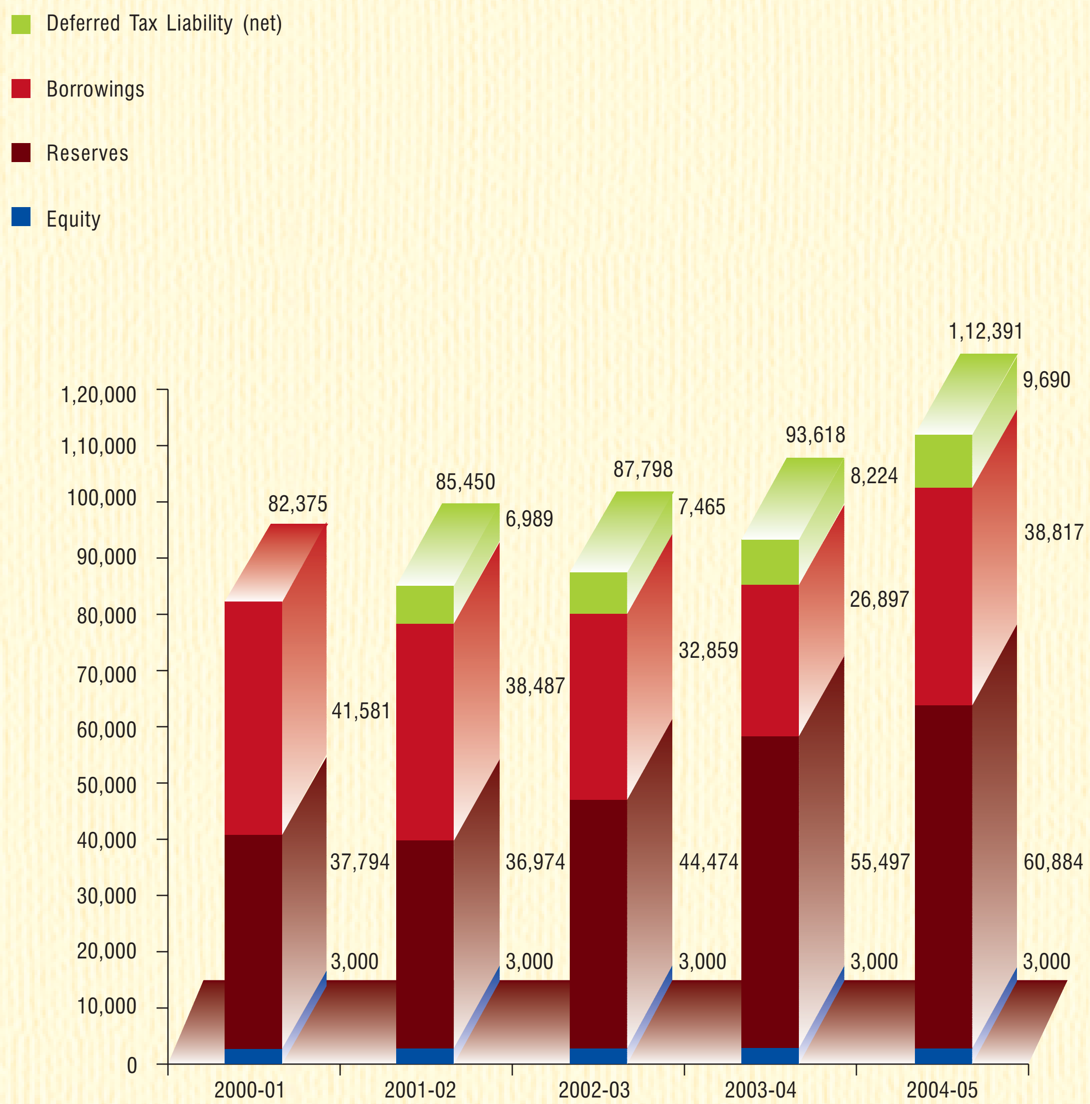
COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA U/S 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHARAT PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Bharat Petroleum Corporation Limited for the year ended 31st March, 2005.

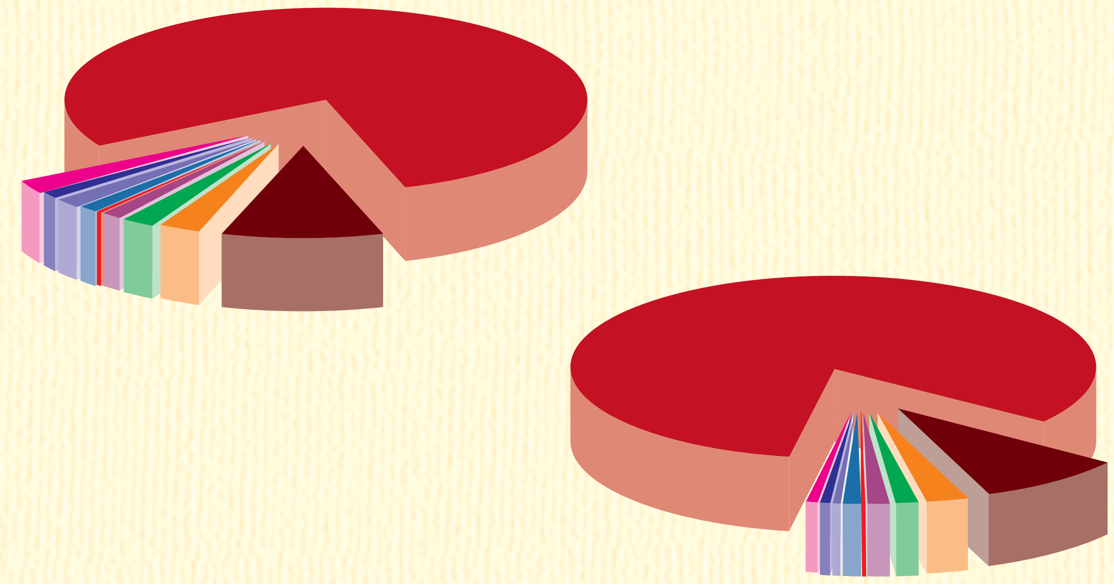
Sd/-
REVATHY IYER
Principal Director of Commercial Audit &
ex-officio Member, Audit Board-II, Mumbai.

Mumbai
24th June, 2005

TOTAL FUNDS EMPLOYED (Rs. in Million)



DISTRIBUTION OF EACH RUPEE EARNED



2003-2004	2004-2005	
78.26	82.42	Raw Materials, Purchase of Products for resale and packages
10.18	9.30	Duties, Taxes etc.
2.36	2.32	Transportation
1.95	1.55	Stores and other operating expenses
1.23	1.23	Employees' remuneration and other benefits
0.20	0.22	Interest on Borrowings
1.04	0.93	Depreciation
1.75	0.61	Income Tax
0.98	0.58	Dividend
2.05	0.84	Retained Profits

PERFORMANCE PROFILE

		2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976
1.	**Crude Oil Processed (000 Tonnes)**																							
	Imported	**5093**	4543	3230	3587	2743	2546	1731	1222	1486	1110	1891	2610	2685	2062	1397	1008	623	1204	105	67	175	1268	3596
	Indigenous	**4045**	4214	5481	5183	5919	6323	7205	6720	6108	6240	5491	4596	4550	4900	5514	6024	5535	5352	5467	6311	5279	3603	159
	TOTAL	**9138**	8757	8711	8770	8662	8869	8936	7942	7594	7350	7382	7206	7235	6962	6911	7032	6158	6556	5572	6378	5454	4871	3755
2.	**Production Quantity (000 KL)**	**10473**	10210	10291	10355	10348	10643	10861	9648	8986	8816	8788	8644	8653	8372	8329	8525	7367	7858	6667	7574	6619	5769	4312
	Light Distillates %	**32.39**	33.27	34.32	33.51	34.74	32.69	34.85	34.47	32.54	33.27	32.29	31.20	31.49	32.29	30.87	31.09	29.29	27.83	27.78	28.08	25.75	22.22	19.97
	Middle Distillates %	**49.13**	49.13	50.73	50.45	49.43	53.45	53.90	54.29	55.23	54.74	54.62	53.59	53.88	54.95	55.70	57.07	60.12	59.38	60.39	59.35	54.36	55.66	55.93
	Heavy Ends %	**18.48**	17.60	14.95	16.04	15.83	13.86	11.25	11.24	12.23	11.99	13.09	15.21	14.63	12.76	13.43	11.84	10.59	12.79	11.83	12.57	19.89	22.12	24.10
3.	**Fuel and Loss as % of Crude Processed**	**5.9**	5.7	5.6	5.6	5.4	4.9	4.5	4.8	4.8	5.6	5.4	4.7	4.2	4.2	4.5	4.5	5.6	5.6	5.8	6.2	4.5	4.9	5.7
4.	**Aromatics Production (MT)**																							
	Benzene	**44243**	43178	69798	56360	75293	76351	70496	57169	81533	60575	57511	22037	56612	69564	68426	56499	59624	45928	18603	20112	0	0	0
	Toluene	**10042**	12759	20013	16610	16344	19569	16990	18664	20689	13182	13437	7047	11070	9048	10877	8843	7494	8414	4948	4455	0	0	0
5.	**Market Sales (MMT)**	**21.03**	20.37	19.86	19.15	19.35	18.68	17.50	16.37	15.76	14.78	13.23	12.10	11.41	10.71	10.38	10.18	9.31	8.56	7.93	7.57	7.05	5.29	3.63
6.	**Lubricants Production (MT)**	**106287**	101245	112730	99875	96624	100396	102684	86951	69164	67876	66681	74154	82911	95091	87459	94672	92725	84691	74763	72414	69425	60813	40939
7.	**Market Participation %**	**21.9**	22.1	22.0	21.5	21.4	20.7	20.6	20.5	20.4	20.3	20.2	20.0	19.5	18.8	18.9	18.9	18.7	18.5	18.3	18.7	18.3	17.2	15.3
8.	**Marketing Network**																							
	Installations	**12**	12	17	19	19	19	16	16	16	16	16	16	14	12	10	10	10	9	9	8	8	7	5
	Depots	**123**	129	153	171	164	146	131	128	131	122	118	117	98	94	83	78	69	69	65	62	60	57	61
	Aviation Service Stations	**19**	19	19	19	19	19	16	15	16	16	16	14	14	13	13	13	12	11	9	8	8	3	2
	Total Tankages (Million KL)	**3.05**	3.08	3.13	3.23	2.94	2.88	2.72	2.30	1.81	1.62	1.57	1.52	1.37	1.17	1.01	0.91	0.87	0.74	0.75	0.67	0.66	0.66	0.61
	Retail Outlets	**6426**	5530	4854	4711	4562	4489	4423	4407	4373	4312	4214	4090	4040	4005	3965	3894	3822	3741	3663	3567	3486	3311	3183
	Number of LPG Bottling Plants	**44**	42	40	40	38	32	27	21	19	18	16	16	15	15	15	15	14	8	4	2	2	—	—
	LPG Distributors	**2061**	1922	1828	1729	1421	1345	1200	1179	1146	1062	948	866	816	793	767	740	704	651	616	518	409	154	90
	LPG Customers (No. Million)	**21.32**	19.43	16.99	15.28	13.80	11.40	9.11	8.03	6.93	6.02	5.37	4.78	4.35	4.05	3.77	3.61	3.31	3.03	2.70	2.32	1.96	0.59	0.49
9.	**Manpower (Nos.)**	**12029**	12434	12494	12586	12670	12638	12264	12094	11704	11499	11207	11299	11167	11158	11029	10616	10578	10203	9397	8321	7894	5808	4847
10.	**Sales and Earnings (Figures in Rs. Million)**																							
	i) Sales and Other Income *	**633500**	529828	475844	425597	471532	358911	258299	209187	181564	150234	133863	115203	102349	88828	73951	60816	54762	50797	44878	31650	26642	15124	6728
	ii) Gross Profit before Depreciation, Interest & Tax	**20922**	33016	27204	21144	20332	17377	15568	12143	9775	9101	7618	5456	4735	4028	3488	3010	2424	1903	1843	1772	930	394	103
	iii) Depreciation	**5960**	5612	4809	4810	6645	6154	4040	3824	2258	2179	2603	1365	1431	1031	961	1030	789	635	816	776	533	125	24
	iv) Interest	**1398**	1050	2459	3066	2556	1854	1745	1122	821	394	437	467	383	442	372	314	334	338	342	307	189	38	19
	v) Profit before Tax	**13563**	26355	19935	13268	11131	9369	9783	7197	6696	6528	4578	3624	2921	2555	2155	1666	1301	930	685	689	208	231	60
	vi) Tax	**4271**	9284	7281	4911	2930	2330	2770	1870	2370	2670	1690	1470	1220	1070	877	440	258	150	82	76	70	127	43
	vii) Excess/(Short) provision for Taxation in earlier years written back/provided for	**366**	(125)	(154)	141	126	(22)	48	(113)	(250)	-	33	21	-	-	-	-	-	-	-	-	-	-	-
	viii) Profit after Tax #	**9658**	16946	12500	8498	8327	7017	7061	5214	4076	3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17

* Figures from 1986-87 includes Sales to Other Oil Companies.
\# After adjusting prior period tax.

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
11. What the Company Owned (Rs. Million)									
i) Gross Fixed Assets (including Capital Work-in-Progress)	**140174**	125657	109351	97222	88235	76295	62228	50463	39491
ii) Net Fixed Assets (including Capital Work-in-Progress)	**83487**	74535	63662	56016	51663	45916	37886	30050	22762
iii) Net Current Assets (including Investments)	**28904**	19083	24136	29434	30712	14958	9004	9832	11695
Total Assets Net (ii + iii)	**112391**	93618	87798	85450	82375	60874	46890	39882	34457
12. What the Company Owed (Rs. Million)									
i) Share Capital	**3000**	3000	3000	3000	3000	1500	1500	1500	1500
ii) Reserves and Surplus	**60884**	55497	44474	36974	37794	33447	28718	23738	19349
iii) Net Worth (i + ii)	**63884**	58497	47474	39974	40794	34947	30218	25238	20849
iv) Borrowings	**38817**	26897	32859	38487	41581	25927	16672	14644	13608
v) Deferred Tax Liability (net)	**9690**	8224	7465	6989	-	-	-	-	-
Total Funds Employed (iii + iv + v)	**112391**	93618	87798	85450	82375	60874	46890	39882	34457
13. Internal Generation (Rs. Million)	**12820**	17399	12763	10998	12306	10894	8990	8227	5782
14. Value Added (Rs. Million)	**48766**	57743	52031	43716	41448	36925	30018	24447	20769
15. Earnings in Foreign Exchange (Rs. Million)	**19446**	13204	11913	6554	8700	5730	2993	3567	4172
16. Ratios									
i) Gross Profit before Depreciation, Interest & Tax as % age of Sales and Other Income	**3.3**	6.1	5.6	5.3	4.4	5.2	7.1	10.1	9.1
ii) Profit after Tax as % age of Average Net Worth	**15.8**	32.0	28.6	21.0	22.0	21.5	25.5	22.6	21.4
iii) Profit after Tax as % age of Share Capital	**321.9**	564.9	416.7	283.3	277.5	467.8	470.7	347.6	271.7
iv) Average Net Worth as % age of Share Capital	**2039.7**	1766.2	1457.5	1346.1	1262.4	2172.2	1848.5	1536.2	1272.2
v) Gross Profit before Depreciation, Interest & Tax as % age of Capital Employed	**21.2**	41.5	34.8	26.1	26.7	31.1	38.5	34.0	33.0
vi) Profit before Tax as % age of Capital Employed	**13.7**	33.1	25.5	16.4	14.6	16.8	24.2	20.1	22.6
vii) Profit After Tax as % age of Capital Employed (ROCE)	**9.8**	21.3	16.0	10.5	10.9	12.5	17.4	14.6	13.8
viii) Debt Equity Ratio	**0.61**	0.46	0.69	0.96	1.02	0.7	0.6	0.6	0.7
17. Earnings per Share (Rupees)									
— Pre-Bonus #	**64.39**	112.97	83.34	56.65	55.51	46.78	47.07	34.76	27.17
— Post-Bonus #	**32.19**	56.49	41.67	28.33	27.76	-	-	-	-
18. Book Value per Share (Rupees)	**212.95**	194.99	158.25	133.25	135.98@	232.98	201.45	168.25	139.00

	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976
11. What the Company Owned (Rs. Million)														
i) Gross Fixed Assets (including Capital Work-in-Progress)	32502	27907	23685	20566	17525	15234	13246	11224	9549	7518	6005	4947	963	461
ii) Net Fixed Assets (including Capital Work-in-Progress)	17940	15455	13741	11928	10237	8940	7873	6832	5991	4276	3596	3292	471	226
iii) Net Current Assets (including Investments)	4622	2578	1838	839	1238	1139	802	314	142	908	1093	583	869	259
Total Assets Net (ii + iii)	22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
12. What the Company Owed (Rs. Million)														
i) Share Capital	1500	1500	500	500	500	500	500	279	279	279	279	166	145	145
ii) Reserves and Surplus	15818	12455	11021	9010	7475	6140	4962	4057	3070	2062	1496	1035	498	190
iii) Net Worth (i + ii)	17318	13955	11521	9510	7975	6640	5462	4336	3349	2341	1775	1201	643	335
iv) Borrowings	5244	4078	4058	3257	3500	3439	3213	2810	2784	2843	2914	2674	697	150
v) Deferred Tax Liability (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funds Employed (iii + iv + v)	22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
13. Internal Generation (Rs. Million)	5544	5032	3376	2967	2366	2139	2154	1855	1358	1425	1350	650	212	26
14. Value Added (Rs. Million)	19555	15622	9261	8886	7863	6820	4813	4994	3873	3405	2922	2235	1008	281
15. Earnings in Foreign Exchange (Rs. Million)	3610	2724	2362	2042	1600	1971	1361	1199	1100	1156	1030	877	1	22
16. Ratios														
i) Gross Profit before Depreciation, Interest & Tax as % age of Sales and Other Income	9.6	9.3	8.4	7.8	7.0	6.6	6.1	5.5	4.7	5.2	7.5	4.3	3.2	1.8
ii) Profit after Tax as % age of Average Net Worth	24.7	22.9	20.7	19.5	20.3	21.1	25.0	28.4	26.7	29.3	41.2	12.1	17.4	6.7
iii) Profit after Tax as % age of Share Capital	257.2	194.8	435.1	340.1	296.9	255.6	245.1	391.7	273.0	216.7	220.2	83.3	71.8	11.5
iv) Average Net Worth as % age of Share Capital	1042.4	849.2	2103.1	1748.5	1461.5	1210.2	979.8	1379.7	1021.5	738.9	534.3	689.8	412.4	170.9
v) Gross Profit before Depreciation, Interest & Tax as % age of Capital Employed	45.9	50.6	43.1	47.8	44.1	46.5	45.5	44.3	48.4	51.1	49.0	37.5	33.5	21.8
vi) Profit before Tax as % age of Capital Employed	33.0	30.4	28.6	29.5	28.0	28.7	25.2	23.8	23.7	19.0	19.0	8.4	19.7	12.6
vii) Profit After Tax as % age of Capital Employed (ROCE)	19.5	19.4	17.2	17.2	16.3	17.0	18.5	19.9	19.4	16.7	16.9	5.6	8.9	3.5
viii) Debt Equity Ratio	0.3	0.3	0.4	0.3	0.4	0.5	0.6	0.6	0.8	1.2	1.6	2.2	1.1	0.4
17. Earnings per Share (Rupees)														
— Pre-Bonus #	25.72	19.48*	43.51	34.02	29.69	25.56	24.51	37.45	28.01	21.71	22.01	6.07	4.68	0.72
— Post-Bonus #	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18. Book Value per Share (Rupees)	115.45	93.04@	230.42	190.21	159.49	132.80	109.24	155.69	120.23	84.04	63.74	52.23	27.97	14.56

* Issue of Bonus Shares in the ratio 2:1.
# After adjusting prior period tax.
@ On Post-Bonus Capital.

SOURCES AND APPLICATION OF FUNDS

(Rs. Million)

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
SOURCES OF FUNDS									
OWN									
Profit after Tax *	**9658**	16946	12500	8498	8326	7017	7061	5214	4076
Depreciation	**5966**	5618	4785	4829	6459	6165	4011	3838	2251
Investment	**2998**	1292	2332	—	—	231	5139	—	—
Shareholders' Investment	—	—	—	—	—	—	—	—	—
Deferred Tax Provision	**1466**	758	477	971	—	—	—	—	—
BORROWINGS									
Loans (net)	**11919**	—	—	—	15655	9254	2029	1036	8364
LPG Deposits	**1702**	2381	1827	1981	3847	3449	1683	2473	1205
Decrease in Working Capital	—	1379	1138	8618	—	—	—	7746	—
Adjustment on account of Deletion/Re-classification, etc.	**170**	34	63	59	141	28	17	25	18
	33879	28409	23123	24956	34428	26144	19940	20332	15914
APPLICATION OF FUNDS									
Capital Expenditure	**15087**	16525	12494	9241	12347	14223	11865	11151	7091
Dividend	**3750**	5250	4500	3300	2250	1875	1875	750	495
Tax on distributed profits	**520**	673	500	—	230	413	206	75	49
Repayment of Loans (net)	—	5961	5629	3094	—	—	—	—	—
Investment	—	—	—	9321	8638	—	—	8356	790
Increase in Working Capital	**14522**	—	—	—	10963	9633	5994	—	7489
	33879	28409	23123	24956	34428	26144	19940	20332	15914

	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976
SOURCES OF FUNDS														
OWN														
Profit after Tax *	3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17
Depreciation	2181	2605	1366	1431	1031	961	1028	868	634	861	776	535	128	24
Investment	765	—	—	—	—	—	—	—	—	—	—	—	—	—
Shareholders' Investment	—	—	—	—	—	—	—	—	—	—	—	—	—	171
Deferred Tax Provision	—	—	—	—	—	—	—	—	—	—	—	—	—	—
BORROWINGS														
Loans (net)	1166	20	802	—	62	226	403	25	—	—	240	746	620	115
LPG Deposits	971	788	520	254	373	176	285	214	222	276	328	260	12	11
Decrease in Working Capital	—	—	—	539	—	—	—	—	546	—	—	—	—	—
Adjustment on account of Deletion/Re-classification, etc.	51	38	8	41	12	2	26	19	5	—	27	3	1	(75)
	8992	6372	4871	3966	2963	2643	2968	2169	2187	1740	1984	1682	865	263
APPLICATION OF FUNDS														
Capital Expenditure	4718	4348	3187	3162	2340	2030	2095	1728	2071	1538	1107	1544	231	26
Dividend	495	495	165	165	150	100	100	56	56	39	39	23	20	15
Tax on distributed profits	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Repayment of Loans (net)	—	—	—	245	—	—	—	—	60	71	—	—	—	—
Investment	—	922	722	394	67	275	21	10	—	—	—	6	—	1
Increase in Working Capital	3779	607	797	—	406	238	752	375	—	92	838	109	614	221
	8992	6372	4871	3966	2963	2643	2968	2169	2187	1740	1984	1682	865	263

* After adjusting prior period tax.

SALES VOLUME ('000 MT)

	2004-05 Sales	2004-05 Market Share (%)	2003-04 Sales	2003-04 Market Share (%)	2002-03 Sales	2002-03 Market Share (%)	2001-02 Sales	2001-02 Market Share (%)	2000-01 Sales	2000-01 Market Share (%)
Light Distillates :										
Naphtha	**1047**	**16.0**	1373	19.4	1263	17.2	1379	17.2	1326	16.4
LPG (Bulk & Packed)	**2593**	**26.1**	2329	25.6	2030	24.9	1788	24.5	1612	24.3
Motor Spirit	**2460**	**30.0**	2453	30.9	2384	31.3	2192	31.2	2062	31.1
Special Boiling Point Spirit/Hexane	**24**	**16.9**	30	19.0	34	38.2	36	37.2	46	43.8
Benzene	**48**	**53.2**	46	52.9	66	55.0	59	60.8	78	53.8
Toluene	**11**	**20.3**	8	20.7	19	30.2	17	31.5	15	24.6
Polypropylene Feedstock	**49**		17		5		3		4	
Regasified-LNG	**250**		-		-		-		-	
Others	**100**		82		54		30		28	
Sub Total	**6582**		6338		5855		5504		5171	
Middle Distillates :										
Aviation Turbine Fuel	**587**	**20.6**	566	22.5	517	22.4	506	22.3	509	22.6
Superior Kerosene Oil	**1619**	**16.8**	1614	16.7	1656	16.6	1653	15.9	1791	16.4
High Speed Diesel	**9112**	**23.9**	9023	24.3	8853	24.1	8743	23.9	9237	24.2
Light Diesel Oil	**158**	**14.5**	146	12.3	181	12.6	132	10.9	152	10.6
Mineral Turpentine Oil	**85**	**36.8**	93	41.7	101	42.1	94	44.8	101	45.3
Sub Total	**11561**		11442		11308		11128		11790	
Others :										
Furnace Oil	**1671**	**20.7**	1366	19.1	1331	19.6	1281	18.5	1238	19.4
Low Sulphur Heavy Stock	**708**	**16.2**	741	16.1	801	17.0	711	15.3	607	12.2
Bitumen	**387**	**11.7**	371	10.9	444	15.8	421	17.4	440	16.6
Lubricants	**117**	**14.1**	111	12.6	117	12.3	105	12.8	99	12.3
Sub Total	**2883**		2589		2693		2518		2384	
Grand Total	**21026**	**21.92**	20639	22.07	19856	22.0	19150	21.5	19345	21.4

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

PRODUCTION ('000 MT)

	2004-05	2003-04	2002-03	2001-02	2000-01
Light Distillates :					
Naphtha	**1125**	1106	1072	1085	1111
LPG	**359**	367	377	353	365
Motor Spirit	**929**	878	901	877	866
Special Boiling Point Spirit/Hexane	**24**	30	31	35	45
Benzene	**44**	43	70	56	75
Toluene	**10**	13	20	17	16
Polypropylene Feedstock	**48**	16	7	4	4
Others	**-**	5	7	0	0
Sub Total	**2539**	2458	2485	2427	2482
Middle Distillates :					
Aviation Turbine Fuel	**329**	336	298	279	224
Superior Kerosene Oil	**772**	762	807	811	766
High Speed Diesel	**2828**	2746	2824	2938	2919
Light Diesel Oil	**164**	132	199	112	128
Mineral Turpentine Oil	**85**	92	105	94	97
Sub Total	**4178**	4068	4233	4234	4134
Heavy Ends :					
Furnace Oil	**1041**	990	608	649	707
Low Sulphur Heavy Stock	**533**	465	534	615	585
Bitumen	**307**	278	361	354	295
Sub Total	**1881**	1733	1503	1618	1587
Grand Total	**8598**	8259	8221	8279	8203

Lubricants Production (MT)

2004-05	2003-04	2002-03	2001-02	2000-01
106287	101245	112730	99875	96624

Quantity of LPG Filled in Cylinders (MT)

2004-05	2003-04	2002-03	2001-02	2000-01
2330185	2111173	1871631	1708370	1573383

HOW VALUE IS GENERATED

	2004-05	Rs. Million 2003-04
Value of Production (Refinery)	**152180**	109814
Less : Direct Materials Consumed	**135098**	90124
Added Value	**17082**	19690
Marketing Operations	**31684**	38053
Value added by Manufacturing & Trading Operations	**48766**	57743
Add : Other Income (including P.Y.A)	**4486**	4333
Total Value Generated	**53252**	62076

HOW VALUE IS DISTRIBUTED

		2004-05		Rs. Million 2003-04
1. OPERATIONS				
Operating & Service Costs		**24401**		22441
2. EMPLOYEES' BENEFITS				
Salaries, Wages & Bonus	**5878**		4846	
Other Benefits	**2053**	**7931**	1772	6618
3. PROVIDERS OF CAPITAL				
Interest on Borrowings	**1398**		1050	
Dividend	**4270**	**5668**	5923	6972
4. INCOME TAX		**2439**		8651
5. RE-INVESTMENT IN BUSINESS				
Depreciation	**5960**		5612	
Deferred Tax	**1466**		758	
Retained Profit	**5387**	**12813**	11023	17393
Total Value Distributed		**53252**		62076

AUDITORS' REPORT TO THE MEMBERS OF BHARAT PETROLEUM CORPORATION LIMITED

1. We have audited the attached Balance Sheet of Bharat Petroleum Corporation Limited, as at 31st March, 2005 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 and read together with the Companies (Auditor's Report) Amendment Order, 2004, (hereinafter referred to as the Order), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in Paragraph 3 above we report that:-

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;

   (v) On the basis of written representations received from the Directors, other than Government nominee Directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. The Department of Company Affairs vide their General Circular No.8/2002 dated 22nd March, 2002 have clarified that Government nominated Directors are exempted from the provision of Section 274(1)(g) of the Companies Act, 1956;

   (vi) 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, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

(a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;

(b) In the case of the Profit and Loss Account, of the profit for the year ended on that date and

(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner
M. No.34319

Place : Mumbai
Dated : May 19, 2005

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

i. (a) 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.

(b) 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. In our opinion the frequency of verification is reasonable. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.

(c) Since there is no disposal of a substantial part of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.

ii. (a) The inventories of finished goods, stores, spare parts and raw materials, except those lying with contractors and in transit, have been physically verified during the year by the management. In our opinion, the frequency of physical verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion, the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification as compared to the record of inventories.

iii. Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventories and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

v. Based on the audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that Section.

Sub-clause (b) of sub-para (v) of para 4 of the Order is not applicable as there are no such transactions exceeding the value of Rupees Five Lacs in respect of any party in the financial year.

vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, with regard to deposits accepted from the public.

We are informed by the management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal under Sections 58A and 58AA of the Companies Act, 1956.

vii. In our opinion the Company has an internal audit system commensurate with its size and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records in respect of petroleum industry and two products, namely Benzene and Toluene, 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 made and maintained. We have not, however, made a detailed examination of these records with a view to determining whether they are accurate or complete.

ix. (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, that are required to be deposited regularly with authorities, have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid statutory dues were in arrears, as at 31st March, 2005, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company, the dues of sales tax / income tax / custom duty / wealth tax / service tax / excise duty / cess, which have not been deposited on account of any dispute are as follows:-

(Amount in Million Rs.)

Name of the Statute / Nature of Dues	Period Block	Forum where Dispute is pending						Grand Total
		Supreme Court	High Court	Appellate Tribunal*	Appellate Authority**	Adjudicating Authority***	Joint Secretary, MOF	
Customs Act, 1962 (Customs Duty Including Penalty & Interest, wherever applicable)	1995 to 2000	7.08	-	3,615.04	-	-	-	3,622.12
	2000 to 2005	-		-	11.10	-	-	11.10
Customs Duty Total		**7.08**	**-**	**3,615.04**	**11.10**	**-**	**-**	**3,633.22**
Excise Act, 1944 (Excise Duty Including Penalty & Interest, wherever applicable)	1985 to 1990	-	-	0.66	-	-	-	0.66
	1990 to 1995	-	-	3.61	1.44	-	-	5.05
	1995 to 2000	7.33	-	417.51	4.11	-	-	428.95
	2000 to 2005	0.05	-	1,551.15	181.49	25.88	0.73	1,759.30
Excise Duty Total		**7.38**	**-**	**1,972.93**	**187.04**	**25.88**	**0.73**	**2,193.96**
Sales Tax Legislations (Sales Tax Including Penalty & Interest, wherever applicable)	1980 to 1985	-	0.37	0.92	-	-	-	1.29
	1985 to 1990	0.82	14.71	57.39	15.19	-	-	88.11
	1990 to 1995	-	19.47	75.33	326.82	111.76	-	533.38
	1995 to 2000	-	3.18	556.73	5,663.93	-	-	6,223.84
	2000 to 2005	-	-	11.83	878.91	17.82	-	908.56
Sales Tax Total		**0.82**	**37.73**	**702.20**	**6,884.85**	**129.58**	**-**	**7,755.18**
Sales Tax Legislations (Works Contract Tax Including Penalty & Interest, wherever applicable)	1990 to 1995	-	-	-	-	0.17	-	0.17
Works Contract Tax Total		**-**	**-**	**-**	**-**	**0.17**	**-**	**0.17**
Income Tax Act, 1961 (Income Tax Including Penalty & Interest, wherever applicable)	1995 to 2000	-	-	64.35	-	-	-	64.35
	2000 to 2005	-	4.47	39.91	7.56	-	-	51.94
Income Tax Total		**-**	**4.47**	**104.26**	**7.56**	**-**	**-**	**116.29**
Maharashtra Land Revenue Code, 1966 (Land Revenue Including Penalty & Interest, wherever applicable)	1975 to 1980	-	0.59	-	-	-	-	0.59
	1980 to 1985	-	0.68	-	-	-	-	0.68
	1985 to 1990	-	1.74	-	-	-	-	1.74
	1990 to 1995	-	4.35	-	-	-	-	4.35
	1995 to 2000	-	5.51	-	-	-	-	5.51
	2000 to 2005	-	10.70	-	-	-	-	10.70
Land Revenue Total		**-**	**23.57**	**-**	**-**	**-**	**-**	**23.57**
Grand Total		**15.28**	**65.77**	**6,394.43**	**7,090.55**	**155.63**	**0.73**	**13,722.39**

**Appellate Tribunal includes Sales Tax Tribunal, CEGAT, CESTAT and ITAT*

***Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals*

****Adjudicating Authority includes Assistant Commissioner, Additional Commissioner, Chief Municipal Officer, Sales Tax Officer and Deputy Commissioner Commercial Taxes*

x. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

xi. On the basis of verification of records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions / Banks or Debenture holders.

xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. The Company is not a chit fund or a nidhi or a mutual benefit society. Therefore the provisions of sub para (xiii) of para 4 of the Order are not applicable to the Company.

xiv. (a) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.

(b) The shares, securities, debentures and other investments are held by the Company in its own name except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.

xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or financial institutions.

xvi. In our opinion, the term loans taken during the year have, prima facie, been applied for the purpose for which they were raised.

xvii. According to the information and explanations given to us, based on an overall examination of the Balance Sheet of the Company, related information made available to us and as represented to us by the Management, funds raised on short term basis have, prima facie, not been used during the year for long term investment.

xviii. The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

xix. The Company has not issued any debentures during the year and therefore the question of creating security or charge in respect thereof does not arise.

xx. The Company has not made any public issue of any securities during the year and therefore the question of disclosing the end-use of money raised by any public issue does not arise.

xxi. As represented to us by the management, at three company owned and company operated retail outlets and one supply location, frauds on the company were detected and reported during the year. Bank Deposit Slips (BDS) and Bank statements were forged and collections misappropriated in a case. Unauthorised credit sales were made and money not collected in another case. Short sales were booked in a third case and fraudulent invoices in BDSs generated in the fourth case and cash collections misappropriated. The aggregate amount of fraud reported is Rs.49.41 Million and Rs.20.87 Million has been recovered. Company has initiated / is in the process of initiating appropriate legal action.

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner
M. No.34319

Place : Mumbai
Dated : May 19, 2005

BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	Rs. Million	31/03/2004 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,000.00**	3,000.00
Reserves and Surplus	B	**60,884.26**	55,497.23
		63,884.26	58,497.23
2. Loan funds :	C		
Secured Loans		**11,734.17**	19,737.41
Unsecured Loans		**27,081.95**	7,159.80
		38,816.12	26,897.21
3. Deferred tax liability (net)		**9,690.29**	8,223.95
TOTAL		**112,390.67**	93,618.39
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**126,688.37**	111,579.61
Less : Depreciation and amortisation		**56,687.16**	51,122.69
Net block		**70,001.21**	60,456.92
Capital work-in-progress	E	**13,485.53**	14,077.88
		83,486.74	74,534.80
2. Investments	F	**16,771.38**	19,769.71
3. Current assets, loans and advances :			
Inventories	G	**62,585.56**	42,860.23
Sundry debtors	H	**8,545.84**	8,210.74
Cash and bank balances	I	**3,523.89**	6,266.05
Other current assets	J	**96.78**	2.82
Loans and advances	K	**28,767.19**	26,075.19
		103,519.26	83,415.03
Less : Current liabilities and provisions :			
Liabilities	L	**87,916.66**	75,238.37
Provisions	M	**3,470.05**	8,862.78
		91,386.71	84,101.15
Net current assets		**12,132.55**	(686.12)
TOTAL		**112,390.67**	93,618.39
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors
Sd/-
ASHOK SINHA
Chairman and Managing Director (I/C)

Sd/-
S.A. NARAYAN
Director (Human Resources)

Sd/-
D. M. NAIK BENGRE
Company Secretary

As per our attached report of even date
For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants
Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 19th May, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	SCHEDULE	Rs. Million	2003-04 Rs. Million
INCOME			
Sale of products & related income	N	**638,570.03**	534,483.59
Less : Excise Duty paid		**(48,870.10)**	(51,940.52)
		589,699.93	482,543.07
Miscellaneous income	O	**4,583.92**	4,668.50
Increase/(Decrease) in Inventory	P	**15,862.49**	(2,840.34)
TOTAL		**610,146.34**	484,371.23
EXPENDITURE			
Purchase of products for resale		**407,426.24**	324,123.01
Raw materials consumed	Q	**137,529.47**	92,870.67
Packages consumed		**553.08**	445.44
Excise Duty on Inventory differential		**(3,008.00)**	(154.99)
Other Duties, taxes etc. and other charges applicable to products		**13,933.94**	4,321.17
Transportation		**14,919.34**	12,681.45
Consumption of stores, spares and materials	R	**207.80**	195.67
Power and Fuel	S	**196.88**	210.28
Employees' remuneration and other benefits	T	**7,930.87**	6,617.60
Interest	U	**1,398.03**	1,049.72
Other operating and administration expenses	V	**9,437.47**	9,709.24
Depreciation and amortisation		**5,960.39**	5,611.57
TOTAL		**596,485.51**	457,680.83
Profit		**13,660.83**	26,690.40
Prior period income/(expenses) net	W	**(97.35)**	(335.25)
Profit before tax		**13,563.48**	26,355.15
Provision for Taxation			
- Current Tax		**2,805.10**	8,526.00
- Deferred Tax (Net)		**1,466.34**	758.39
Excess/(Short) provision for Taxation in earlier years written back/provided for		**365.92**	(125.08)
Profit after tax		**9,657.96**	16,945.68
Transfer from/ (to) Debenture Redemption Reserve		**1,860.00**	(1,700.00)
Balance brought forward		**0.01**	0.01
Disposable Profit		**11,517.97**	15,245.69
Appropriations:			
Interim dividend paid		**1,500.00**	1,800.00
Second interim dividend		**2,250.00**	—
Final dividend (2003-04)		**—**	3,450.00
Corporate Dividend Tax on interim and proposed dividend		**520.43**	672.66
		4,270.43	5,922.66
Transfer to General Reserve		**965.80**	9,323.02
Balance carried forward		**6281.74**	0.01
Earnings per Share			
- Basic		**32.19**	56.49
- Diluted		**32.19**	56.49
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors
Sd/-
ASHOK SINHA
Chairman and Managing Director (I/C)

Sd/-
S.A. NARAYAN
Director (Human Resources)

Sd/-
D. M. NAIK BENGRE
Company Secretary

As per our attached report of even date
For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants
Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 19th May, 2005

SCHEDULE 'A' — SHARE CAPITAL

	Rs. Million	31/03/2004 Rs. Million
Authorised		
300 million equity shares of Rs.10 each	3,000.00	3,000.00
	3,000.00	3,000.00
Issued, subscribed and paid-up		
300 million equity shares of Rs.10 each fully paid-up *	3,000.00	3,000.00
Total	3,000.00	3,000.00

* 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) 277 million shares of Rs. 10 each allotted as fully paid bonus shares by capitalisation of Capital Reserve and General Reserve.

SCHEDULE 'B' — RESERVES AND SURPLUS

	Rs. Million	31/03/2004 Rs. Million
Capital Reserve		
As per last Balance Sheet	8.22	8.29
Less : Amortisation/adjustment of Capital Grant	(0.50)	(0.07)
	7.72	8.22
Debenture Redemption Reserve		
As per last Balance Sheet	4,420.00	2,720.00
Less : Transfer to Profit & Loss Account	(2,500.00)	—
Add : Transfer from Profit & Loss Account	640.00	1,700.00
	2,560.00	4,420.00
General Reserve		
As per last Balance Sheet	51,069.00	41,745.98
Add : Transfer from Profit & Loss Account	965.80	9,323.02
	52,034.80	51,069.00
Surplus as per Profit & Loss Account	6,281.74	0.01
Total	60,884.26	55,497.23

SCHEDULE 'C' — LOAN FUNDS

	Rs. Million	31/03/2004 Rs. Million
Secured Loans		
Bonds		
BPCL Millennium Bonds Series - I (Option I) - Redeemable at par on 1st December 2006 with put and call option on 1st December 2004 (Secured by mortgage created on certain immovable properties of the Corporation)*	—	2,500.00
BPCL Debentures 2008 - Redeemable at par on 1st June 2008 with put and call option on 1st June 2006 (Secured by mortgage created on certain immovable properties of the Corporation) **	4,450.00	4,450.00
Banks		
Working Capital Loans/Cash Credit (Secured in favour of the participating banks ranking pari-passu inter alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future)	7,258.13	12,761.80
Interest accrued and due	26.04	25.61
	11,734.17	19,737.41
Unsecured Loans		
Syndicated loans from various banks (repayable in foreign currency) [Due for repayment within one year **Rs. Nil**]	4,703.13	—
Public deposits [Due for repayment within one year **Rs. 1,553.20 million** (previous year Rs. 811.24 million)]	2,231.35	2,661.37
Short Term Loans (From Banks)		
Rupee Loans	11,500.00	—
Foreign Currency loans	7,342.87	2,867.68
OIDB [Due for repayment within one year **Rs. 326.15 million** (previous year Rs.326.15 million)]	1,304.60	1,630.75
	27,081.95	7,159.80
Total	38,816.12	26,897.21

* Interest payable at the rate of 12% per annum. Call option was exercised on 1st December 2004.

** Interest payable at the rate of 9.95% per annum on Rs. 3,450 million and at 9.90% per annum on Rs. 1,000 million.

SCHEDULE 'D' — FIXED ASSETS

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	AS AT 01.04.2004	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	**AS AT 31.03.2005**	UPTO 31.03.2004	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	**UPTO 31.03.2005**	**AS AT 31.03.2005**	AS AT 31.03.2004
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	2,333.01	142.48	5.27	**2,470.22**	—	—	—	—	**2,470.22**	2,333.01
(b) Leasehold	691.94	95.53	—	**787.47**	86.73	14.02	—	**100.75**	**686.72**	605.21
2. BUILDINGS	18,743.30	3,824.50	46.65	**22,521.15**	2,003.68	393.81	11.18	**2,386.31**	**20,134.84**	16,739.62
3. RAILWAY SIDINGS	1,768.07	55.98	0.97	**1,823.08**	564.50	82.23	0.90	**645.83**	**1,177.25**	1,203.57
4. PLANT and MACHINERY	22,697.84	6,157.32	97.14	**28,758.02**	8,657.12	1,101.95	58.03	**9,701.04**	**19,056.98**	14,040.72
5. TANKS and PIPELINES	21,843.50	966.80	138.17	**22,672.13**	7,221.92	1,132.22	56.84	**8,297.30**	**14,374.83**	14,621.58
6. FURNITURE and FITTINGS	774.41	125.48	17.05	**882.84**	295.84	45.24	10.60	**330.48**	**552.36**	478.57
7. VEHICLES	791.96	123.02	34.37	**880.61**	451.99	64.16	24.89	**491.26**	**389.35**	339.97
8. OTHER ASSETS										
(a) Dispensing Pumps	5,466.67	1,280.03	4.35	**6,742.35**	1,260.56	275.64	2.08	**1,534.12**	**5,208.23**	4,206.11
(b) LPG Cylinders and Allied Equipment	27,395.72	2,161.28	49.55	**29,507.45**	27,395.72	2,161.28	49.55	**29,507.45**	—	—
(c) Sundries	8,944.23	793.12	244.93	**9,492.42**	3,181.66	686.61	189.57	**3,678.70**	**5,813.72**	5,762.57
9. INTANGIBLE ASSETS (refer note 16 of Schedule 'X'-B)	128.96	21.67	—	**150.63**	2.97	10.95	—	**13.92**	**136.71**	125.99
TOTAL	**111,579.61**	**15,747.21**	**638.45**	**126,688.37**	**51,122.69**	**5,968.11**	**403.64**	**56,687.16**	**70,001.21**	**60,456.92**
PREVIOUS YEAR	99,732.88	12,225.83	379.10	111,579.61	45,689.18	5,627.36	193.85	51,122.69	60,456.92	54,043.70

NOTES:-

1) Land :
   a) Freehold land includes **Rs. 322.62 million** (previous year Rs. 308.69 million) with more than 99 years lease period.
   b) Freehold land includes **Rs. 72.52 million** (previous year Rs. 65.81 million) capitalised at various locations for which conveyance deeds are yet to be executed.
   c) Leasehold land 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. 9.09 million** (previous year Rs. 9.09 million).
      ii) Other leasehold land - Gross Block **Rs. 5.99 million** (previous year Rs. 5.99 million), Net Block **Rs. 5.11 million** (previous year Rs. 5.17 million).
   d) Freehold land includes land costing **Rs. 21.27 million** (previous year Rs. 21.27 million) which is in the process of being sold subject to approval of competent authority.
   e) Freehold land includes **Rs. 139.86 million** (previous year Rs. 77.07 million) in respect of which mutation is pending.
2) Buildings include :
   a) Ownership flats of **Rs. 137.76 million** (previous year Rs. 132.69 million) in proposed / existing co-operative societies.
   b) Residential flats and office complex which are in possession of the Corporation and in respect of which the lease deeds are yet to be registered:- Gross Block **Rs. 324.79 million** (previous year Rs. 38.05 million), Net Block **Rs. 320.65 million** (previous year Rs. 33.65 million).
3) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned in varying extent with other Oil Companies / Railways :- **Gross Block Rs. 1,699.45** million (previous year Rs. 1,636.03 million), Cumulative Depreciation **Rs. 428.92 million** (previous year Rs. 348.14 million), Net Block **Rs. 1,270.53 million** (previous year Rs. 1,287.90 million).
4) Buildings, Plant & Machinery and Sundries includes **Rs. 81.06 million** (previous year Rs. 81.06 million) towards assets, ownership of which does not vest with the Corporation. This amount is amortised over a period of five years. The amount charged off as depreciation for the current year is **Rs. 1.04 million** (previous year Rs. 2.44 million).
5) Deduction from Gross Block (column 4) includes :
   a) Write back of excess capitalisation of **Rs. 67.46 million** (previous year Rs. 160.53 million).
   b) Deletions during the year **Rs. 570.99 million** (previous year Rs. 218.70 million).
6) Depreciation for the year (column 7) includes :
   a) Charged to Profit & Loss account **Rs. 5,960.39 million** (previous year Rs. 5,611.57 million).
   b) Charged to Previous year expenses **Rs. 7.72 million** (previous year Rs. 15.79 million).
7) Deductions from depreciation (column 8) includes withdrawal of depreciation :
   a) On excess capitalisation **Rs. 2.42 million** (previous year Rs. 9.36 million).
   b) On deletion during the year **Rs. 401.22 million** (previous year Rs. 184.61 million).
8) Gross Block includes **Rs. 7.32 million** (previous year Rs. 105.76 million) towards assets held for disposal at discontinued locations in respect of which additional depreciation has been provided to recognise the expected loss on disposal. The amount of additional depreciation so provided during the year is **Rs. 3.73 million** (previous year Rs. 48.69 million).

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS

		31/3/2004	Rs. Million	31/03/2004 Rs. Million
Capital work-in-progress (at Cost)				
Work-in-progress			**10,840.66**	10,685.33
Capital Advances (Unsecured, Considered good)			**492.54**	405.47
Capital stores including lying with contractors			**1,208.78**	2,237.36
Capital goods in transit			**95.93**	10.11
Intangible assets pending amortisation (refer note 16 of Schedule 'X'-B)			**69.63**	1.34
Construction period expenses				
Opening balance	**738.27**	549.89		
Add : Expenditure during the year				
Establishment charges	**139.38**	118.30		
Interest	**321.38**	360.24		
Others	**95.49**	57.06		
	1,294.52	1,085.49		
Less : Allocated to assets during the year	**(516.53)**	(347.22)		
Balance pending allocation at the end of the year			**777.99**	738.27
Total			**13,485.53**	14,077.88

SCHEDULE 'F' — INVESTMENTS

	No.	Face Value Rs. Million	Book Value Rs. Million	31/03/2004 Rs. Million
IN GOVERNMENT SECURITIES				
NON TRADE - QUOTED				
1. Deposited with Local Authorities				
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
2. 6.96% Oil Companies Special Bonds 2009		**2,580.00**	**2,580.00**	5,580.00
			2,580.38	5,580.38
IN SHARES, DEBENTURES AND BONDS				
TRADE - QUOTED				
1. Equity Shares of Rs.10 each (fully paid up) of Petronet LNG Limited @	**93,750,000** (93,750,000)	**937.50**	**987.50**	987.50
2. Equity Shares of Rs.10 each (fully paid up) Indraprastha Gas Limited #	**31,500,080** (31,500,000)	**315.00**	**315.00**	315.00
TRADE - UNQUOTED				
1. Equity Shares of Rs. 2.50 each (fully paid up) of Bharat Shell Limited	**98,000,000** (98,000,000)	**245.00**	**245.00**	245.00
2. Equity Shares of Rs.10 each (fully paid up) of Bharat Oman Refineries Limited	**75,500,000** (75,500,000)	**755.00**	**755.00**	755.00
3. Equity Shares of Rs.10 each (fully paid up) of Petronet India Limited	**16,000,000** (16,000,000)	**160.00**	**160.00**	160.00
4. Equity Shares of Rs.10 each (fully paid up) Cochin International Airport Limited	**5,250,000** (5,250,000)	**52.50**	**52.50**	52.50
5. Equity Shares of Rs.10 each (fully paid up) of Petronet CCK Limited	**26,000,000** (26,000,000)	**260.00**	**260.00**	260.00
6. Equity Shares of Rs.10 each (fully paid up) of Petronet CI Limited	**451,000** (451,000)	**4.51**	**4.51**	4.51
7. Equity Shares of Rs.10 each (fully paid up) VI e Trans Private Limited	**100,000** (100,000)	**1.00**	**1.00**	1.00
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
			2,855.51	2,855.51
Less : Provision for diminution in value of investment				
in Petroleum Infrastructure Limited			**75.00**	75.00
in Petronet CI Ltd.			**4.51**	4.51
			2,776.00	2,776.00

@ 37,500,000 no. of shares has lock in period till 30.04.2007 & 56,250,000 no. of shares has lock in period till 30.04.2005.

\# 15,484,431 no. of shares has lock in period till 18.12.2006.

SCHEDULE 'F' — INVESTMENTS (Contd.)

	No.	Face Value Rs. Million	Book Value Rs. Million	31/03/2004 Rs. Million
NON TRADE - QUOTED				
1. 6.75% Tax Free US64 Bonds of Rs.10 each	**8,874,580** (8,874,580)	**88.75**	**88.75**	88.75
			88.75	88.75
NON TRADE - UNQUOTED				
1. Debentures				
- 6 1/2% debentures of Bengal Chamber of Commerce & Industry	**0** (15)		—	0.01
- 5% debentures of East India Clinic Limited (Irredeemable - Fully Paid up)	**1** (1)	**0.06**	**0.06**	0.06
2. Ordinary Shares (Fully paid up) of Sindhu Resettlement Corporation Ltd.	**6** (6)	**0.01**	**0.02**	0.02
			0.08	0.09
IN SUBSIDIARY COMPANIES				
QUOTED				
1. Equity Shares of Rs. 10 each (fully paid up) of Kochi Refineries Limited	**75,889,660** (75,889,660)	**758.90**	**6,591.02**	6,591.02
UNQUOTED				
2. Equity Shares of Rs.10 each (fully paid up) of Numaligarh Refinery Limited	**463,188,856** (463,188,856)	**4,631.89**	**4,631.89**	4,631.89
			11,222.91	11,222.91
IN ASSOCIATION OF PERSONS				
NON TRADE - UNQUOTED				
Capital Contribution in Petroleum India International			**0.50**	0.50
Share in accumulated surplus of Petroleum India International as at 31st March 2004 (31st March 2003)			**102.76**	101.08
			103.26	101.58
Member Companies ##				
Bharat Petroleum Corporation Limited				
Bongaigaon Refinery & Petrochemicals Limited				
Kochi Refineries Limited				
Engineers India Limited				
Hindustan Petroleum Corporation Limited				
IBP Company Limited				
Indian Petrochemicals Corporation Limited				
Chennai Petroleum Corporation Limited				
Total			**16,771.38**	19,769.71

All investments are long-term investments.

\## Each member company has an equal share and the total capital of AOP is Rs. 5.00 million.

Aggregate value of Unquoted Securities **Rs. 6,208.73 million** (previous year Rs. 6,207.06 million).

Aggregate value of Quoted Securities **Rs. 10,562.65 million** (previous year Rs. 13,562.65 million).

Market value of Quoted Securities **Rs. 21,542.51 million** (previous year Rs. 25,880.02 million).

SCHEDULE 'G' — INVENTORIES

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

	Rs. Million	31/03/2004 Rs. Million
Stores and spares	**520.07**	510.13
Stores and spares in Transit	**6.25**	—
Raw materials	**8,287.67**	4,448.04
Stock-in-process	**1,324.53**	817.47
Finished products	**52,393.26**	37,037.83
Packages	**53.78**	46.76
Total	**62,585.56**	42,860.23

@ Inventory valuation is as per Significant Accounting Policy no. 8

SCHEDULE 'H' — SUNDRY DEBTORS

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2004 Rs. Million
Debts outstanding for over six months :		
Considered good *	**930.37**	817.42
Considered doubtful	**1,293.49**	2,458.72
	2,223.86	3,276.14
Other debts	**7,615.47**	7,393.32
	9,839.33	10,669.46
Less : Provision for doubtful debts	**(1,293.49)**	(2,458.72)
Total	**8,545.84**	8,210.74

* Includes **Rs. 9.06 million** (previous year Rs. 2.88 million) which are secured

SCHEDULE 'I' — CASH AND BANK BALANCES

	Rs. Million	31/03/2004 Rs. Million
Cash on Hand	**1,550.89**	4,049.45
[Includes drafts and cheques of **Rs. 1,451.75 million** (previous year Rs. 3,921.03 million) on hand]		
With Scheduled banks :		
In current accounts	**1,903.94**	2,084.56
In deposit accounts	**8.90**	8.85
Remittances in transit	**60.16**	123.19
Total	**3,523.89**	6,266.05

SCHEDULE 'J' — OTHER CURRENT ASSETS

	Rs. Million	31/03/2004 Rs. Million
Interest accrued on investments	**2.41**	2.39
Interest accrued on bank deposits	**0.25**	0.43
Deferred premium (foreign exchange forward contract)	**94.12**	—
Total	**96.78**	2.82

SCHEDULE 'K' — LOANS AND ADVANCES

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2004 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less:Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**5,215.34**	5,057.88
Loans :		
To companies		
Considered doubtful	**28.08**	28.08
Less : Provision for doubtful loans	**(28.08)**	(28.08)
To others	**139.73**	101.30
Advances :		
Share Application money pending allotment/Advance towards equity shares		
Considered good	**0.25**	-
Considered doubtful	**11.33**	11.33
Less : Provision towards share application money pending allotment	**(11.33)**	(11.33)
Advances Recoverable in cash, or in kind or for value to be received	**1,048.21**	1,686.47
Advances considered doubtful	**14.57**	34.48
Less : Provision for doubtful advances	**(14.57)**	(34.48)
	6,403.53	6,845.65
Material given on Loan (Secured)	**5.83**	6.11
Less : Deposits Received	**(5.83)**	(6.11)
Dues from Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**11,075.55**	11,556.38
Due from Subsidiaries	**5,841.78**	4,172.33
Claims :		
Considered good	**1,238.40**	1,038.93
Considered doubtful	**251.32**	172.47
Less : Provision for doubtful claims	**(251.32)**	(172.47)
	1,238.40	1,038.93
Advance Income Tax (Net of provision for taxation)	**2,018.57**	1,778.58
Deposits :		
With Customs/Excise/Port Trust etc.	**1,843.56**	419.08
Others**	**345.80**	264.24
	2,189.36	683.32
Considered doubtful	**0.19**	0.19
Less : Provision for doubtful deposits	**(0.19)**	(0.19)
	2,189.36	683.32
Total	**28,767.19**	26,075.19

* Include :

Due from Officers	:	**Rs. 30.63 million** (previous year Rs. 24.34 million)
Maximum balances	:	**Rs. 33.66 million** (previous year Rs. 27.66 million)
Due from Directors	:	**Rs. 1.16 million** (previous year Rs. 0.51 million)
Maximum balances	:	**Rs. 1.22 million** (previous year Rs. 0.74 million)

** Includes **Rs. 77.40 million** (previous year Rs. 74.54 million) alongwith interest of **Rs. 80.85 million** (previous year Rs. 76.26 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES

		31/03/2004	Rs. Million	31/03/2004 Rs. Million
Current Liabilities :				
Sundry creditors				
Total outstanding dues to Small Scale Industries (SSI's)	**150.84**	118.58		
Total outstanding dues to creditors other than SSI's	**40,185.17**	33,617.87	**40,336.01**	33,736.45
Due to subsidiaries			**7,186.15**	4,164.75
Materials taken on loan	**0.05**	0.67		
Less : Deposits given	**(0.05)**	(0.67)	**—**	—
Deposits from Customers			**12.88**	7.58
Deposits for containers			**25,697.93**	23,995.31
Investors Education and Protection Fund shall be credited by the following amount*				
Unclaimed Dividend			**9.19**	9.51
Unclaimed Deposits			**22.54**	32.39
Unclaimed Interest on Deposits			**2.11**	3.04
Second interim dividend			**2,250.00**	—
Corporate dividend tax on interim dividend			**315.56**	—
Other liabilities			**11,598.69**	12,698.27
Interest on loans (accrued but not due)			**485.60**	591.07
Total			**87,916.66**	75,238.37

* No amount is due as at the end of the year for credit to Investors Education and Protection Fund.

SCHEDULE 'M' — PROVISIONS

	Rs. Million	31/03/2004 Rs. Million
Provision for Taxation (Net of Tax paid)	**951.06**	2,632.22
Proposed dividend	**—**	3,450.00
Corporate Dividend Tax on proposed dividend	**—**	442.03
Provision for retirement benefits	**2,518.99**	2,338.53
Total	**3,470.05**	8,862.78

SCHEDULE 'N' — SALE OF PRODUCTS AND RELATED INCOME

	Rs. Million	2003-04 Rs. Million
Sales	**628,916.46**	525,159.93
Subsidy on LPG (Domestic) & SKO (PDS)	**5,248.40**	9,860.16
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**4,405.17**	(536.50)
Total	**638,570.03**	534,483.59

SCHEDULE 'O' — MISCELLANEOUS INCOME

	Rs. Million	2003-04 Rs. Million
Interest on bank deposits and others *	**508.55**	293.19
Tax deducted at source - **Rs.3.38 million** (previous year Rs 11.43 million)		
Income from Investments		
Long Term		
Interest **	**339.88**	453.45
Dividend		
Tax deducted at source - **Rs.Nil** (previous year Rs. Nil)		
from subsidiaries	**1,492.83**	1,092.39
from others	**54.85**	37.08
From AOP (Petroleum India International)	**6.69**	14.66
Profit on Sales/Maturity	**45.93**	149.37
Excess provision for expenses written back	**—**	6.22
Write back (net)	**46.69**	171.60
Profit on sale/ write off of fixed assets (net)	**38.36**	—
Other income #	**2,050.14**	2,450.54
Tax deducted at source - **Rs. 25.66 million** (previous year Rs. 12.43 million)		
Total	**4,583.92**	4,668.50

* Includes interest received from Income tax authorities **Rs. 271.79 million** (previous year Rs. 2.36 million).
** Includes interest received from Oil bonds **Rs. 333.46 million** (previous year Rs. 419.59 million).
\# Includes amortisation of capital grants **Rs. 0.04 million** (previous year Rs. 0.07 million).

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

		31/03/2004	Rs. Million	2003-04 Rs. Million
Value of closing stock of				
Finished goods	**52,393.26**	37,037.83		
Stock in process	**1,324.53**	817.47	**53,717.79**	37,855.30
Less :				
Value of opening stock of				
Finished goods	**37,037.83**	39,556.40		
Stock in process	**817.47**	1,139.24	**37,855.30**	40,695.64
Total			**15,862.49**	(2,840.34)

SCHEDULE 'Q' — RAW MATERIALS CONSUMED

	Rs. Million	2003-04 Rs. Million
Opening Stock	**4,448.04**	2,761.32
Add : Purchases	**141,369.10**	94,557.39
Less : Closing Stock	**(8,287.67)**	(4,448.04)
Raw Materials Consumed	**137,529.47**	92,870.67

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

	Rs. Million	2003-04 Rs. Million
Stores, spares and materials	**808.20**	844.58
Less : Charged to other revenue accounts	**(600.40)**	(648.91)
Total	**207.80**	195.67

SCHEDULE 'S' — POWER AND FUEL

	Rs. Million	2003-04 Rs. Million
Power and Fuel	**5,300.36**	4,037.71
Less : Consumption of fuel out of own production	**(5,103.48)**	(3,827.43)
Total	**196.88**	210.28

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS

	Rs. Million	2003-04 Rs. Million
Salaries and wages*	**5,878.41**	4,846.41
Contribution to provident fund and other funds	**530.12**	516.29
Contribution to gratuity fund	**117.52**	70.55
Welfare expenses	**1,404.82**	1,184.35
Total	**7,930.87**	6,617.60

* includes payment towards VRS compensation **Rs. 407.97 million** (previous year Rs. Nil)

SCHEDULE 'U' — INTEREST

	Rs. Million	2003-04 Rs. Million
On Bonds	**377.91**	382.03
On Fixed Loans	**159.01**	453.47
Others	**861.11**	214.22
Total	**1,398.03**	1,049.72

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES

	Rs. Million	2003-04 Rs. Million
Repairs and maintenance :		
Machinery	**1,415.42**	1,235.91
Building	**139.14**	128.13
Others	**749.37**	693.88
	2,303.93	2,057.92
Insurance	**199.72**	255.25
Rent	**974.03**	960.97
Rates and taxes	**161.77**	416.60
Charities and donations	**77.10**	4.59
Remuneration to auditors	**1.93**	1.83
Utilities	**673.50**	619.58
Write off :		
Bad debts and Claims	**647.16**	230.85
Less : Provision made earlier	**(542.03)**	—
Others	**30.77**	19.86
Provision for :		
Doubtful debts and advances	**(564.26)**	355.33
Diminution in value of investments	**—**	4.51
Charges paid to other oil companies	**621.45**	465.67
Travelling and conveyance	**703.76**	737.65
Telephone, Telex, Cables, Postage etc.	**293.04**	293.32
Loss on sale/write off of Fixed Assets (net)	**—**	1.62
Brokerage on Public Deposit	**3.09**	3.79
Other expenses	**3,852.51**	3,279.90
Total	**9,437.47**	9,709.24

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

	Rs. Million	2003-04 Rs. Million
Sale of products	**(11.82)**	149.12
Miscellaneous Income	**7.50**	(0.54)
Purchase of product for resale	**24.10**	(506.71)
Duties, taxes etc. and other product charges	**(112.32)**	91.02
Transportation	**1.19**	—
Raw material consumed	**(2.64)**	(13.88)
Rent, Rates & Taxes	**6.48**	2.47
Other operating and administration expenses	**(4.55)**	(50.30)
Depreciation	**(5.29)**	(6.43)
Total	**(97.35)**	(335.25)

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The financial statements are prepared under historical cost convention in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, adopting accrual system of accounting except where otherwise stated.

2. USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognised in the period in which they materialise.

3. FIXED ASSETS

3.1 **LAND**

Land acquired on lease where period of lease exceeds 99 years is treated as freehold.

3.2 **FIXED ASSETS OTHER THAN LAND**

Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding Rs. 1,000 per item is charged to revenue.

3.3 Machinery spares that can be used only in connection with an item of fixed asset and their use is expected to be irregular are capitalised. Replacement of such spares is charged to revenue.

3.4 **EXPENDITURE DURING CONSTRUCTION PERIOD**

Direct expenses including borrowing cost 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.

3.5 **INTANGIBLE ASSETS**

3.5.1 Cost of right of way that are perennial in nature are not amortised.

3.5.2 Expenditure incurred for creating/acquiring other intangible assets of Rs. 5 million and above, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit.

3.5.3 In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

4. IMPAIRMENT OF ASSETS

The carrying values of fixed assets of the identified cash generating units (CGU), are reviewed for impairment at each Balance Sheet date when events or changes in circumstances indicate that the carrying values may not be recoverable. If the carrying values exceed the estimated recoverable amount, the assets of the CGU are written down to the recoverable amount and the impairment losses are recognized in the Profit and Loss Account. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

5. BORROWING COSTS

Borrowing costs attributable to acquisition, construction or production of qualifying asset are capitalised as part of the cost of that asset, till the month in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

6. DEPRECIATION

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

6.2 LPG cylinders, pressure regulators and other fixed assets costing not more than Rs. 5,000 each, are depreciated @100 percent in the year of capitalisation.

6.3 Depreciation on assets not owned by the Corporation is amortised over a period of five years from the year of capitalisation.

6.4 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 capitalised.

7. INVESTMENTS

7.1 Current investments are valued at lower of cost or fair market value.

7.2 Long-term investments, other than investments in Government Securities and Public Sector Bonds, are valued at cost. Provision for diminution is made to recognise a decline, other than of temporary nature, in the value of such investments.

7.3 Government Securities and Public Sector Bonds are valued at lower of cost or redemption price.

8. INVENTORY

8.1 **RAW MATERIAL AND INTERMEDIATE**

Raw material and Intermediate are valued at cost. Cost is determined as follows:

8.1.1 Crude oil on first in first out basis.

8.1.2 Base oil and additives on weighted average cost.

8.1.3 Intermediate Stocks at raw material cost plus cost of conversion.

In case there has been a decline in the price of raw material and the realisable value of the finished products is expected to be lower than the cost of the finished products, raw material and intermediate are valued at net realisable value.

8.2 **FINISHED PRODUCTS**

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

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

8.3 Stores are valued at weighted average cost. Slow moving / obsolete items identified as surplus are valued at Re. Nil.

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

9. CENVAT

Cenvat credit on eligible Revenue/Capital purchase is recognised on receipt of such materials.

10. CLAIMS AND PROVISIONS

Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India 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.

11. SALES

Sales are net of trade discounts and include, inter alia, excise/customs duties/claim from Petroleum Planning and Analysis Cell, Government of India and other elements allowed by the Government from time to time.

12. RAW MATERIALS CONSUMED

Raw materials consumed are net of claims from Petroleum Planning and Analysis Cell, Government of India.

13. CLASSIFICATION OF INCOME/EXPENSES

13.1 Expenditure on Research, other than capital expenditure, is charged to revenue in the year the expenditure is incurred.

13.2 Being not material:

13.2.1 Income/expenditure upto Rs. 0.50 million in each case pertaining to prior years is charged to the current year.

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

13.2.3 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.

13.2.4 Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment.

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

14. RETIREMENT BENEFITS

14.1. Contribution to Provident Fund is charged to revenue.

14.2. Gratuity, leave encashment and other retirement benefits are actuarially valued at the year end and provided for in the accounts.

15. DUTIES ON BONDED STOCKS

15.1 Customs duty on Raw materials/Finished goods lying in bond are provided for at the applicable rates except where liability to pay duty is transferred to consignee.

15.2 Excise duty on finished stocks lying in bond is provided for, at the assessable value applicable at each of the locations at maximum rates based on end use.

16. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

16.1 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.

16.2 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.

16.3 Borrowings in foreign currency are converted at exchange rate prevailing on the date of Balance Sheet. Exchange fluctuations/hedging costs on borrowings in foreign currency for acquisition of fixed assets from a country outside India are adjusted to the cost of assets and corresponding liability account. In other cases the same is recognised in the Profit & Loss Account.

Premium/discount arising at the inception of the forward exchange contracts entered into to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Profit & Loss Account.

16.4 Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures to fluctuations in interest rates and foreign currencies are treated as off Balance Sheet transactions. Gain or losses arising therefrom are recognised as and when settlement takes place in accordance with the terms of the contract.

17. GOVERNMENT GRANTS

17.1 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.

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

18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

18.2 Show cause notices issued by various Government authorities are considered for the evaluation of Contingent liabilities only when converted into demand.

19. TAXES ON INCOME

19.1 Provision for current tax is made in accordance with the provisions of the Income Tax Act , 1961.

19.2 Deferred tax on account of timing difference between taxable and accounting income is provided using the tax rates and tax laws enacted or substantively enacted by the Balance Sheet date.

20. OIL & GAS EXPLORATION ACTIVITIES

20.1 The Corporation follows "Successful Efforts Method" of accounting for Oil & Gas exploration and production activities and accordingly survey costs are expensed in the year of incurrence.

20.2 The Corporation's proportionate share in the assets, liabilities, income and expenditure of joint venture operations are accounted as per the participating interest in such joint venture operations.

B. NOTES FORMING PART OF ACCOUNTS

1. Deferred Tax Liability

As per the requirement of the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India the net deferred tax liability charged to Profit during the year is **Rs. 1,466.34 million** (previous year Rs. 758.39 million). The year end position of Deferred Tax Liability and Asset is given below:

		Rs. Million
	31/03/2005	31/03/2004
DEFERRED TAX LIABILITY		
Depreciation	**10,984.09**	10,176.79
Others	**3.26**	81.04
Total	**10,987.35**	10,257.83
DEFERRED TAX ASSET		
Provisions for doubtful debts/ claims/ investments	**565.34**	999.42
Disallowed u/s 43B of Income Tax Act, 1961	**517.22**	610.68
Expenditure on Voluntary Retirement Scheme	**109.86**	-
Others	**104.64**	423.78
Total	**1,297.06**	2,033.88
Net Deferred Tax Liability	**9,690.29**	8,223.95

2. In respect of sale of subsidised LPG (Domestic) and SKO (PDS), as advised by the Ministry of Petroleum & Natural Gas, a part of the under-recovery suffered by the Oil Marketing Companies during the year was compensated by ONGC and GAIL, by offering discount on price of Crude Oil, SKO and LPG purchased from them. Accordingly, the Corporation has accounted the discount received as follows:

a) Rs. 5,759.50 million discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) Rs. 6,259.13 million discounts received on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

3. Impairment of Assets

Determination as to whether and how much an asset is impaired involves management estimate of highly uncertain matters, such as international prices of crude oil and products, duty structure and Government policies. In estimating the cash flows of LPG (Domestic) and SKO (PDS) for testing impairment of related Cash Generating Units as on 31st March 2005, the management has viewed that under-recoveries of subsidies on sale of these products would be phased out over a period of two years. Based on the test of impairment management is of the opinion that the assets are not impaired.

4. On confirmation from the Government of India regarding discontinuation of the "Irrecoverable Taxes Compensation Scheme 2002", liability (net of claims) aggregating to Rs. 1,716.89 million provided during 2003-04 have been reversed during the year.

5. Provision for taxation in the Profit and Loss Account includes **Rs. 5.10 million** (previous year Rs. 6.00 million) towards wealth tax.

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SCHEDULE 'X' — (Contd.)

6. The Corporation has numerous transactions with other oil companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustment, if any, arising there from are not likely to be material.

7. The Corporation follows open item system of maintaining customer 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. The clearance of such open items is not likely to have a material impact on the outstandings or classification in the accounts.

8. Sundry debtors include **Rs. 618.94 million** (previous year Rs. 618.94 million) (net) due from a customer, pertaining to the period November 1992 to June 1996 and September 1997 to January 1999, towards price revision of a product, disputed by the customer. The dispute was referred to an arbitrator who has awarded the case in favour of the Corporation along with interest. Both single bench and division bench of Mumbai High Court confirmed the award passed in favour of the Corporation. The customer has filed Special Leave Petition in the Supreme Court challenging the division bench order. In view of the pendency of the matter in the Supreme Court, no effect is given in the accounts in respect of interest awarded by the arbitrator.

9. **Earnings per share**

		2004-05	2003-04
Profit after Tax	Rs. Million	**9,657.96**	16,945.68
Weighted average shares outstanding during the year	Million nos.	**300**	300
Basic earnings per share	Rs.	**32.19**	56.49
Diluted earnings per share	Rs.	**32.19**	56.49

10. The Corporation has entered into upstream activities relating to Exploration and Production (Hydrocarbon) and has started working on the exploration blocks which have been awarded during NELP IV, in consortium with other body corporates. In compliance of Accounting Standard-17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, the segment information is as under:

Information Regarding Primary Segment Reporting as per Accounting Standard-17, for the year ended 31st March 2005

Rs. Million

	Year ended 31st March 2005			Year ended 31st March 2004		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue	**591,881.03**	—	**591,881.03**	485,320.80	—	485,320.80
Inter Segment Revenue			—			—
Total Revenue	**591,881.03**	—	**591,881.03**	485,320.80	—	485,320.80
Result						
Segment Results	**12,561.58**	**(2.87)**	**12,558.71**	25,514.10	—	25,514.10
Unallocated Corporate Expenses			—			—
Operating profit	**12,561.58**	**(2.87)**	**12,558.71**	25,514.10	—	25,514.10
Add:						
Interest / Dividend Income			**2,402.80**			1,890.77
Less:						
Interest Expenditure			**1,398.03**			1,049.72
Income Tax (including deferred Tax)			**3,905.52**			9,409.47
Profit after Tax			**9,657.96**			16,945.68

SCHEDULE 'X' — (Contd.)

Rs. Million

	Year ended 31st March 2005			Year ended 31st March 2004		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Other Information						
Segment Assets	**184,987.43**	—	**184,987.43**	156,171.25	—	156,171.25
Unallocated Corporate Assets			**18,789.95**			21,548.29
Total Assets			**203,777.38**			177,719.54
Segment Liabilities	**85,348.23**	**2.87**	**85,351.10**	75,238.37	—	75,238.37
Unallocated Corporate Liabilities			**54,542.02**			43,983.94
Total Liabilities			**139,893.12**			119,222.31
Capital Expenditure	**15,087.40**		**15,087.40**	16,524.86		16,524.86
Depreciation/ Amortisation	**5,960.39**		**5,960.39**	5,611.57		5,611.57
Non cash expenses other than depreciation			—			—

Notes:

1) The Corporation is engaged in the following business segments:
   a) Downstream petroleum i.e. refining and marketing of Petroleum Products
   b) Exploration and Production (Hydrocarbon)
   Segments have been identified taking into account the nature of activities and the nature of risks and returns.
2) Segment revenue comprises of the following:
   a) Turnover (net of excise duties)
   b) Subsidy received from Government of India
   c) Net claim/ (surrender to) PPAC
   d) Other Income (excluding interest and dividend income)
3) There are no geographical segments.

11. The Board of directors of the Corporation, at the meeting held on 17th January 2005, has approved the scheme of amalgamation of Kochi Refineries Limited (KRL) with the Corporation. The appointed date for amalgamation is 1st April 2004. The swap ratio recommended is 1:2.25 (i.e. four fully paid up equity shares of Rs.10/- each of the Corporation for every nine fully paid equity shares of KRL), subject to the necessary approvals of the Government of India, shareholders/ creditors of BPCL/KRL and other judicial/regulatory authorities, as may be required under the applicable laws. Pending receipt of the necessary approvals, no effect of the proposed merger has been given in the accounts.

12. The names of the Small Scale Industrial Undertakings to whom the Corporation has outstanding for more than 30 days are as under:

Acoustics India Pvt. Ltd., Advance Cooling Tower, Advance Petrochemicals, Alchemie Gases & Chemicals, Amarsingh & Sons Pvt. Ltd., Amit Mechanicals, Apex Forgings & Fittings, Aqua Chemicals & Systems, Arshad Electronics, Asso. Cyls And Acces, Balaji Electrical, Bangalore Spemach, Bhagwati Filters Pvt. Ltd., Bhagyaluxmi Stores, Blue Star Limited, Ch.Chennakeswara, Chandawat Udyog Cyls, Chandra Engg. & Mech., Chemtrols Engg. Ltd., Chennai Valves, Chhabi Electricals, Coats & Pack, Commercial Supplying, Coro-Chem, D.Ghosh & Sons, Daya Lubricants Pvt. Ltd., Del Pd Pumps And Gears, Deluxe Plastics, Dembla Valves Pvt. Ltd., DE'S Technico, Dessma Engg. Pvt. Ltd., Detection Instrument, Dover India Pvt. Ltd., Eby Fastners, Electronics Devices, Elgin Process Equipment, Encon (India), Evergreen Engg. Co., Fivebros Corporation, Flameproof Equipment, Flow Chem Industries, Francis Leslie & Co., G.D.R. Cylinders (P), Gamzen Plast P. Ltd., Garg Gas Appliances, Global Engineers, Global Gas Cylinders, Gokul Distributors, Goldstar Containers, Gujarat Gas Equips., Hotel Nandan, Hyderabad Cylinders, IGP Engineers Pvt. Ltd., Industrial Carbon, Industrial Control, Industrial Instruments, Intech Engineering, International Cylinders, Jagadamba Engineering, Jesmajo Indtl. Fabric, Jindal Forging Pvt. Ltd., Joseph Leslie Drager, Kalsan Engineering, Kanyaka Parameshwari, Kartik Steels Ltd., Konark Cylinders, Kurnool Cylinders, Lunar Engineering Work, M Techno Engg (India), M.Veeraiah, Madras Industrial Product, Madras Metal Components, Mahaveer Cylinders, MAS Sealing Systems, Mercantile & Industries, Mercury Enterprises, Metcraft Engg Corporation, Mikroflo Filters (P) Ltd., Minco India Pvt Ltd, Multitex Filteration, Nagman Instruments, Nandan Impex Pvt. Ltd., New Car Travels, New Fire Engineers, Nitin Fire Protection, North Bengal Refrigeration, Om Containers, P.Obul Reddy & Sons, Padavi Engineers, Pall India Private Ltd., Paramount Forge, Patalay Pneumatics, Patcon Pneumatics, PCP Chemicals Pvt. Ltd., Pioneer Products, Placka Instruments, Polycab Industries, Prabha Electronics, Premier Grinders, Presvels Pvt Ltd., R.D.Engineers, R.M. Cylinders (P), Reliable Enterprises, S.S.Industrial Corp., Safess Quality Management, Safety Services, Sai Construction, Samrat Cylinders, Sanghvi Cylinders Ltd., Shanti Industries, Shanti Metal Works, Shweta Enterprises, Siepmann's Card System, Sign Technic Industries, Sinex System Pvt. Ltd., Southern Cylinders, Southern Metals & Alloys, Spec Engineering, Spiraseal Gaskets, Sree Srinivas Cylinders, Sri Balaji Cylinders, Sri Balaji Valves, Sridhar Engineering, Standard Castings, Steelage Industries, Sunrays Engineers, Super Fire Engineering, Super Gasket Industries, Super Industries, Supreme Electroplast, Swastik Oil Product, Swelore Engg. Pvt. Ltd., Switzer Instruments, Syndicate Engineering, Tee Kay Metals Private Ltd., Teekay Tubes Pvt. Ltd., Tip Top Packaging, Toto Packaging Pvt. Ltd., Toughalt India, Triangle Simulation, Tribotech, Triveni Rubber, Tube Bend (Calcutta), Unique Transmission, Vasu Chemicals, Venus Enterprises, Verny Containers, Vijay Sabre Safety, Vimal Fire Controls, Vishnu Engineering, Vishvakarma Forging, Voltamp Transformers, Vyasarpadi Valves, Waaree Instruments, Wadia Body Builders, Zenith Rubber & Plastics.

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

13. During the year, Rs. 290.34 million has been provided towards Leave Fare Assistance facility not availed by employees of the Corporation as on 31st March 2005, which was being charged in the previous years on payment basis.

14. In compliance of AS-27 'Financial Reporting of Interests in Joint Ventures', the required information is as under:

a) Jointly controlled operations: The Corporation has entered into production sharing oil and gas exploration contracts with the Government of India and other body corporates as follows:

Name	**Participating Interest of BPCL** **31.03.2005**	31.03.2004
IN INDIA		
Under NELP – IV Block		
KG/DWN/2002/1	**10%**	10%
MN/DWN/2002/1	**10%**	10%
CY/ONN/2002/2	**40%**	40%
OUTSIDE INDIA	**NIL**	NIL

b) Jointly controlled entities:

	Country of Incorporation	**Percentage of ownership interest as on 31/03/2005**	Percentage of ownership interest as on 31/03/2004
Indraprastha Gas Limited	India	**22.50**	22.50
Petronet India Limited	India	**16.00**	16.00
Bharat Shell Limited	India	**49.00**	49.00
Petronet CCK Limited	India	**49.00**	49.00
Petronet CI Limited	India	**11.00**	11.00
Petronet LNG Limited	India	**12.50**	12.50
Bharat Oman Refineries Limited	India	**50.00**	50.00
VI e Trans Private Limited	India	**33.33**	33.33
Central UP Gas Limited	India	**22.50**	—

c) In respect of jointly controlled entities, the Corporation's share of assets, liabilities, income, expenditure, contingent liabilities and capital commitments as furnished below, have been included on the basis of unaudited/audited financial statements received from these joint ventures :

(Rs. Million)

	31.03.2005	31.03.2004
(i) Assets		
- Long Term Assets	**5,097.74**	4,948.07
- Investments	**174.92**	152.55
- Current Assets	**1,622.39**	1,382.26
(ii) Liabilities		
- Loans (Secured & Unsecured)	**2,635.67**	2,676.90
- Current Liabilities and Provisions	**921.88**	636.59
- Deferred Tax	**68.29**	71.82
(iii) Income	**4,996.41**	2,214.77
(iv) Expenses	**4,830.88**	2,050.90
(v) Contingent Liabilities	**934.71**	504.56
(vi) Capital Commitments	**792.01**	880.75

15. Related Party Disclosures as per Accounting Standard 18

Names of the Related parties (JVC) : Indraprastha Gas Limited, Petronet India Limited, Bharat Shell Limited, Petronet CCK Limited, Petronet CI Limited, Petronet LNG Limited, Bharat Oman Refineries Limited, VI e Trans Pvt. Limited, Petroleum Infrastructure Limited, Cochin International Airport Limited.

Key Management Personnel : M/s. Sarthak Behuria (Chairman & Managing Director) upto 28-2-2005, Ashok Sinha (Chairman & Managing Director I/C), S. A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), M. Rohatgi (Director Refineries)

Nature of Transactions

	2004-05	2003-04
		Rs. Million
Joint Venture Companies (JVC)		
a. Purchase of goods	**2,142.53**	150.10
b. Sale of goods	**3.79**	—
c. Rendering of Services	**0.46**	0.93
d. Receiving of Services	**372.84**	316.04
e. Interest Income	**9.12**	5.67
f. Dividend Received	**51.45**	15.75
g. Equity contribution	**0.25**	723.83
h. Loans and advances	**55.77**	52.57
i. Outstandings as on 31.3.2005		
- Receivables	**164.45**	46.99
- Payables	**8.33**	7.30
j. Management Contracts (Employees on deputation to JVC)	**22.65**	47.86
k. Guarantees given	—	—
l. Rental Income	**1.81**	2.40

Key Management Personnel (Whole time directors)
Details of remuneration to directors are given in note 19 of Notes to Accounts.

16. INTANGIBLE ASSETS

In accordance with Accounting Standard 26, details of Intangible Assets recognised and amortised during the year are given below:

a) Intangible assets — being amortised

Rs. Million

PARTICULARS	USEFUL LIFE (NO. OF MONTHS)	GROSS AMOUNT AS AT 01-04-04	ADDITIONS	DELETIONS RECLASSIFICATION	AS AT 31-03-05	AMORTISATION UPTO 31-03-04	THIS YEAR	UPTO 31-03-05	NET AMOUNT AS AT 31-03-05	AS AT 31-03-04
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. RIGHT OF WAY	Perennial	98.62	1.41	—	100.03	—	—	—	100.03	98.62
2. SOFTWARE	36	30.34	—	—	30.34	2.97	10.11	13.08	17.26	27.37
3. DEVELOPMENT RIGHTS	60	—	14.97	—	14.97	—	0.75	0.75	14.22	—
4. PROCESS LICENSE	60	—	5.29	—	5.29	—	0.09	0.09	5.20	—
TOTAL		128.96	21.67	—	150.63	2.97	10.95	13.92	136.71	125.99
PREVIOUS YEAR		38.26	90.70	—	128.96	—	2.97	2.97	125.99	38.26

b) Intangible Assets— pending amortisation *

Rs. Million

PARTICULARS	USEFUL LIFE (NO. OF MONTHS)	GROSS AMOUNT AS AT 01-04-04	ADDITIONS	CAPITALISATIONS	AS AT 31-03-05	AMORTISATION UPTO 31-03-04	THIS YEAR	UPTO 31-03-05	NET AMOUNT AS AT 31-03-05	AS AT 31-03-04
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. PROCESS LICENSE		1.34	47.18	5.29	43.23	—	—	—	43.23	1.34
2. SOFTWARE		—	26.40	—	26.40	—	—	—	26.40	—
TOTAL		1.34	73.58	5.29	69.63	—	—	—	69.63	1.34
PREVIOUS YEAR		—	1.34	—	1.34	—	—	—	1.34	—

* To be amortised from the time the Intangible Asset starts providing economic benefits

Note: There are no internally generated Intangible Assets

17. Capital Commitments and Contingent Liabilities :

	Rs. Million	31/03/2004 Rs. Million
17.1 Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**5,829.66**	6,457.59
17.2 Contingent Liabilities :		
(a) In respect of taxation matters of prior years	**108.80**	1,375.72
(b) Other Matters :		
(i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,275.75**	1,930.46
(ii) Claims against the Corporation not acknowledged as debts :		
(a) Excise and customs matters	**4,254.81**	2,786.24
(b) Sales tax matters	**7,347.78**	5,509.67
(c) Others	**4,684.71**	4,185.19
These include **Rs. 3,709.18 million** (previous year Rs. 2,899.96 million) against which the Corporation has a recourse for recovery and **Rs. 1,559.82 million** (previous year Rs. 702.91 million) on capital account.		
(iii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	—	81.82
(iv) Guarantees on behalf of other companies*	—	2,560.10

* Corporation had jointly with other promoter companies, given guarantees in favour of banks and financial institutions for short term loans extended to Petronet LNG Limited. The Corporation's share in the guarantee was Rs. 3,500 million. Petronet LNG Limited had given counter guarantee in favour of the Corporation for the said amount. Based on the outstanding loan of Rs. 10,240.40 million in the books of Petronet LNG Limited as on 31.03.2004, the Corporation's share was Rs. 2,560.10 million. The short term loans have since been converted to long term loans and hence the guarantees are no longer applicable.

18. 18.1 The net amount of exchange difference debited to the Profit and Loss Account is **Rs. 8.67 million** (previous year credited **Rs. 638.12 million).**

18.2 The amount of exchange difference credited to the carrying cost of fixed assets is **Rs. 16.74 million** (previous year debited Rs. 17.33 million).

18.3 The exchange difference amounting to **Rs. 94.11 million** (previous year Rs. 1.65 million) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more subsequent accounting periods.

19. Managerial Remuneration :

	Rs. Million	2003-04 Rs. Million
Salary and allowances	**2.97**	2.86
Contributions to Provident Fund and other funds	**0.35**	0.35
Other benefits	**2.26**	1.62
	5.58	4.83

20. Remuneration to Auditors :

		Rs. Million	2003-04 Rs. Million
(a)	Audit Fees	**1.00**	0.92
(b)	Fees for other services-certification	**0.87**	0.86
(c)	Reimbursement of out of pocket expenses	**0.06**	0.05
		1.93	1.83

21. 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.** (N.A.)	**6.90 *** (6.90)*	**9.14** (8.76)
(ii) Production in kilolitres (KL) Light distillates	—	—	**3,392,544** (3,396,362)
Middle distillates	—	—	**5,145,572** (5,016,350)
Others	—	—	**1,935,370** (1,797,016)
(b) Aromatics			
(i) Benzene in metric tonnes (MT)	**98,300** (98,300)	**105,700** (105,700)	**44,243** (43,178)
(ii) Toluene in M.T.	**17,600** (17,600)	**23,100** (23,100)	**10,042** (12,759)
(c) Lubricants in M.T.	**N.A.** N.A.	**181,000** (181,000)	**106,287** (101,245)
(d) Sulphur in M.T.	**N.A.** N.A.	**30,000** (30,000)	**15,000** (10,200)

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

22. Raw materials consumed :

	Quantity KL	Quantity MT	Value Rs. Million
Crude Oil	—	**9,142,601** (8,711,869)	**133,170.48** (88,873.74)
Others	—	**41,762** (48,979)	**1,142.64** (1,227.72)
Base oil	**100,889** (94,372)	—	**2,423.60** (1,988.10)
Additive	—	**11,866** (11,598)	**792.75** (781.11)
			137,529.47 (92,870.67)

23. Finished goods purchased, sold and stocked :

	Opening Stock		Purchases	
Petroleum Products	Quantity MT	Value Rs. Million	Quantity MT	Value Rs. Million
Light Distillates	**400,969** (407,259)	**10,341.63** (9,795.25)	**5,179,089** (5,052,072)	**130,270.81** (110,258.14)
Middle Distillates	**1,276,847** (1,378,419)	**23,749.48** (26,738.40)	**11,363,497** (11,948,694)	**262,869.56** (204,615.76)
Others	**206,770** (175,704)	**2,077.76** (2,012.81)	**942,511** (876,530)	**11,013.97** (8,635.72)
Aromatics				
(a) Benzene	**2,469** (4,349)	**63.02** (111.01)	**2,030** (951)	**97.03** (24.64)
(b) Toluene	**476** (258)	**11.37** (5.98)	**21** —	**1.05** —
Lubricants	**16,149** (19,764)	**792.08** (890.38)	**7,192** (1,059)	**290.23** (99.56)
Crude Oil	— —	— —	**207,603** (41,289)	**2,841.59** (429.34)
Others (Grocery)	— —	**2.49** (2.57)	— —	**31.42** (33.71)
		37,037.83 (39,556.40)		**407,415.66** (324,096.87)

Petroleum Products	Sales Quantity MT	Sales Value Rs. Million	Closing Stock Quantity MT	Closing Stock Value Rs. Million
Light Distillates	**7,571,540**	**216,211.71**	**525,906**	**16,810.96**
	(7,489,130)	(186,157.15)	(400,969)	(10,341.63)
Middle Distillates	**15,502,776**	**375,014.96**	**1,296,199**	**32,658.46**
	(15,578,751)	(310,103.91)	(1,276,847)	(23,749.48)
Others	**2,874,290**	**34,610.05**	**168,116**	**2,029.51**
	(2,579,984)	(29,571.83)	(206,770)	(2,077.76)
Aromatics				
(a) Benzene	**48,325**	**2,196.20**	**380**	**13.72**
	(45,722)	(1,229.06)	(2,469)	(63.02)
(b) Toluene	**10,470**	**393.55**	**47**	**1.18**
	(8,176)	(247.41)	(476)	(11.37)
Lubricants	**116,871**	**7,265.47**	**16,592**	**877.91**
	(111,704)	(6,709.61)	(16,149)	(792.08)
Crude Oil	**207,603**	**2,841.59**	—	—
	(41,289)	(429.34)	—	—
Others (Grocery)	—	**36.50**	—	**1.52**
	—	(35.28)	—	(2.49)
		638,570.03		**52,393.26**
		(534,483.59)		(37,037.83)

(a) Purchases excludes inter product transfers.

(b) Purchases of petroleum products exclude payments to third parties for processing fees **Rs. 141.96 million** (previous year Rs. 128.32 million) but include own consumption and samples **Rs. 131.38 million** (previous year Rs.102.18 million).

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

	Rs. Million	2003-04 Rs. Million
(a) Raw Materials (including crude oil)	**68,195.59**	46,391.78
(b) Capital goods	**858.54**	499.12
(c) Components and spare parts (including packages, chemicals and catalysts)	**165.56**	1,574.63

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

	Rs. Million	2003-04 Rs. Million
(a) Purchase of products	**4,679.91**	677.57
(b) Know-how	**52.82**	2.27
(c) Professional Consultancy Fees	**47.46**	141.78
(d) Royalty	**36.61**	—
(e) Interest	**163.67**	35.77
(f) Other matters	**54.01**	203.75

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

	Imported Rs. Million	Imported %	Indigenous Rs. Million	Indigenous %	Total Rs. Million
Crude Oil	**75,261.79**	**56.52**	**57,908.69**	**43.48**	**133,170.48**
	(50,428.64)	(56.74)	(38,445.10)	(43.26)	(88,873.74)
Others	**41.78**	**3.66**	**1,100.86**	**96.34**	**1,142.64**
	(38.01)	(3.10)	(1,189.71)	(96.90)	(1,227.72)
Base Oil	**522.25**	**21.55**	**1,901.35**	**78.45**	**2,423.60**
	(458.95)	(23.08)	(1,529.15)	(76.92)	(1,988.10)
Additive	**67.10**	**8.46**	**725.65**	**91.54**	**792.75**
	(86.21)	(11.04)	(694.90)	(88.96)	(781.11)
Stores/Spare parts and Components (including packages, chemicals & catalysts)	**205.59**	**15.10**	**1,155.68**	**84.90**	**1,361.27**
	(110.32)	(8.55)	(1,179.71)	(91.45)	(1,290.03)

27. Earnings in foreign exchange :

	Rs. Million	2003-04 Rs. Million
Exports at F.O.B. value on own account #	**19,434.12**	13,192.11
Management contract	**11.50**	12.27

\# Includes receipt of **Rs. 7,605.75 million** (previous year Rs. 5,891.36 million) in Indian currency out of the repatriable funds of foreign airline customers.

28. Expenditure on social overheads :

	Rs. Million	2003-04 Rs. Million
(a) Expenditure on township [net of recovery **Rs. 9.50 million** (previous year Rs. 6.31 million)]	**6.83**	8.39
(b) Medical facilities over and above statutory requirements	**3.32**	2.82
(c) Social and cultural activities	**62.49**	43.56
(d) Depreciation on capital assets	**7.90**	7.89

29. Profit and Loss Account includes expenditure on :

	Rs. Million	2003-04 Rs. Million
(a) Entertainment	**5.04**	3.52
(b) Public relations and publicity	**35.62**	31.55
(c) Remuneration to staff employed for public relations work	**9.62**	8.75

30. Research and development

	Rs. Million	2003-04 Rs. Million
(a) Revenue expenditure	**154.87**	85.74
(b) Capital expenditure	**119.66**	52.55

	Rs. Million	2003-04 Rs. Million
31. Value Added	**48,765.66**	57,742.86

32. 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 (Date) 03 (Month) 2005 (Year)

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
	203777.38	203777.38
Sources of Funds (excluding deferred tax liability)	Paid-up Capital	Reserves & Surplus
	3000.00	60884.26
	Secured Loans	Unsecured Loans
	11734.17	27081.95
Application of Funds	Net Fixed Assets	Investments
	83486.74 *	16771.38
	Net Current Assets	Misc. Expenditure
	12132.55	NIL
	Accumulated Losses	
	NIL	

*Includes Capital work-in-progress

IV. Performance of Company (Rs. Million)

Turnover	Total Expenditure
643153.95 *	629590.47
+ – Profit/Loss Before Tax	+ – Profit/Loss After Tax
+ 13563.48	+ 9657.96
Earning per Share in Rs.	Dividend rate %
32.19	125

* Includes miscellaneous income

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 Code No. (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.

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

Signature to Schedules 'A' to 'X'

For and on behalf of the Board of Directors

Sd/-
ASHOK SINHA
Chairman and Managing Director (I/C)

Sd/-
S.A. NARAYAN
Director (Human Resources)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Place : Mumbai
Dated : 19th May, 2005

CASH FLOW STATEMENT

For the year ended 31st March	Notes	2005 Rs. Million	2004 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		**13,660.83**	26,690.40
Adjustments for :			
Depreciation		**5,960.39**	5,611.57
Interest paid		**1,398.03**	1,049.72
Foreign Exchange Fluctuations	Note 3	**14.73**	(454.37)
(Profit)/Loss on Sale of fixed assets		**(38.36)**	1.62
Income from Investments		**(392.50)**	(617.48)
Dividend Received		**(1,547.68)**	(1,129.47)
Other Non-Cash items	Note 4	**(428.85)**	604.26
Operating Profit before Working Capital Changes		**18,626.59**	31,756.25
Invested in :			
Trade Receivables		**128.79**	(558.70)
Other receivables		**(2,545.97)**	(1,527.23)
Inventory		**(19,756.10)**	1,155.71
Current Liabilities & Payables		**10,384.12**	2,461.06
Cash generated from Operations		**6,837.43**	33,287.09
Direct Taxes paid		**(4,360.33)**	(6,839.11)
Cash flow before prior period items		**2,477.10**	26,447.98
Prior Period Items		**(97.35)**	(335.25)
Non-Cash items		**5.29**	6.43
Net Cash from Operating Activities		**2,385.04**	26,119.16

CASH FLOW STATEMENT — (Contd.)

For the year ended 31st March	Notes	2005 Rs. Million	2004 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets	Note 5	**(14,766.02)**	(16,164.50)
Sale of fixed assets		**208.13**	32.47
Investment in Joint Venture Companies			
Petroleum India International		**(1.68)**	(9.66)
Petronet CCK Ltd.		—	—
Petronet CI Ltd.		—	—
Petronet LNG Ltd.		—	(987.44)
Sale of Investments		**3,000.01**	2,285.00
Income from Investment		**392.50**	617.48
Dividend Received		**1,547.68**	1,129.47
		(9,619.38)	(13,097.18)
C Net Cash Flow on Financing Activities			
Long term Borrowings		**5,091.69**	1,535.39
Repayment of loans		**(3,488.90)**	(5,462.03)
Interest paid		**(1,824.45)**	(1,411.59)
Interim Dividend Paid		**(1,500.00)**	(1,800.00)
Dividend Paid		**(3,450.00)**	(3,900.00)
Corporate Dividend Tax		**(646.90)**	(730.32)
Realised gains of exchange differences on foreign currency loans		**(160.78)**	85.63
Net Cash Flow on Financing Activities		**(5,979.34)**	(11,682.92)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		**(13,213.68)**	1,339.06

CASH FLOW STATEMENT — (Contd.)

Cash and Cash equivalents as at 31st March	2004 Rs. Million	2003 Rs. Million
Cash in Hand	**4,049.45**	2,224.66
Cash at Bank	**2,093.41**	4,218.73
Cash in transit	**123.19**	299.17
Cash Credit from scheduled banks	**(12,761.80)**	(17,445.05)
Unsecured loans from scheduled banks/ICDs/CPs	**(2,867.68)**	—
	(9,363.43)	(10,702.49)

Cash and Cash equivalents as at 31st March	2005	2004
Cash in Hand	**1,550.89**	4,049.45
Cash at Bank	**1,912.84**	2,093.41
Cash in transit	**60.16**	123.19
Cash Credit from scheduled banks	**(7,258.13)**	(12,761.80)
Unsecured loans from scheduled banks/ICDs/CPs	**(18,842.87)**	(2,867.68)
	(22,577.11)	(9,363.43)
Net change in Cash and Cash equivalents	**(13,213.68)**	1,339.06

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 and as per Accounting Standard 3 prescribed by the Institute of Chartered Accountants 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, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. “Purchase of Fixed Assets” include reduction in liability of **Rs. 16.74 million** (2003-04 - additional liablity of Rs.17.33 million) arising on account of exchange rate variation during the year.
6. Figures of the previous year have been regrouped wherever necessary, to conform to current year’s presentation.

For and on behalf of the Board of Directors

Sd/-
ASHOK SINHA
Chairman and Managing Director (I/C)

As per our attached report of even date

For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 19th May, 2005

CONSOLIDATED FINANCIAL STATEMENTS OF BHARAT PETROLEUM CORPORATION LIMITED

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
Bharat Petroleum Corporation Ltd.

1. We have examined the attached Consolidated Balance Sheet of Bharat Petroleum Corporation Limited (the Company), its subsidiaries and its joint ventures as at 31st March, 2005 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Bharat Petroleum Corporation Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our examination.

2. We did not audit the financial statements of the two Subsidiary Companies and six joint ventures, whose financial statements in the aggregate, reflect total assets of Rs. 71,951.07 million (net) as at 31st March, 2005 and total revenues of Rs. 1,79,112.10 million for the year ended on that date. The financial statements and other information of these subsidiary companies and joint ventures have been audited by other auditors and we have relied upon such audited financial statements for the purpose of our examination of the consolidated financial statements. The reports on these audited financial statements have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the Subsidiary Companies and in respect of the interests in these joint ventures, is based solely on the reports of the other auditors.

3. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS-21) on "Consolidated Financial Statements" and Accounting Standard (AS-27) on "Financial Reporting of Interests in Joint Ventures", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Bharat Petroleum Corporation Limited, its subsidiaries and joint ventures included in the Consolidated Financial Statements.

5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Bharat Petroleum Corporation Limited, its subsidiaries and joint ventures, in our opinion the consolidated financial statements together with the notes thereon and attached thereto give a true and fair view in conformity with the accounting principles generally accepted in India:-

(i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Bharat Petroleum Corporation Limited, its subsidiaries and its interests in joint ventures as at 31st March, 2005;

(ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Bharat Petroleum Corporation Limited, its subsidiaries and its interests in joint ventures for the year ended on that date; and

(iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Bharat Petroleum Corporation Limited, its subsidiaries and its interests in joint ventures for the year ended on that date.

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner
Membership No.34319

Place : Mumbai
Date : 2nd August, 2005

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	Rs. Million	31/03/2004 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,000.00**	3,000.00
Reserves and Surplus	B	**73,559.57**	62,589.24
		76,559.57	65,589.24
2. Minority Interest :			
Share Capital		**3,350.25**	3,350.25
Reserves and Surplus		**13,407.16**	9,013.11
		16,757.41	12,363.36
3. Loan funds :	C		
Secured Loans		**18,346.37**	25,766.40
Unsecured Loans		**37,131.87**	21,256.48
		55,478.24	47,022.88
4. Deferred tax liability (net)		**16,697.37**	14,441.72
TOTAL		**165,492.59**	139,417.20
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**182,213.25**	161,779.70
Less : Depreciation and Amortisation		**74,118.97**	65,596.96
Net block		**108,094.28**	96,182.74
Capital work-in-progress	E	**17,304.71**	19,068.82
		125,398.99	115,251.56
2. Investments	F	**3,780.53**	6,612.61
3. Current assets, loans and advances :			
Inventories	G	**83,557.70**	57,456.48
Sundry debtors	H	**14,500.80**	14,710.80
Cash and bank balances	I	**7,101.98**	10,229.34
Other current assets	J	**111.29**	11.58
Loans and advances	K	**30,355.19**	26,757.04
		135,626.96	109,165.24
Less : Current liabilities and provisions :			
Liabilities	L	**94,664.07**	80,448.69
Provisions	M	**4,657.91**	11,176.25
		99,321.98	91,624.94
Net current assets		**36,304.98**	17,540.30
4. Miscellaneous Expenditure to the extent not written off or adjusted		**8.09**	12.73
TOTAL		**165,492.59**	139,417.20
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors
Sd/-
ASHOK SINHA
Chairman and Managing Director (I/C)

As per our attached report of even date
For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants
Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 2nd August, 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	SCHEDULE	Rs. Million	2003-04 Rs. Million
INCOME			
Sale of products & related income	N	**720,366.03**	627,720.02
Less: Excise Duty Paid		**(76,117.60)**	(72,090.06)
		644,248.43	555,629.96
Miscellaneous income	O	**3,574.85**	4,262.34
Increase/(Decrease) in Inventory	P	**20,198.32**	(1,197.16)
TOTAL		**668,021.60**	558,695.14
EXPENDITURE			
Purchase of products for resale		**286,849.55**	265,661.46
Raw materials consumed	Q	**286,855.85**	201,013.92
Packages consumed		**777.44**	604.51
Excise Duty on Inventory differential		**(2,492.70)**	(189.52)
Other Duties, taxes etc. and other charges applicable to products		**16,822.27**	7,326.92
Transportation		**16,075.10**	13,992.20
Consumption of stores, spares and materials	R	**546.98**	570.22
Power and Fuel	S	**507.72**	347.00
Employees' remuneration and other benefits	T	**9,551.10**	8,038.96
Interest	U	**2,468.94**	2,576.66
Other operating and administration expenses	V	**11,261.58**	11,633.74
Depreciation and Amortisation		**8,809.71**	8,266.09
Miscellaneous Expenditure Written off		**3.07**	219.32
TOTAL		**638,036.61**	520,061.48
Profit		**29,984.99**	38,633.66
Prior period income/(expenses) net	W	**(230.71)**	(304.11)
Profit before tax		**29,754.28**	38,329.55
Provision for Taxation			
- Current Tax		**7,823.91**	11,807.55
- Deferred Tax (Net)		**2,255.65**	2,173.28
Excess/(Short) provision for Taxation in earlier years written back/provided for		**1,065.93**	(705.09)
Profit after tax		**20,740.65**	23,643.63
Minority Interest		**5,321.03**	3,304.63
Net Income of the Group		**15,419.62**	20,339.00
Transfer from / (to) Debenture Redemption Reserve		**1,860.00**	(1,700.00)
Balance brought forward		**9,123.03**	5,701.23
Disposable Profit		**31,723.68**	27,644.86
Appropriations :			
Interim dividend paid		**1,643.92**	1,800.00
Second interim dividend		**2,456.50**	—
Proposed dividend		**463.21**	4,440.68
Corporate Dividend Tax on interim and proposed dividend		**812.15**	974.55
		5,375.78	7,215.23
Transfer to General Reserve		**4,487.46**	11,306.60
Balance Carried to Balance Sheet		**21,860.44**	9,123.03
Earnings per Share			
- Basic		**51.40**	67.80
- Diluted		**51.40**	67.80
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors
Sd/-
ASHOK SINHA
Chairman and Managing Director (I/C)

As per our attached report of even date
For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants
Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 2nd August, 2005

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SCHEDULE 'A' — SHARE CAPITAL (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Authorised		
300 million equity shares of Rs.10 each	**3,000.00**	3,000.00
	3,000.00	3,000.00
Issued, subscribed and paid-up		
300 million equity shares of Rs.10 each fully paid-up	**3,000.00**	3,000.00
Total	**3,000.00**	3,000.00

SCHEDULE 'B' — RESERVES AND SURPLUS (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Capital Reserve		
As per last Balance Sheet	**433.97**	434.04
Less : Amortisation of Capital Grant	**(0.50)**	(0.07)
	433.47	433.97
Capital Reserve on acquisition of subsidiaries	**1,729.88**	1,729.88
Debenture Redemption Reserve		
As per last Balance Sheet	**4,420.00**	2,720.00
Less : Transfer to Profit & Loss Account	**(2,500.00)**	—
Add : Transfer from Profit & Loss Account	**640.00**	1,700.00
	2,560.00	4,420.00
General Reserve		
As per last Balance Sheet	**55,738.16**	44,440.80
Add : Transfer from Profit & Loss Account	**4,471.82**	11,297.36
	60,209.98	55,738.16
Surplus as per Profit & Loss Account	**21,478.07**	8,854.44
	86,411.40	71,176.45
Less : Minority Interest	**13,407.16**	9,013.11
	73,004.24	62,163.34
Share of interest in Joint Ventures		
General Reserve	**24.89**	9.24
Surplus as per Profit & Loss Account	**382.37**	268.59
Special Reserve	**3.73**	3.73
Securities Premium	**144.34**	144.34
	555.33	425.90
Total	**73,559.57**	62,589.24

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SCHEDULE 'C' — LOAN FUNDS (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Secured Loans		
Bonds		
BPCL Millennium Bonds Series - I (Option I) - Redeemable at par on 1st December 2006 with put and call option on 1st December 2004 (Secured by mortgage created on certain immovable properties of the Corporation)*	—	2,500.00
BPCL Debentures 2008 - Redeemable at par on 1st June 2008 with put and call option on 1st June 2006 (Secured by mortgage created on certain immovable properties of the Corporation) **	**4,450.00**	4,450.00
Banks		
Term Loans		
Secured in favour of participating banks ranking pari-passu inter-alia by hypothecation of Plant & Machinery, Vehicles and other Fixed Assets of NRL	—	1,738.69
[Due for repayment within one year **Rs. Nil** (Previous Year Rs. 293.33 million)]		
Secured against Township Land & Building of NRL	—	347.30
[Due for repayment within one year **Rs. Nil** (Previous Year Rs. 68.00 million)]		
Working Capital Loans/Cash Credit	**11,513.24**	14,811.51
(Secured in favour of the participating banks ranking pari-passu inter alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future)		
Packing Credit	—	452.60
Interest accrued and due	**26.04**	25.61
	15,989.28	24,325.71
Share of interest in Joint Ventures	**2,357.09**	1,440.69
	18,346.37	25,766.40

* Interest payable at the rate of 12% per annum. Call option was exercised on 1st December 2004

** Interest payable at the rate of 9.95% per annum on Rs. 3,450 million and at 9.90% per annum on Rs. 1,000 million

SCHEDULE 'C' — LOAN FUNDS (CONSOLIDATED)(Contd.)

	Rs. Million	31/03/2004 Rs. Million
Unsecured Loans		
Syndicated Loans from various banks (repayable in foreign currency)	**4,703.13**	—
[Due for repayment within one year **Nil]**		
Public deposits	**2,231.35**	2,661.37
[Due for repayment within one year **Rs. 1,553.20 million** (Previous Year Rs. 811.24 million)]		
Short Term (From Banks)		
Rupee Loans	**12,181.18**	0.17
Foreign Currency Loans	**7,342.87**	2,867.68
Packing Credit	**830.21**	497.56
OIDB	**9,629.26**	14,025.28
[Due for repayment within one year **Rs. 2,092.23 million** (Previous Year Rs. 3,160.31 million)]		
	36,918.00	20,052.06
Share of interest in Joint Ventures	**213.87**	1,204.42
	37,131.87	21,256.48
Total	**55,478.24**	47,022.88

SCHEDULE 'D' — FIXED ASSETS (CONSOLIDATED)

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01-04-2004	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFICATIONS	**AS AT 31-03-2005**	UPTO 31-03-2004	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFICATIONS	**UPTO 31-03-2005**	**AS AT 31-03-2005**	AS AT 31-03-2004
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	3,144.83	232.81	5.27	**3,372.37**	—	—	—	—	**3,372.37**	3,144.83
(b) Leasehold	691.94	95.53	—	**787.47**	86.73	14.02	—	**100.75**	**686.72**	605.21
2. BUILDINGS	22,295.12	4,087.26	46.65	**26,335.73**	2,375.42	471.48	11.17	**2,835.73**	**23,500.00**	19,919.70
3. RAILWAY SIDINGS	2,134.59	56.68	0.97	**2,190.30**	664.41	99.24	0.90	**762.75**	**1,427.55**	1,470.18
4. PLANT and MACHINERY	60,458.79	8,176.94	94.66	**68,541.07**	19,779.90	3,317.50	58.03	**23,039.37**	**45,501.70**	40,678.89
5. TANKS and PIPELINES	25,910.70	1,064.53	138.17	**26,837.06**	9,154.62	1,344.64	56.84	**10,442.42**	**16,394.64**	16,756.08
6. FURNITURE and FITTINGS	916.96	139.24	21.24	**1,034.96**	370.61	58.40	14.23	**414.78**	**620.18**	546.35
7. VEHICLES	877.64	128.81	42.72	**963.73**	486.44	72.26	32.75	**525.95**	**437.78**	391.20
8. OTHER ASSETS										
(a) Dispensing Pumps	5,466.67	1,280.03	4.35	**6,742.35**	1,260.56	275.64	2.08	**1,534.12**	**5,208.23**	4,206.11
(b) LPG Cylinders and Allied Equipment	27,395.72	2,161.28	49.55	**29,507.45**	27,395.72	2,161.28	49.55	**29,507.45**	—	—
(c) Sundries	9,925.46	1,108.48	245.51	**10,788.43**	3,573.15	781.97	189.71	**4,165.41**	**6,623.02**	6,352.31
9. INTANGIBLE ASSETS (refer note 13 of Schedule 'X' B)	193.56	40.06	—	**233.62**	24.50	40.31	—	**64.81**	**168.81**	169.06
TOTAL	**159,411.98**	**18,571.65**	**649.09**	**177,334.54**	**65,172.06**	**8,636.74**	**415.26**	**73,393.54**	**103,941.00**	**94,239.92**
Share of interest in Joint Ventures	**2,367.72**	**2,516.52**	**5.53**	**4,878.71**	**424.90**	**302.53**	**2.00**	**725.43**	**4,153.28**	**1,942.82**
Grand Total	**161,779.70**	**21,088.17**	**654.62**	**182,213.25**	**65,596.96**	**8,939.27**	**417.26**	**74,118.97**	**108,094.28**	**96,182.74**
Total 2003-04	146,956.09	12,959.95	504.06	159,411.98	57,266.66	8,146.75	241.35	65,172.06	94,239.92	89,689.43
Share of interest in Joint Ventures	2,131.79	245.62	9.69	2,367.72	262.96	165.46	3.52	424.90	1,942.82	1,868.83
Grand Total 2003-04	149,087.88	13,205.57	513.75	161,779.70	57,529.62	8,312.21	244.87	65,596.96	96,182.74	91,558.26

NOTES

1) Land:-
   a) Freehold land of the group includes **Rs. 778.14 million** (previous year Rs. 745.85 million) for which conveyance deed / registration / execution of title deeds are pending.
   b) Leasehold land of the group includes gross block **Rs. 15.08 million** (previous year Rs. 15.08 million) which though in the possession, the lease deeds are yet to be registered.
   c) Freehold land of BPCL includes land costing **Rs. 21.27 million** (previous year Rs.21.27 million) which is in the process of being sold subject to approval of competent authority.
   d) Freehold land includes **Rs. 139.86 million** (previous year Rs.77.07 million) in respect of which mutation is pending.
2) Buildings pertaining to BPCL include:-
   a) Ownership flats of **Rs. 137.76 million** (previous year Rs. 132.69 million) in proposed / existing co-operative societies.
   b) Residential flats and office complex which are in possession of BPCL and in respect of which the lease deeds are yet to be registered: - Gross Block **Rs. 324.79 million** (previous year Rs. 38.05 million), Net Block **Rs. 320.65 million** (previous year Rs. 33.65 million).
3) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned by BPCL in varying extent with other Oil Companies / Railways :- Gross Block **Rs. 1,699.45 million** (previous year Rs. 1,636.03 million), Cumulative Depreciation **Rs. 428.92 million** (previous year Rs. 348.14 million), Net Block **Rs. 1,270.53 million** (previous year Rs.1,287.90 million).
4) Buildings, Plant & Machinery and Sundries includes **Rs. 130.60 million** (previous year Rs.130.60 million) towards assets, ownership of which does not vest with the group. This amount has been amortised over a period of five years. The amount charged off as depreciation for the current year is **Rs. 10.95 million** (previous year Rs. 12.35 million).
5) Gross Block of the group includes **Rs. 12.47 million** (previous year Rs. 112.01 million) towards assets held for disposal at discontinued locations in respect of which additional depreciation has been provided to recognise the expected loss on disposal. The amount of additional depreciation so provided during the year is **Rs. 6.57 million** (previous year Rs. 48.69 million).
6) Interest in Joint Venture includes **Rs. 14.90 million** (previous year Rs. 14.90 million) towards land obtained under perpetual lease for which the lease agreement is not yet executed.

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Capital work-in-progress (at Cost)		
Work-in-progress	**12,995.29**	12,122.90
Capital Advances (Unsecured, Considered good)	**935.74**	503.26
Capital Stores including lying with contractors	**1,208.78**	2,237.36
Capital goods in transit	**183.65**	53.08
Intangible assets pending amortisation (refer note 13 of Schedule 'X' B)	**69.63**	1.34
Construction period expenses		
Opening balance	**1,157.48**	900.27
Add : Expenditure during the year		
Establishment charges	**201.73**	186.50
Interest	**350.76**	360.24
Depreciation	**3.86**	5.66
Others	**116.13**	76.21
	1,829.96	1,528.88
Less : Allocated to assets during the year	**(858.88)**	(371.40)
Balance pending allocation at the end of the year	**971.08**	1,157.48
Share of interest in Joint Ventures	**940.54**	2,993.40
Total	**17,304.71**	19,068.82

SCHEDULE 'F' — INVESTMENTS (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**2,950.38**	5,950.38
IN SHARES, DEBENTURES AND BONDS		
TRADE - UNQUOTED	**362.01**	362.01
Less : Provision for diminution in value of investment	**79.51**	79.51
	282.50	282.50
IN OTHER SECURITIES		
NON TRADE - QUOTED	**88.75**	88.75
	88.75	88.75
NON TRADE - UNQUOTED	**0.08**	0.09
IN ASSOCIATION OF PERSONS		
NON TRADE - UNQUOTED		
Capital Contribution in Petroleum India International	**1.00**	1.00
Share in accumulated surplus of Petroleum India International as at 31st March 2004 (31st March 2003)	**214.52**	206.16
	3,537.23	6,528.88
Share of interest in Joint Ventures - UNQUOTED	**243.30**	83.73
Total	**3,780.53**	6,612.61

All investments are long-term investments.

Aggregate value of Unquoted Securities **Rs. 741.40 million** (Previous Year Rs. 573.48 million).

Aggregate value of Quoted Securities **Rs. 3,039.13 million** (Previous Year Rs. 6,039.13 million)

Market value of Quoted Securities **Rs. 3,068.41 million** (Previous Year Rs. 6,549.54 million).

SCHEDULE 'G' — INVENTORIES (CONSOLIDATED)

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

	Rs. Million	31/03/2004 Rs. Million
Stores and spares	**1,584.74**	1,716.69
Stores and spares in Transit	**229.87**	110.60
Raw materials	**12,332.79**	7,854.63
Raw materials in Transit	**2,524.98**	1,207.73
Stock in process	**4,823.76**	2,584.75
Finished products	**61,487.85**	43,561.52
Packages	**59.12**	46.84
	83,043.11	57,082.76
Share of interest in Joint Ventures	**514.59**	373.72
Total	**83,557.70**	57,456.48

@ Inventory valuation is as per Significant Accounting Policy no. 10

SCHEDULE 'H' — SUNDRY DEBTORS (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2004 Rs. Million
Debts outstanding for over six months :		
Considered good *	**939.72**	1,120.59
Considered doubtful	**1,297.16**	2,462.39
	2,236.88	3,582.98
Other debts	**13,230.53**	13,426.15
	15,467.41	17,009.13
Less : Provision for doubtful debts	**(1,297.16)**	(2,462.39)
	14,170.25	14,546.74
Share of interest in Joint Ventures	**330.55**	164.06
Total	**14,500.80**	14,710.80

* Includes **Rs. 9.06 million** (Previous Year Rs. 2.88 million) which are secured

SCHEDULE 'I' — CASH AND BANK BALANCES (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Cash on Hand	**1,552.56**	4,266.50
[Includes drafts and cheques of **Rs. 1,451.75 million** (Previous Year Rs. 4,136.62 million) on hand]		
With Scheduled banks :		
In current accounts	**1,970.47**	2,164.73
In deposit accounts	**3,069.04**	3,028.99
Remittances in transit	**65.42**	123.19
	6,657.49	9,583.41
Share of interest in Joint Ventures	**444.49**	645.93
Total	**7,101.98**	10,229.34

SCHEDULE 'J' — OTHER CURRENT ASSETS (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Interest accrued on investments	**15.24**	10.03
Interest accrued on bank deposits	**0.25**	0.43
Deferred premium (foreign exchange forward contract)	**94.12**	—
	109.61	10.46
Share of interest in Joint Ventures	**1.68**	1.12
Total	**111.29**	11.58

SCHEDULE 'K' — LOANS AND ADVANCES (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2004 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less : Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**6,095.47**	5,820.28
Loans :		
To companies		
Considered doubtful	**28.08**	28.08
Less : Provision for doubtful loans	**(28.08)**	(28.08)
To Staff	**64.78**	61.02
To others	**141.52**	103.73
Advances :		
Share Application money pending allotment/Advance towards equity shares		
Considered good	**0.25**	—
Considered Doubtful	**11.33**	11.33
Less : Provision towards share application money pending allotment	**(11.33)**	(11.33)
Advances recoverable in cash, or in kind or for value to be received	**2,514.17**	2,009.92
Advances considered doubtful	**14.57**	34.48
Less : Provision for doubtful advances	**(14.57)**	(34.48)
	8,816.19	7,994.95
Material given on Loan (Secured)	**5.83**	6.11
Less : Deposits Received	**(5.83)**	(6.11)
Dues from Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**13,718.86**	14,199.69
Claims :		
Considered good	**2,754.08**	1,104.82
Considered doubtful	**1,800.00**	2,744.31
Less : Provision for doubtful claims	**(1,800.00)**	(2,744.31)
	2,754.08	1,104.82
Advance Income Tax (Net of provision for taxation)	**2,333.51**	2,420.37
Deposits :		
With Customs/Excise/Port Trust etc.	**2,105.97**	482.51
Others**	**389.69**	302.97
	2,495.66	785.48
Considered doubtful	**0.19**	0.19
Less : Provision for doubtful deposits	**(0.19)**	(0.19)
	2,495.66	785.48
	30,118.30	26,505.31
Share of interest in Joint Ventures	**236.89**	251.73
Total	**30,355.19**	26,757.04

* Include :

Due from Officers : **Rs. 149.13 million** (Previous Year Rs. 25.49 million)
Maximum balances : **Rs. 154.58 million** (Previous Year Rs. 29.03 million)

Due from Directors : **Rs. 2.68 million** (Previous Year Rs. 2.36 million)

Maximum balances : **Rs. 3.16 million** (Previous Year Rs. 2.87 million)

** Includes an amount of **Rs. 77.40 million** (Previous Year Rs. 74.54 million) alongwith interest of **Rs. 80.85 million** (Previous Year Rs. 76.26 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Current Liabilities :		
Sundry creditors		
Total outstanding dues to Small Scale Industries (SSI's)	**151.71**	119.11
Total outstanding dues to creditors other than SSI's	**49,977.74**	40,619.62
Materials taken on loan	**0.05**	0.67
Less : Deposits given	**(0.05)**	(0.67)
Deposits from Customers	**12.88**	7.58
Deposits for Containers	**25,697.93**	23,995.31
Investors Education & Protection Fund shall be credited by the following amount*		
Unclaimed Dividend	**48.36**	25.85
Unclaimed Deposits	**22.54**	32.39
Unclaimed Interest on Deposits	**2.11**	3.04
Second interim dividend	**2,456.50**	—
Corporate dividend tax on interim dividend	**379.65**	—
Other liabilities	**14,552.35**	14,505.40
Interest on loans (accrued but not due)	**488.43**	592.74
	93,790.20	79,901.04
Share of interest in Joint Ventures	**873.87**	547.65
Total	**94,664.07**	80,448.69

* No amount is due at the end of the year for credit to Investors Education and Protection Fund.

SCHEDULE 'M' — PROVISIONS (CONSOLIDATED)

	Rs. Million	31/03/2004 Rs. Million
Provision for Taxation (Net of Tax paid)	**1,213.88**	3,410.77
Proposed dividend	**463.21**	4,440.68
Corporate Dividend Tax on proposed dividend	**175.39**	737.87
Provision for retirement benefits	**2,789.79**	2,568.40
	4,642.27	11,157.72
Share of interest in Joint Ventures	**15.64**	18.53
Total	**4,657.91**	11,176.25

SCHEDULE 'N' — SALE OF PRODUCTS (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Sales	**705,838.02**	615,221.52
Subsidy on LPG (Domestic) & SKO (PDS)	**5,248.40**	9,860.16
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**4,375.76**	268.71
	715,462.18	625,350.39
Share of interest in Joint Ventures	**4,903.85**	2,369.63
Total	**720,366.03**	627,720.02

SCHEDULE 'O' — MISCELLANEOUS INCOME (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Interest on bank deposits and others *	**1,011.29**	520.86
Tax deducted at source - **Rs. 24.31 million** (Previous Year Rs. 47.20 million)		
Income from Investments		
Long Term		
Interest **	**365.63**	479.20
Dividend	**15.25**	21.33
From AOP (Petroleum India International)	**13.38**	29.32
Profit on Sales/Maturity	**51.40**	149.37
Excess provision for expenses written back	—	6.22
Write back (net)	**46.69**	171.60
Profit on sale / write off of fixed assets (net)	**38.36**	—
Other income #	**1,970.37**	2,843.70
	3,512.37	4,221.60
Share of interest in Joint Ventures	**62.48**	40.74
Total	**3,574.85**	4,262.34

* Includes interest received from Income tax authorities **Rs. 271.79 million** (Previous Year Rs. 2.36 million)

** Includes interest received from Oil bonds **Rs. 333.46 million** (Previous Year Rs. 445.34 Million)

\# Includes amortisation of capital grants **Rs. 0.04 million** (Previous Year Rs. 0.07 million)

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

	Rs. Million	2003-04 Rs. Million
Value of closing stock of		
Finished goods	**61,487.85**	43,561.52
Stock in process	**4,823.76**	2,584.75
	66,311.61	46,146.27
Less :		
Value of opening stock of		
Finished goods	**43,561.52**	44,080.20
Stock in process	**2,584.75**	3,276.58
	46,146.27	47,356.78
	20,165.34	(1,210.51)
Share of interest in Joint Ventures	**32.98**	13.35
Total	**20,198.32**	(1,197.16)

SCHEDULE 'Q' — RAW MATERIALS CONSUMED (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Opening Stock	**7,854.63**	5,767.54
Add : Purchases	**288,109.10**	202,140.70
Less : Closing Stock	**(12,332.79)**	(7,854.63)
	283,630.94	200,053.61
Share of interest in Joint Ventures	**3,224.91**	960.31
Total	**286,855.85**	201,013.92

SCHEDULE 'R' — CONSUMPTION OF STORES, SPARES AND MATERIALS (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Stores, spares and materials	**1,376.06**	1,401.99
Less : Charged to other revenue accounts	**(852.08)**	(844.89)
	523.98	557.10
Share of interest in Joint Ventures	**23.00**	13.12
Total	**546.98**	570.22

SCHEDULE 'S' — POWER AND FUEL (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Power and Fuel	**11,820.29**	9,716.12
Less: Consumption of fuel out of own production	**(11,372.80)**	(9,393.66)
	447.49	322.46
Share of interest in Joint Ventures	**60.23**	24.54
Total	**507.72**	347.00

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Salaries and wages*	**6,855.24**	5,688.05
Contribution to provident fund and other funds	**617.43**	589.09
Contribution to gratuity fund	**140.98**	117.93
Welfare expenses	**1,801.61**	1,540.73
	9,415.26	7,935.80
Share of interest in Joint Ventures	**135.84**	103.16
Total	**9,551.10**	8,038.96

*includes payment towards VRS compensation **Rs. 407.97 million** (previous year Rs. Nil)

SCHEDULE 'U' — INTEREST (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
On Bonds	**377.91**	382.03
On Fixed Loans	**943.04**	1,720.68
Others	**956.04**	390.73
	2,276.99	2,493.44
Share of interest in Joint Ventures	**191.95**	83.22
Total	**2,468.94**	2,576.66

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Repairs and maintenance :		
Machinery	**1,998.82**	1,707.79
Building	**180.68**	165.89
Others	**796.39**	719.84
	2,975.89	2,593.52
Insurance	**377.25**	474.18
Rent	**1,130.33**	1,060.31
Rates and taxes	**170.93**	438.71
Charities and donations	**112.59**	16.76
Remuneration to auditors	**2.59**	2.30
Utilities	**687.69**	672.66
Write off :		
Bad debts and Claims	**647.16**	230.85
Less : Provision made earlier	**(542.03)**	—
Others	**30.77**	19.86
Provision for :		
Doubtful debts and advances	**(564.26)**	355.33
Diminution in value of investments	**—**	4.51
Others	**—**	18.50
Charges paid to other oil companies	**772.19**	717.73
Travelling and conveyance	**869.32**	876.70
Telephone, Telex, Cables, Postage etc.	**313.04**	314.86
Loss on sale/write off of Fixed Assets (net)	**0.17**	9.08
Brokerage on Public Deposit	**3.09**	3.79
Other expenses	**3,853.52**	3,521.52
	10,840.24	11,331.17
Share of interest in Joint Ventures	**421.34**	302.57
Total	**11,261.58**	11,633.74

SCHEDULE 'W' — PRIOR PERIOD INCOME/(EXPENSES) (NET) (CONSOLIDATED)

	Rs. Million	2003-04 Rs. Million
Sale of products	**(9.32)**	149.12
Miscellaneous Income	**7.50**	25.41
Purchase of product for resale	**24.10**	(506.71)
Raw Materials Consumed	**1.53**	—
Duties, taxes etc. and other product charges	**(112.32)**	91.02
Transportation	**1.19**	5.52
Consumption of stores, spares and materials	**(25.39)**	(40.08)
Rent, Rates & Taxes	**6.48**	2.47
Other operating and administration expenses	**(3.91)**	(49.28)
Excise Duty Refund	**1.86**	—
Interest	**—**	36.77
Depreciation	**(123.57)**	(18.35)
	(231.85)	(304.11)
Share of interest in Joint Ventures	**1.14**	—
Total	**(230.71)**	(304.11)

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005 (CONSOLIDATED)

A) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF CONSOLIDATION :

The Consolidated Financial Statements relate to Bharat Petroleum Corporation Limited (the Company), its subsidiary companies and the interest of the Company in joint ventures, in the form of jointly controlled entities.

(a) Basis of accounting :

(i) The Financial Statements of the subsidiary companies and the joint venture companies (JVCs) used in the preparation of the Consolidated Financial Statements are drawn upto the same reporting date as that of the Company i.e. 31st March, 2005.

(ii) The Consolidated Financial Statements have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and generally accepted accounting principles.

(b) Principles of Consolidation :
The Consolidated Financial Statements have been prepared on the following basis:-

(i) The Financial Statements of the Company and its subsidiary companies (which are not in the nature of joint ventures) have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. The intra group balances and intra group transactions and unrealised profits or losses resulting from intra group transactions are fully eliminated.

(ii) The Consolidated Financial Statements include the interest of the Company in JVCs, which has been accounted for using the proportionate consolidation method of accounting and reporting whereby the Company's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is considered as separate line items in the Consolidated Financial Statements.

(iii) The share of equity in the subsidiary companies as on the date of investment, being in excess of the cost of investment of the Company, the difference is recognised as "Capital Reserve on Acquisition of Subsidiaries" and shown under the head "Reserves and Surplus" in the Consolidated Financial Statements.

(iv) Minority interest in the Net Asset of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders as on the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity subsequent to the dates of investments as stated above.

(c) The subsidiary companies and the JVCs which are included in consolidation and the percentage of ownership interest therein of the Company as on 31st March 2005 are as under :

	Percentage of ownership interest as on		Country of Incorporation
	31/03/2005	31/03/2004	
Subsidiaries			
Kochi Refineries Limited (KRL)	**54.81**	54.81	India
Numaligarh Refinery Limited (NRL)	**62.96**	62.96	India
Joint Venture Companies (JVC)			
Indraprastha Gas Limited	**22.50**	22.50	India
Petronet India Limited	**16.00**	16.00	India
Bharat Shell Limited	**49.00**	49.00	India
Petronet CCK Limited	**26.00**	26.00	India
Petronet LNG Limited	**12.50**	12.50	India
Bharat Oman Refineries Limited	**50.00**	50.00	India
VI eTrans Private Limited	**33.33**	33.33	India
Central UP Gas Ltd.#	**22.50**	—	India

JV incorporated on 27.02.2005 and since the first financial result would be for the period ending 31.03.2006, no effect to the Consolidated Financial Statement for the year ended 31.03.2005 has been given.

2. ACCOUNTING CONVENTION

The financial statements are prepared under historical cost convention in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, adopting accrual system of accounting except where otherwise stated.

3. USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognised in the period in which they materialise.

4. FIXED ASSETS

4.1 LAND
Land acquired on lease where period of lease exceeds 99 years is treated as freehold.

4.2 FIXED ASSETS OTHER THAN LAND

Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding Rs.1,000 per item is charged to revenue.

4.3 Machinery spares that can be used only in connection with an item of fixed asset and their use is expected to be irregular are capitalised. Replacement of such spares is charged to revenue.

4.4 EXPENDITURE DURING CONSTRUCTION PERIOD

Direct expenses including borrowing cost 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.

5. INTANGIBLE ASSETS

5.1 Cost of right of way that are perennial in nature are not amortised.

5.2 Expenditure incurred for creating / acquiring other intangible assets of Rs. 5 million and above, from which further economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit except in case of NRL where the amortisation is done over a period of 10 years or the estimated ueful life of the asset whichever is lower.

5.3 In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

6. IMPAIRMENT OF ASSETS

The carrying values of fixed assets of the identified cash generating units (CGU), are reviewed for impairment at each Balance Sheet date when events or changes in circumstances indicate that the carrying values may not be recoverable. If the carrying values exceed the estimated recoverable amount, the assets of the CGU are written down to the recoverable amount and the impairment losses are recognized in the profit and loss account. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

7. BORROWING COSTS

Borrowing costs attributable to acquisition, construction or production of qualifying asset are capitalised as part of the cost of that asset, till the month in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

8. DEPRECIATION

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

8.2 LPG cylinders and pressure regulators and other fixed assets costing not more than Rs. 5,000 each, are depreciated @100 percent in the year of capitalisation.

8.3 Depreciation on assets not owned by the Corporation is amortised over a period of five years from the year of capitalisation.

8.4 In case of Indraprastha Gas Limited, the depreciation in case of the following assets has been provided using the straight line method over the useful life of the assets:

(a) Mother compressors, Online compressors and Booster compressors – 7 years

(b) Bunkhouses – 5 years

(c) Signages – 10 years

8.5 In case of Bharat Shell Ltd., the depreciation in case of the following assets has been provided using the straight line method over the useful life of the assets estimated by the Management :

(a) Workshop Equipments – 3 years

(b) Bulk Tankages – 5 years

(c) Vehicles (Other than Road Tankers) – 5 years

(d) Computers – 4 years

8.6 Depreciation on fixed assets other than those stated above, is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956. However, in case of two joint venture companies i.e., Bharat Oman Refineries Limited and VI eTrans Private Limited depreciation has been provided under the written down value method. 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 capitalised.

9. INVESTMENTS

9.1 Current investments are valued at lower of cost or fair market value.

9.2 Long-term investments, other than investments in Government Securities and Public Sector Bonds, are valued at cost. Provision for diminution is made to recognise a decline, other than of temporary nature, in the value of such investments.

9.3 Government Securities and Public Sector Bonds are valued at lower of cost or redemption price.

10. INVENTORY

10.1 RAW MATERIAL AND INTERMEDIATE

Raw material and Intermediate are valued at cost. Cost is determined as follows :

10.1.1 Crude oil on first-in first-out basis.

10.1.2 Base oil, additives and LNG on weighted average cost.

10.1.3 Intermediate Stocks at raw material cost plus cost of conversion

In case there has been a decline in the price of raw material and the realisable value of the finished products is expected to be lower than the cost of the finished products, raw material and intermediate are valued at net realisable value.

10.2 FINISHED PRODUCTS

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

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

10.3 Stores are valued at weighted average cost except in case of Indraprastha Gas Limited where the valuation is on the basis of first-in first-out. Slow moving / obsolete items identified as surplus are valued at Re nil.

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

SCHEDULE 'X' — (CONSOLIDATED) (Contd.)

11. CENVAT

Cenvat credit on eligible Revenue/Capital purchase is recognised on receipt of such materials.

12. CLAIMS AND PROVISIONS

Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India 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.

13. SALES

Sales are net of trade discounts and include, inter alia, excise/customs duties, claim from Petroleum Planning and Analysis Cell, Government of India and other elements allowed by the Government from time to time.

14. RAW MATERIALS CONSUMED

Raw materials consumed is net of claims from Petroleum Planning and Analysis Cell, Government of India.

15. CLASSIFICATION OF INCOME/EXPENSES

15.1 Expenditure on Research, other than capital expenditure, is charged to revenue in the year the expenditure is incurred.

15.2 Being not material :

15.2.1 Income/expenditure upto Rs. 0.50 million in each case pertaining to prior years is charged to the current year except in case of Bharat Shell Ltd., Indraprastha Gas Ltd., Petronet India Ltd., Petronet LNG Ltd., Petronet CCK Ltd., Bharat Oman Refineries Ltd. and VI eTrans Private Ltd. wherein no such policy exists.

15.2.2 Prepaid expenses upto Rs. 0.01 million in each case, are charged to revenue as and when incurred except in case of Indraprastha Gas Ltd., Petronet India Ltd., Petronet LNG Ltd. and VI eTrans Private Ltd. wherein no such policy exists.

15.2.3 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 except in case of Indraprastha Gas Ltd., Petronet India Ltd., Petronet LNG Ltd. and VI eTrans Private Ltd. wherein no such policy exists.

15.2.4 Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment except in case of NRL, KRL, Bharat Shell Ltd., Petronet India Ltd., Petronet LNG Ltd., Petronet CCK Ltd. and VI eTrans Private Ltd. wherein no such policy exists.

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

16. RETIREMENT BENEFITS

16.1 Contribution to Provident Fund is charged to revenue.

16.2 Gratuity, leave encashment and other retirement benefits are actuarially valued at the year end and provided for in the accounts except in case of :

a) Bharat Shell Ltd., Petronet CCK Ltd. and Petronet LNG Ltd. towards superannuation, and

b) Petronet India Ltd. towards leave encashment and gratuity, where the method of valuation is other than acturial.

17. DUTIES ON BONDED STOCKS

17.1 Customs duty on Raw materials/Finished goods lying in bond are provided for at the applicable rates except where liability to pay duty is transferred to consignee.

17.2 Excise duty on Finished stocks lying in bond is provided for, at the assessable value applicable at each of the locations at maximum rates based on end use.

18. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

18.1 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.

18.2 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.

18.3 Borrowings in foreign currency are converted at exchange rate prevailing on the date of Balance Sheet. Exchange fluctuations/hedging costs on borrowings in foreign currency for acquisition of fixed assets from a country outside India are adjusted to the cost of assets and corresponding liability account. In other cases the same is recognised in the Profit & Loss Account.

Premium/discount arising at the inception of the forward exchange contracts entered into to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Profit & Loss account.

18.4 Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures to fluctuations in interest rates and foreign currencies are treated as off Balance Sheet transactions. Gain or losses arising therefrom are recognised as and when settlement takes place in accordance with the terms of the contract.

19. GOVERNMENT GRANTS

19.1 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.

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

20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

a) in case of Petronet LNG Ltd. wherein Contingent liabilities, which are considered significant and material by the company, are disclosed.

b) in case of Bharat Shell Ltd., Indraprastha Gas Ltd., Petronet India Ltd., Petronet CCK Ltd. and VI eTrans Private Ltd. the same are disclosed in full.

20.2 Show cause notices issued by various Government authorities are considered for the evaluation of Contingent Liabilities only when converted into demand.

21. TAXES ON INCOME

21.1 Provision for current tax is made in accordance with the provisions of the Income Tax Act , 1961.

21.2 Deferred tax on account of timing difference between taxable and accounting income is provided using the tax rates and tax laws enacted or substantially enacted by the Balance Sheet date.

22. OIL & GAS EXPLORATION ACTIVITIES

22.1 "Successful Efforts Method" of accounting is followed for Oil & Gas exploration and production activities and accordingly survey costs are expensed in the year of incurrence.

22.2 The proportionate share in the assets, liabilities, income and expenditure of joint venture operations are accounted as per the participating interest in such joint venture operations.

B. NOTES FORMING PART OF ACCOUNTS

1. Deferred Tax Liability

As per the requirement of the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India the net deferred tax liability charged to Profit during the year is **Rs. 2,255.65 million** (Previous Year Rs. 2,173.28 million). The year end position of Deferred Tax Liability and Assets is given below :

	Rs. Million	31/03/2004 Rs. Million
DEFERRED TAX LIABILITY		
Depreciation	**17,992.53**	16,959.80
Others	**13.36**	96.50
Share of Interest in Joint Venture	**379.54**	103.51
Total	**18,385.43**	17,159.81
DEFERRED TAX ASSETS		
Provisions for doubtful debts / claims / investments	**593.58**	1,041.45
Provisions for medical benefits	**0.00**	126.56
Disallowances u/s 43B of Income Tax Act,1961	**522.16**	627.99
Expenditure on Voluntary Retirement Scheme	**109.86**	-
Others	**140.72**	890.40
Share of Interest in Joint Venture	**321.74**	31.69
Total	**1,688.06**	2,718.09
Net Deferred Tax Liability	**16,697.37**	14,441.72

2. In respect of sale of subsidised LPG (Domestic) and SKO (PDS), as advised by the Ministry of Petroleum & Natural Gas, a part of the under-recovery suffered by the Oil Marketing Companies during the year was compensated by ONGC and GAIL, by offering discount on price of Crude Oil, SKO and LPG purchased from them. Accordingly, Bharat Petroleum Corporation Limited (BPCL) has accounted the discount received as follows:

a) Rs. 5,759.50 million discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) Rs. 6,259.13 million discount received on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

3. Impairment of Assets

Determination as to whether and how much an asset is impaired involves management estimate of highly uncertain matters, such as international prices of crude oil and products, duty structure and Government policies. In estimating the cash flows of LPG (Domestic) and SKO (PDS) for testing impairment of related Cash Generating Units as on 31st March 2005, the management has viewed that under-recoveries of subsidies on sale of these products would be phased out over a period of two years. Based on the test of impairment management is of the opinion that the assets are not impaired.

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4. In respect of BPCL, on confirmation from the Government of India regarding discontinuation of the "Irrecoverable Taxes Compensation Scheme 2002", liability (net of claims) aggregating to Rs. 1,716.89 million provided during 2003-04 have been reversed during the year.

5. Provision for taxation in the Profit and Loss Account of the group includes **Rs. 6.41 million** (previous year Rs. 6.27 million) towards wealth tax.

6. BPCL and NRL have numerous transactions with the other oil companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustment if any, arising there from are not likely to be material.

7. Sundry debtors include **Rs. 618.94 million** (previous year Rs. 618.94 million) (net) due from a customer, in respect of BPCL, pertaining to the period November 1992 to June 1996 and September 1997 to January 1999, towards price revision of a product, disputed by the customer. The dispute was referred to an arbitrator who has awarded the case in favour of BPCL along with interest. Both single bench and division bench of Mumbai High Court confirmed the award passed in favour of BPCL. The customer has filed Special Leave Petition in the Supreme Court challenging the division bench order. In view of the pendency of the matter in the Supreme Court, no effect is given in the accounts in respect of interest awarded by the arbitrator.

8. **Earnings per share**

		2004-05	2003-04
Profit after Tax	Rs. Million	**15,419.62**	20,339.00
Weighted average shares Outstanding during the year	Million nos.	**300.00**	300.00
Basic earnings per share	Rs.	**51.40**	67.80
Diluted earnings per share	Rs.	**51.40**	67.80

9. BPCL has entered into upstream activities relating to Exploration and Production (Hydrocarbon) and has started working on the exploration blocks which have been awarded during NELP IV, in consortium with other body corporates. In compliance of Accounting Standard-17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, the segment information is as under :

Information Regarding Primary Segment Reporting (Consolidated) as per Accounting Standard-17, for the year ended 31st March 2005

	Rs. Million			Rs. Million		
	Year ended 31st March 2005			Year ended 31st March 2004		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue	**646,417.73**	—	**646,417.73**	558,841.59	—	558,841.59
Inter Segment Revenue			—			—
Total Revenue	**646,417.73**	—	**646,417.73**	558,841.59	—	558,841.59
Result						
Segment Results	**30,820.54**	**(2.87)**	**30,817.67**	39,855.50	—	39,855.50
Unallocated Corporate Expenses			—			—
Operating profit	**30,820.54**	**(2.87)**	**30,817.67**	39,855.50	—	39,855.50
Add:						
Interest / Dividend Income			**1,405.55**			1,050.71
Less:						
Interest Expenditure			**2,468.94**			2,576.66
Income Tax (including deferred Tax)			**9,013.63**			14,685.92
Profit after Tax			**20,740.65**			23,643.63

	Rs. Million			Rs. Million		
	Year ended 31st March 2005			Year ended 31st March 2004		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Other Information						
Segment Assets	**258,692.44**	—	**258,692.44**	221,996.43	—	221,996.43
Unallocated Corporate Assets			**6,122.13**			9,045.71
Total Assets			**264,814.57**			231,042.14
Segment Laibilities	**91,825.05**	**2.87**	**91,827.92**	80,448.69	—	80,448.69
Unallocated Corporate Liabilities			**79,669.67**			72,640.85
Total Liabilities			**171,497.59**			153,089.54
Capital Expenditure	**19,240.43**		**19,240.43**	17,717.40		17,717.40
Depreciation/ Amortisation	**8,809.71**		**8,809.71**	8,266.09		8,266.09
Non cash expenses other than depreciation			**3.07**			219.32

Notes:

1) The Group is engaged in the following business segments:
   a) Downstream petroleum i.e. refining and marketing of Petroleum Products
   b) Exploration and Production (Hydrocarbon)
   Segments have been identified taking into account the nature of activities and the nature of risks and returns.
2) Segment revenue comprises of the following:
   a) Turnover (net of excise duties)
   b) Subsidy received from Government of India
   c) Net claim/ (surrender to) PPAC
   d) Other Income (excluding interest and dividend income)
3) There are no geographical segments.

10. The Board of directors of BPCL and KRL, at the meeting held on 17th January 2005, have approved the scheme of amalgamation of KRL with BPCL. The appointed date for amalgamation is 1st April 2004. The swap ratio recommended is 1:2.25 (i.e. four fully paid up equity shares of Rs.10/- each of the Corporation for every nine fully paid equity shares of KRL), subject to the necessary approvals of the Government of India, shareholders/ creditors of BPCL/KRL and other judicial/regulatory authorities, as may be required under the applicable laws. Pending receipt of the necessary approvals, no effect of the proposed merger has been given in the accounts.

11. During the year, Rs. 290.34 million in respect of BPCL, Rs. 50.59 million in respect of KRL and Rs. 15.40 million in respect of NRL has been provided towards Leave Fare Assistance facility not availed by employees of the respective companies as on 31st March 2005, which was being charged in the previous years' on payment basis.

12. **Related Party Disclosures as per Accounting Standard 18**

i) **Key Management Personnel** (Whole Time Directors) — M/s. Sarthak Behuria (Chairman & Managing Director) upto 28-2-2005, Ashok Sinha (Chairman & Managing Director I/C), S. A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), M. Rohatgi (Director Refineries)

ii) Remuneration to key management personnel: **Rs 5.73 million** (Previous Year Rs. 4.93 million)

13. Intangible Assets

In accordance with Accounting Standard 26 , details of Intangible Assets recognised and amortised during the year are given below:

a) Intangible assets - being amortised

Rs. Million

	USEFUL LIFE	GROSS AMOUNT				AMORTISATION			NET AMOUNT	
Particulars	(No. of Months)	As At 01-04-04	Additions	Deletions/ Reclassification	As At 31-03-05	Upto 31-03-04	This year	Upto 31-03-05	As At 31-03-05	As At 31-03-04
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Right of Way	Perennial	98.62	1.41	—	100.03	—	—	—	100.03	98.62
2. Software	36	94.94	14.98	—	109.92	24.50	39.13	63.63	46.29	70.44
3. Development Rights	60	—	14.97	—	14.97	—	0.75	0.75	14.22	—
4. Process License	60	—	5.29	—	5.29	—	0.09	0.09	5.20	—
5. Know How Cost of CCU Unit	120	—	3.41	—	3.41	—	0.34	0.34	3.07	—
Total		**193.56**	**40.06**	—	**233.62**	**24.50**	**40.31**	**64.81**	**168.81**	**169.06**
Share Of Interest in Joint Venture		**43.89**	**4.27**	—	**48.16**	—	**0.59**	**0.59**	**47.57**	**43.89**
Grand Total		**237.45**	**44.33**	—	**281.78**	**24.50**	**40.90**	**65.40**	**216.38**	**212.95**
Previous Year		38.26	155.30	—	**193.56**	—	24.50	**24.50**	**169.06**	38.26
Share Of Interest in Joint Venture 2003-04		41.43	2.46	—	**43.89**	—	—	—	**43.89**	41.43
Grand Total 2003-04		79.69	157.76	—	**237.45**	—	24.50	**24.50**	**212.95**	79.69

b) Intangible Assets- Pending Amortisation*

Rs. Million

	USEFUL LIFE	GROSS AMOUNT				AMORTISATION			NET AMOUNT	
Particulars	(No. of Months)	As At 01-04-04	Additions	Capitalisations	As At 31-03-05	Upto 31-03-04	This year	Upto 31-03-05	As At 31-03-05	As At 31-03-04
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Process License		1.34	47.18	5.29	**43.23**	—	—	—	**43.23**	1.34
2. Software		—	26.40	—	**26.40**	—	—	—	**26.40**	—
Total		**1.34**	**73.58**	**5.29**	**69.63**	—	—	—	**69.63**	**1.34**
Previous Year		—	1.34	—	**1.34**	—	—	—	**1.34**	—

* To be amortised from the time the Intangible Asset starts providing economic benefits

Note: There are no internally generated Intangible Assets

14. Provision for current taxation includes **Rs. 439.68 million** (Previous Year Rs. 291.10 million) in respect of NRL and **Rs. 1.91 million** (Previous Year Rs. 2.11 million) (proportionate share) in respect of Bharat Shell Limited towards Minimum Alternate Tax (MAT), as per the requirements of the provisions of Section 115 JB of the Income Tax Act, 1961.

15. Capital Reserve on acqusition of subsidiaries includes Rs. 629.60 million being the share of the group out of grant of Rs. 1,000 million received by NRL from the Government of India during the project period.

16. Government of India, Ministry of Finance (Department of Revenue) Notification No. 33/99-CE dated 8/7/99 as amended vide Notification No. 3-2000-CE dated 9/2/2000, which provides for refund of excise duty paid in respect of goods cleared from NRL, was in operation till February 2002. However, during the year 2001-02, Excise Authority disallowed the refund claim for the entire additional duty of excise on HSD amounting to Rs. 2,571.84 million and unilaterally deducted an amount of Rs.107.54 million from refund dues of the company.

During the year under review, the Committee of Disputes (GOI) did not permit the case to be pursued further and in accordance therewith the Central Excise authorities raised a demand of Rs. 1,023.16 million which was paid by NRL. Regardless of the aforesaid payment, NRL has preferred to carry in its books Rs. 1,548.68 million as claims under Loans & Advances with corresponding provision towards claims doubtful of recovery for the same amount relating to the AED case pending the finality of the issue.

17. During the year, the additional transportation cost of crude oil supplied from Ravva Oil Field to Bongaigaon Refinery and Petrochemicals Limited was required to be shared equally by all the refineries in Assam. NRL's share of the said transportation cost has been treated as crude cost and also considered for valuation of stock.

18. In respect of KRL, excess income tax provision of Rs. 155.00 million was written back and credited to the Profit & Loss account during 2000-01 towards accumulated losses and unabsorbed depreciation of erstwhile CRBL subject to fulfilment of the conditions specified in the then Section 72A of the Income Tax Act. The application for Income Tax relief is pending for disposal before the Central Government. On account of this, no further adjustment is considered necessary in the Accounts for the year.

19. In case of Bharat Oman Refineries Limited (BORL), certain royalty payments to some of the process licensors aggregating Rs. 48.73 million (Proportionate Share Rs. 24.36 million) have become due during the earlier years. The matter is under negotiation by BORL with the process licensors for postponing the payments to future dates. No liability has been provided in the books on this account and the amount is included in 'Estimated amount of contracts remaining to be executed on capital account and not provided for'.

20. In case of Petronet CCK Limited, income has been accounted based on tariff rates for usage of pipeline facilities by Oil Companies that are provisional and are under consideration with the Oil companies.

21. Petronet India Limited (PIL) has invested Rs. 260.00 million (proportionate share Rs. 41.60 million) in the equity of Petronet VK Limited (PVKL). Though the auditors of PIL have qualified their audit report towards non-provision for diminution in the value of investment in PVKL (amount not ascertained), no adjustments are considered necessary in view of the options being explored for usage of the pipeline facilities of PVKL.

22. Petronet LNG Limited has raised **Rs. 3,914.70 million** through public issue of shares in the previous year and utilised **Rs. 2,178.80 million** (Previous Year Rs. 84.70 million) for project payments and balance **Rs. 1,735.90 million** (Previous Year Rs. 3,830.00 million) is deposited as short term deposits with a scheduled bank.

23. As indicated in Significant Accounting Policies in respect of certain JVCs certain accounting policies followed towards Depreciation, Inventory Valuation, Retirement Benefits and Classification of Income/ Expenses are not in line with that followed by BPCL. However considering the nature of transactions the impact is not expected to be material had the accounting policy of BPCL been followed.

24. Jointly Controlled Operations

BPCL has entered into production sharing oil and gas exploration contracts with the Government of India and other body corporates as follows :

Name	**Participating Interest of BPCL (%)**	
	31.03.2005	31.03.2004
IN INDIA		
Under NELP – IV Block		
KG/DWN/2002/1	**10%**	10%
MN/DWN/2002/1	**10%**	10%
CY/ONN/2002/2	**40%**	40%
OUTSIDE INDIA	**NIL**	NIL

25. Interests in Joint Ventures

The Group's interest in Joint Ventures, accounted for using proportionate consolidation are :

(Rs. in Million)

	As at 31/03/2005	As at 31/03/2004
I ASSETS		
1. Fixed Assets		
- Gross Block	**4,878.71**	2,367.72
- Less : Depreciation	**725.43**	424.90
- Net Block	**4,153.28**	1,942.82
2. Capital work-in-progress	**940.54**	2,993.40
3. Investments	**243.30**	83.73
4. Current Assets, Loans and Advances		
a) Inventories	**514.59**	373.72
b) Sundry Debtors	**330.55**	164.06
c) Cash and Bank Balances	**444.49**	645.93
d) Other Current Assets	**1.68**	1.12
e) Loans & Advances	**236.89**	251.73
5. Miscellaneous Expenditure to the extent not written off or adjusted	**8.09**	12.73
II LIABILITIES		
1. Shareholders Funds – Reserves & Surplus	**555.33**	425.90
2. Loan Fund		
a) Secured Funds	**2,357.09**	1,440.69
b) Unsecured Funds	**213.87**	1,204.42
3. Deferred Tax – Liability	**57.80**	71.82
4. Current Liabilities & Provisions		
a) Liabilities	**873.87**	547.65
b) Provisions	**15.64**	18.53

(Rs. in Million)

	2004-05	2003-04
III INCOME		
1. Sales and related income	**4,903.85**	2,369.63
Excise Duty	**(372.29)**	(327.20)
	4,531.56	2,042.43
2. Miscellaneous Income	**62.48**	40.74
3. Increase/(Decrease) in Inventory	**32.98**	13.35
IV EXPENSES		
1. Purchase of Products for Resale	**176.72**	122.73
2. Raw Material Consumed	**3,224.91**	960.31
3. Packages Consumed	**100.10**	85.17
4. Excise Duty on Inventory differential	**4.08**	1.07
5. Transportation	**82.10**	70.48
6. Consumption of stores, spares and materials	**23.00**	13.12
7. Power and Fuel	**60.23**	24.54
8. Employees' remuneration and other benefits	**135.84**	103.16
9. Interest	**191.95**	83.22
10. Other operating and administration expenses	**421.34**	302.57
11. Depreciation / Amortisation	**302.83**	163.87
12. Miscellaneous Expenditure Written off	**3.07**	0.45
13. Prior period income/(expenses) net	**1.14**	0.00
14. Profit before Taxation	**(98.01)**	165.83
15. Provision for Taxation		
a) Current Tax	**107.83**	70.45
b) Deferred Tax	**(14.02)**	36.47
16. Excess/(Short) provision for Taxation in earlier years written back/provided for	**0.01**	(0.01)
17. Profit after Taxation	**(191.81)**	58.90

(Rs. in Million)

	As at 31/03/2005	As at 31/03/2004
V OTHER MATTERS		
1. Contingent Liabilities	**199.82**	199.76
2. Capital Commitments	**792.31**	880.75

26. Capital Commitments and Contingent Liabilities :

	Rs. Million	31/03/2004 Rs. Million
26.1 Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**8,496.10**	8,645.67
Share of interest in Joint Venture	**792.31**	880.75
Total	**9,288.41**	9,526.42
26.2 Contingent Liabilities :		
(a) In respect of taxation matters of prior years	**263.80**	1,544.28
(b) Other Matters :		
i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,275.75**	1,930.46
ii) Claims against the Corporation not acknowledged as debts :		
(a) Excise and customs matters	**4,273.31**	3,319.35
(b) Sales tax matters	**7,687.57**	5,847.04
(c) Others	**6,953.37**	6,104.59

These include **Rs. 3,727.68 million** (Previous Year Rs. 3,431.59 million) against which the Corporation has a recourse for recovery and **Rs. 1,559.82 million** (Previous Year Rs. 1539.69 million) on capital account.

iii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases	—	81.82
iv) Guarantees on behalf of other companies *	—	1,280.05
(c) Share of interest in Joint Venture	**199.82**	199.76

* Includes guarantees given by BPCL jointly with other promoter companies, in favour of banks and financial institutions for short term loans extended to Petronet LNG Limited. BPCL's share in the guarantee

is Rs. 3,500 million. Petronet LNG Limited had given counter guarantee in favour of BPCL for the said amount. Based on the outstanding loan of Rs. 10,240.40 million in the books of Petronet LNG Limited as on 31.03.2004, BPCL's share for the purpose of consolidation was Rs. 1,280.05 million. The short term loans have since been converted to long term loans and hence the guarantees are no longer applicable

27. **27.1** The net amount of exchange difference credited to the Profit and Loss Account is **Rs. 36.41 million including Rs. Nil pertaining to share of interest in joint ventures** (Previous Year Rs. 913.01 million including Rs. 1.55 million pertaining to share of interest in joint venture)

27.2 The amount of exchange difference credited to the carrying cost of fixed assets is **Rs. 16.77 million** (Previous Year debit Rs. 17.35 million)

27.3 The exchange difference amounting to **Rs. 94.11 million including Rs. Nil pertaining to share of interest in joint ventures** (Previous year Rs. 1.69 million including Rs. 0.04 million pertaining to share of interest in joint ventures) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more accounting periods.

28. **Managerial Remuneration :**

	Rs. Million	2003-04 Rs. Million
Salary and allowances	**8.17**	6.86
Contributions to Provident Fund and other funds	**0.86**	0.75
Other benefits	**4.10**	2.74
Share of interest in Joint Ventures	**5.65**	5.47
	18.78	15.82

29. **Remuneration to Auditors :**

		Rs. Million	2003-04 Rs. Million
(a)	Audit fees	**1.38**	1.30
(b)	Fees for other services-certification	**1.04**	0.88
(c)	Reimbursement of out of pocket expenses	**0.17**	0.11
(d)	Share of interest in Joint Ventures	**0.89**	0.83
		3.48	3.12

30. **Research and development :**

		Rs. Million	2003-04 Rs. Million
(a)	Revenue Expenditure	**169.36**	100.00
(b)	Capital Expenditure	**123.13**	57.41
		292.49	157.41

31. Figures have been regrouped wherever necessary.

CASH FLOW STATEMENT (CONSOLIDATED)

For the year ended 31st March		Notes	2005 Rs. Million	2004 Rs. Million
A	**Cash Flow from Operating Activities**			
	Net Profit Before tax and prior period items		**29,984.99**	38,633.66
	Adjustments for :			
	Depreciation		**8,809.71**	8,266.09
	Interest paid		**2,468.94**	2,576.66
	Foreign Exchange Fluctuations	Note 3	**(28.68)**	(729.46)
	(Profit) / Loss on Sale of fixed assets		**(38.86)**	3.52
	Income from Investments		**(952.32)**	(889.70)
	Dividend Received		**(15.25)**	(21.33)
	Other Non-Cash items	Note 4	**(352.79)**	1,120.36
	Operating Profit before Working Capital Changes		**39,875.73**	48,959.81
	Invested in :			
	Trade Receivables		**679.10**	(1,050.89)
	Other receivables		**(3,764.96)**	(444.43)
	Inventory		**(26,166.46)**	(2,571.17)
	Current Liabilities & Payables		**11,668.96**	26.16
	Cash generated from Operations		**22,292.37**	44,919.47
	Direct Taxes paid		**(8,863.19)**	(10,191.77)
	Cash flow before prior period items		**13,429.17**	34,727.71
	Prior Period Items		**(108.28)**	(286.42)
	Net Cash from Operating Activities		**13,320.89**	34,441.29

For the year ended 31st March	Notes	2005 Rs. Million	2004 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets	Note 5	**(19,208.99)**	(18,280.65)
Adjustment for retirement/reclassification of Fixed Assets		**(2.13)**	80.88
Sale of fixed assets		**210.64**	42.38
Adjustments to Pre Operating Expenses		**280.03**	(175.52)
Investment in Petroleum India International (AOP)		**(8.36)**	(19.31)
Purchase of Investment		**(22.36)**	(4.82)
Sale of Investments		**3,000.01**	2,285.00
Income from Investment		**921.27**	862.50
Dividend Received		**15.25**	21.33
Net Cash Flow on Investing Activities		**(14,814.65)**	(15,188.20)
C Net Cash Flow on Financing Activities			
Proceeds from issue of shares		**0.00**	144.34
Long term Borrowings		**6,639.10**	2,815.63
Repayment of loans		**(11,265.82)**	(10,266.81)
Interest paid		**(2,893.24)**	(2,940.02)
Interim Dividend Paid		**(1,500.00)**	(1,800.00)
Dividend Paid		**(4,567.80)**	(4,718.51)
Corporate Dividend Tax		**(986.02)**	(975.59)
Exchange difference on forward contracts		**(160.78)**	85.63
Net Cash Flow on Financing Activities		**(14,734.55)**	(17,655.33)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		**(16,228.31)**	1,597.75

	Rs. Million	Rs. Million
Cash and Cash equivalents as at 31st March	**2004**	2003
Cash in Hand	**4,265.34**	2,521.27
Cash at Bank	**5,840.82**	8,713.43
Cash in transit	**123.19**	328.64
Cash Credit from scheduled banks	**(14,811.51)**	(18,261.08)
Unsecured loans from scheduled banks / ICDs / CPs	**(3,817.84)**	(3,300.00)
	(8,400.00)	(9,997.75)
Cash and Cash equivalents as at 31st March	**2005**	2004
Cash in Hand	**1,551.23**	4,265.34
Cash at Bank	**5,622.31**	5,840.82
Cash in transit	**65.64**	123.19
Cash Credit from scheduled banks	**(11,513.24)**	(14,811.51)
Unsecured loans from scheduled banks / ICDs / CPs	**(20,354.26)**	(3,817.84)
	(24,628.31)	(8,400.00)
Net change in Cash and Cash equivalents	**(16,228.31)**	1,597.75

Explanatory Notes to Cah Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 prescribed by the Institute of Chartered Accountants 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, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. “Purchase of Fixed Assets” include the reduction in liability of **Rs. 16.77 million** (2003-04 - reduction in liability Rs. 17.35 million) arising on account of exchange rate variation during the year.
6. Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

As per our attached report of even date

For and on behalf of the Board of Directors

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
ASHOK SINHA
Chairman and Managing Director (I/C)

Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 2nd August, 2005

ANNEXURE E

DETAILS OF SUBSIDIARY COMPANIES
BALANCE SHEET AS AT 31ST MARCH, 2005

	Rs. Million Kochi Refineries Limited	Rs. Million Numaligarh Refinery Limited
I. SOURCES OF FUNDS		
1. Shareholders' funds :		
Share Capital	1,384.70	7,356.32
Share Application Money	0.02	—
Reserves and Surplus	24,208.70	6,661.35
	25,593.42	14,017.67
2. Loan funds :		
Secured Loans	2,498.30	1,756.81
Unsecured Loans	5,275.01	4,534.93
	7,773.31	6,291.74
3. Deferred tax liability (net)	2,842.78	4,106.50
TOTAL	36,209.51	24,415.91
II. APPLICATION OF FUNDS		
1. Fixed Assets :		
Gross block	24,324.48	26,323.64
Less : Depreciation and amortisation	10,701.84	6,005.51
Net block	13,622.64	20,318.13
Capital work-in-progress	1,432.74	1,445.90
	15,055.38	21,764.03
2. Investments	712.26	—
3. Current assets, loans and advances :		
Inventories	13,830.84	7,174.40
Sundry debtors	11,058.40	1,757.85
Cash and bank balances	3,120.21	13.39
Other current assets	162.27	—
Loans and advances	5,345.79	1,770.19
	33,517.51	10,715.83
Less : Current liabilities and provisions :		
Liabilities	12,058.70	6,600.27
Provisions	1,016.94	1,463.68
	13,075.64	8,063.95
Net current assets	20,441.87	2,651.88
TOTAL	36,209.51	24,415.91

DETAILS OF SUBSIDIARY COMPANIES
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Rs. Million Kochi Refineries Limited	Rs. Million Numaligarh Refinery Limited
INCOME		
Sale of products & related income	154,402.65	42,989.90
Less: Excise Duty Paid	(23,057.63)	(3,817.58)
	131,345.02	39,172.32
Miscellaneous income	650.86	118.74
Products consumed internally	105.62	—
Increase/(Decrease) in Inventory	3,161.37	1,216.03
TOTAL	135,262.87	40,507.09
EXPENDITURE		
Purchase of products for resale	—	6.17
Raw materials consumed	116,262.02	29,945.82
Packages consumed	124.25	—
Excise Duty on Inventory differential	659.54	(148.32)
Other Duties, taxes etc. and other charges applicable to products	1,854.87	1,033.46
Transportation	75.74	1,217.21
Consumption of stores, spares and materials	283.65	57.59
Power and Fuel	248.56	10.23
Employees' remuneration and other benefits	1,147.32	346.32
Interest	350.23	555.03
Other operating and administration expenses	998.65	559.29
Depreciation and amortisation	1,170.02	1,377.11
TOTAL	123,174.85	34,959.91
Profit	12,088.02	5,547.18
Prior period income/(expenses) net	(158.62)	24.12
Profit before tax	11,929.40	5,571.30
Provision for Taxation		
- Current Tax	4,445.00	439.68
- Deferred Tax (Net)	(236.77)	1,040.10
Excess/(Short) provision for Taxation in earlier years written back/provided for	700.00	—
Profit after tax	8,421.17	4,091.52
Balance brought forward	14,145.27	0.10
Disposable Profit	22,566.44	4,091.62
Appropriations:		
Interim dividend paid	318.48	—
Second interim dividend	456.95	—
Proposed dividend	—	1,250.57
Corporate Dividend Tax on interim and proposed dividend	105.71	177.05
	881.14	1,427.62
Transfer to General Reserve	842.12	2,663.90
Balance Carried to Balance Sheet	20,843.18	0.10
Earnings per Share		
- Basic & Diluted	60.82	5.56

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	Financial Year ending of the Subsidiary Company	No. of shares held by BPC as on 31.3.2005	Extent of holding	The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company and not dealt with in the accounts of the Holding Company (except to the extent dealt within Col. 7 & 8)		The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company and dealt with in the accounts of the Holding Company	
1	2	3	4	5	6	7	8
				For the financial year ended on 31.3.2005 (Rs. In Million)	For the previous financial years since it became a Subsidiary Company (Rs. In Million)	For the financial year ended on 31.3.2005 (Rs. In Million)	For the previous financial years since it became a Subsidiary Company (Rs. In Million)
Kochi Refineries Limited (with effect from 26.3.2001)	31.3.2005	75,889,660 shares of Rs. 10/- each fully paid up	54.81%	4441.09	3758.19	1085.22	1085.22
Numaligarh Refinery Limited (with effect from 31.3.2001)	31.3.2005	463,188,856 shares of Rs.10/- each fully paid up	62.96%	2576.02	2208.42	407.61	611.41

Note : KRL Board at its meeting held on 17.1.05 has approved Scheme of Amalgamation of the Company with BPC which is effective from the appointed date (i.e.1st April,2004) subject to completion of necessary formalities.

For and on behalf of the Board of Directors

Sd/-
Ashok Sinha
Chairman & Managing Director

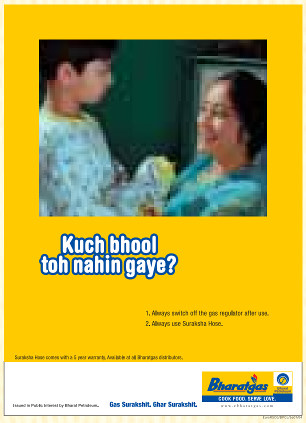
Sd/-
S.A. Narayan
Director (HR)

Sd/-
D.M. Naik Bengre
Company Secretary

Place : Mumbai
Date : 22nd August, 2005


1.4 MILLION


NARAIN
KARTHIKEYAN
Speed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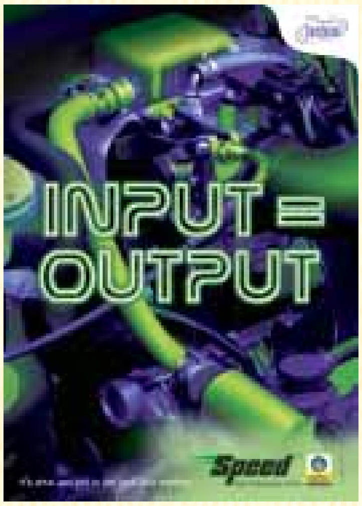
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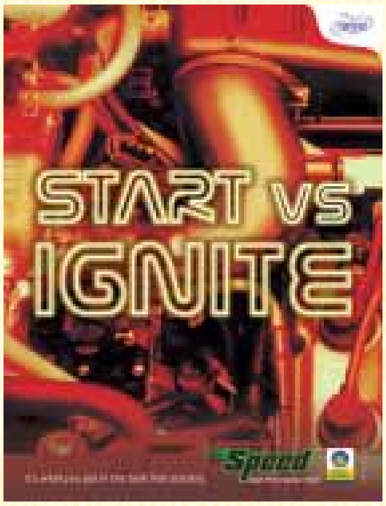
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Speed
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We are working on advanced variants of petrol and diesel, in the hope that some day, the only thing that will fill the air is love.
From retail outlets to oils & lubes to industrial and commercial to aviation fuel to cooking gas, in more ways than one, we are working towards energising lives.
Bharat Petroleum
energising lives


energising celebrations
Bharatgas
Food brings joy to every celebration. That's why a LPG cylinder in every home has been our aim. The day we get there, we'll celebrate.
From retail outlets to oils & lubes to industrial and commercial to aviation fuel to cooking gas, in more ways than one, we are working towards energising lives.
Bharat Petroleum
energising lives

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वार्षिक रिपोर्ट
ANNUAL REPORT
2004-2005

Bharat
Petroleum

कृपया वितरित न किये जाने पर निम्न पते पर लौटायें : **भारत पेट्रोलियम कॉर्पोरेशन लिमिटेड**, सेक्रेटरियल विभाग, चौथी मंजिल,
भारत भवन, 4 ओर 6 करिमभॉय रोड, बेलार्ड इस्टेट, मुंबई – 400 001.

If not delivered please return to : **BHARAT PETROLEUM CORPORATION LIMITED,** Secretarial Department, Fourth Floor,
Bharat Bhavan, 4 & 6 Currimbhoy Road, Ballard Estate, Mumbai - 400 001.

Bharat Petroleum

BHARAT PETROLEUM CORPORATION LIMITED

Regd. Office : Bharat Bhavan, 4 & 6 Currimbhoy Road, Ballard Estate, Mumbai – 400 001

FORM OF PROXY

Folio/Client ID No.____________________

DP ID No.____________________

I/We, ____

of ____

____________________ in the district of ____________________

being a member/members of the above named Company hereby appoint ____________________

________________ of ____________________ in the district of ________________

____________________ or failing him ____________________ of

____________________ in the district of ____________________

____ as my/our proxy to vote for me/us on my/our behalf at the 52nd Annual General Meeting of the Company to be held on Friday, 23rd September 2005 and at any adjournments thereof.

Signed this ________________ day of ________________ 2005

Affix
15 Paise
Revenue
Stamp

(member)

Note : Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

BHARAT PETROLEUM CORPORATION LIMITED

Regd. Office : Bharat Bhavan, 4 & 6 Currimbhoy Road, Ballard Estate, Mumbai – 400 001

ADMISSION CARD/ATTENDANCE SLIP

ANNUAL GENERAL MEETING TO BE HELD ON FRIDAY, 23RD SEPTEMBER 2005 AT 10.30 A.M., IN Y.B. CHAVAN AUDITORIUM, AT YESHWANTRAO CHAVAN PRATISHTHAN, GENERAL JAGANNATH BHOSALE MARG, MUMBAI 400 021.

Name of the Member : ____________________

Folio /Client ID No. : ____________________

No. of Shares held : ____________________

Name of the Proxies : ____________________

I/We hereby record my/our presence at the **52ND ANNUAL GENERAL MEETING** of the Company on Friday, 23rd September 2005 at 10.30 a.m. in the Y. B. Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400 021.

____

Signature of the Member

Name :

(Member/Representative of Body Corporate/Proxy attending the Meeting must bring the above Admission Card/Attendance Slip to the Meeting and hand over at the entrance, after duly signing).

IN CASE MEMBER IS A BODY CORPORATE/INSTITUTION

Name of the Body Corporate (Member) ____________________

Name of the Representative ____________________

Folio / Client ID No. ____________________

Designation ____________________

I hereby record my presence at the 52nd Annual General Meeting of the Company on Friday, 23rd September 2005, at 10.30 a.m. in Y.B. Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400 021.

____
Signature of the representative of the Body Corporate Member

In case the member is a Body Corporate, certified copy of a Resolution of the Board of Directors or a governing body of the Institution regarding appointment of a Representative to attend the Meeting be enclosed or be sent in advance. The representative should sign the above Attendance Slip on behalf of the Body Corporate/Institution represented by him.

(Member/Representative of Body Corporate/Proxy attending the Meeting must bring the above Admission Card/Attendance Slip to the Meeting and hand over at the entrance, after duly signing)

भारत पेट्रोलियम कॉर्पोरेशन लिमिटेड

Bharat Petroleum Corporation Limited

Regd. Office : Bharat Bhavan, 4 & 6, Currimbhoy Road, Ballard Estate, Mumbai 400 001.

UNAUDITED FINANCIAL RESULTS (PROVISIONAL) FOR THE THREE MONTHS ENDED 30TH JUNE 2005

Sr No.	Particulars	Unaudited		Audited	Consolidated results for		
		Three Months ended 30-06-2005	Three Months ended 30-06-2004	Accounting Year ended 31-03-2005	Three Months ended 30-06-2005 (Unaudited)	Three Months ended 30-06-2004 (Unaudited)	Accounting Year ended 31-03-2005 (Audited)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Physical Performance**						
1.	Crude Throughput (Million tonnes)	**2.30**	2.17	9.14	**3.68**	4.74	19.10
2.	Market Sales (Million tonnes)	**5.28**	5.38	21.03	**5.44**	5.61	21.80
3.	Sales Growth (%)	**(1.86)**	10.09	3.24	**(3.03)**	11.53	4.06
4	Export Sales (Million tonnes)	**0.07**	0.03	0.52	**0.15**	0.30	1.29
B	**Financial Performance**						**(Rs. in Million)**
1.	Sales/Income from Operations	**171,185**	145,639	638,570	**189,001**	166,418	720,366
	Less: Excise Duty paid	**11,028**	15,031	48,870	**16,630**	19,964	76,118
	Net Sales/Income from Operations	**160,157**	130,608	589,700	**172,371**	146,454	644,248
2.	Other Income	**826**	548	4,584	**709**	643	3,575
3.	Total Expenditure	**163,360**	127,144	573,363	**171,814**	138,377	606,789
	a) (Increase)/Decrease in stock in trade	**5,539**	(990)	(15,862)	**6,618**	(3,113)	(20,198)
	b) Consumption of raw materials	**35,794**	27,493	137,529	**61,401**	60,367	286,856
	c) Staff cost	**1,818**	2,256	7,931	**2,203**	2,620	9,551
	d) Purchase of products for resale	**109,992**	90,886	407,426	**90,321**	68,869	286,849
	e) Other expenditure	**10,217**	7,499	36,339	**11,271**	9,634	43,731
4.	Interest	**404**	226	1,398	**606**	484	2,469
5.	Depreciation and Amortisation	**1,525**	1,536	5,960	**2,254**	2,224	8,810
6.	Profit before Tax (1+2-3-4-5)	**(4,306)**	2,250	13,563	**(1,594)**	6,012	29,755
7.	Provision for Taxation - Current including Fringe Benefit Tax	**17**	480	2,805	**716**	1,572	7,824
8.	Profit after Current tax (6-7)	**(4,323)**	1,770	10,758	**(2,310)**	4,440	21,931
9.	Provision for Taxation - Deferred	**-**	297	1,466	**(34)**	681	2,256
10.	Excess / (Short) provision for Taxation in earlier years written back / provided for	**10**	-	366	**10**	-	1,066
11.	Net profit (8-9+10)	**(4,313)**	1,473	9,658	**(2,266)**	3,759	20,741
12.	Minority interest				**743**	1,031	5,321
13.	Net profit for the group (11-12)				**(3,009)**	2,728	15,420
14.	Paid-up Equity Share Capital (face value of Rs. 10 per share)	**3,000**	3,000	3,000	**3,000**	3,000	3,000
15.	Reserves excluding revaluation reserves (as per balance sheet)			60,884			73,560
16.	Earnings per share (Rs.) - Basic & Diluted	**(14.38)**	4.91	32.19	**(10.03)**	9.09	51.40
17.	Aggregate of Non-Promoter Shareholding						
	- Number of Shares	**101,399,940**	101,399,940	101,399,940	**101,399,940**	101,399,940	101,399,940
	- Percentage of Shareholding	**33.80**	33.80	33.80	**33.80**	33.80	33.80

Notes:

1 The market sales during the three-month period ended 30th June 2005 have decreased to 5.28 MMT from 5.38 MMT achieved during the corresponding period of the previous year. The decrease was mainly on account of lower sales of HSD - Retail (-12.97%), MS - Retail (-0.82%), HSD – Direct (-1.55%) and Furnace Oil (-1.94%) offset by increase in sales of LPG (0.41%), ATF (11.80%), Lubricants (8.23%), LSHS (49.60%), SKO - Retail (1.57%), Naphtha (18.78%), and LNG (126.25%).

2 During the quarter ended 30th June 2005, subsidy claim towards sale of SKO (PDS), and LPG Domestic has been provisionally accounted at 1/3rd of the rates approved by Government of India for 2002-03.

3 Financial results of the quarter have been adversely affected due to impact on account of high crude and product prices which could not be fully passed on to the consumers. The under recovery on HSD, MS, SKO (PDS) and LPG (Domestic) was partially compensated by the upstream oil companies as advised by the Government of India. Accordingly Rs. 7,010.19 million has been accounted towards discount received for purchase of Crude Oil, LPG and SKO from ONGC and GAIL.

4 The Gross Refining Margin (GRM) during the three-month period ended 30th June 2005 was USD 5.41 per barrel (approx. Rs. 1,770 per MT) as compared to USD 5.17 per barrel (approx. Rs. 1,745 per MT) during the corresponding period of the previous year.

5 Depreciation includes Rs. 497.40 million on account of LPG cylinders as compared to Rs. 638.62 million during the previous year. LPG cylinders continued to be depreciated at 100%.

6 During the quarter ended 30th June 2005, there were no complaints from any investor received through SEBI/Stock Exchanges. However, one old complaint related to delay in transfer of shares and non receipt of dividend has remained unresolved as the matter is sub-judice. Further, two letters were received from investors expressing their views on the proposed merger of Kochi Refineries Limited with Bharat Petroleum Corporation Limited which were replied suitably.

7 The audited accounts for the year ended 31st March, 2005 have been reviewed by the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956. The Comptroller and Auditor General of India has no comments upon or supplement to the Auditor's Report on the accounts.

8 The Auditors have completed the limited review of the financial results of the Corporation for the quarter ended 30th June 2005. Further, the Accounts were reviewed by the Audit Committee on 29th July, 2005 before submission to the Board.

9 Pending receipt of necessary approvals, no effect of the proposed merger of Kochi Refineries Limited with Bharat Petroleum Corporation Limited from the appointed date of 1.4.2004, has been given in the accounts.

Notes on unaudited Consolidated Financial Results:

1 The Consolidated Financial Results for the three-months ended 30th June 2005 are unaudited and have been prepared in line with the requirements of Accounting Standard 21 – 'Consolidated Financial Statements' and Accounting Standard 27 – 'Financial Reporting of Interests in Joint Ventures'.

भारत पेट्रोलियम कॉर्पोरेशन लिमिटेड

Bharat Petroleum Corporation Limited

Regd. Office : Bharat Bhavan, 4 & 6, Currimbhoy Road, Ballard Estate, Mumbai 400 001.

SEGMENT-WISE RESULTS

Sr No.	Particulars	Unaudited		Audited
		Three Months ended 30-06-2005	Three Months ended 30-06-2004	Accounting Year ended 31-03-2005
(1)	(2)	(3)	(4)	(5)
1	**SEGMENT REVENUE**			(Rs. in Million)
	(a) Downstream Petroleum	**160,649**	130,988	591,881
	(b) Exploration & Production of Hydorcarbons	**-**	-	-
	Sub-Total	**160,649**	130,988	591,881
	Less: Inter-Segment Revenue	**-**	-	-
	TOTAL REVENUE	**160,649**	**130,988**	**591,881**
2	**SEGMENT RESULTS**			
	(a) Profit before Tax, Interest Income, Interest Expediture and Dividend from each Segment			
	(i) Downstream Petroleum	**(4,235)**	2,308	12,562
	(ii) Exploration & Production of Hydorcarbons	**(2)**	-	(3)
	Sub-Total of (a)	**(4,237)**	2,308	12,559
	(b) Interest Expenditure	**404**	226	1,398
	(c) Other Un-allocable Expenditure Net of Un-allocable Income	**(335)**	(168)	(2,402)
	Profit before Tax (a - b - c)	**(4,306)**	**2,250**	**13,563**
3	**CAPITAL EMPLOYED**			
	(Segment Assets - Segment Liabilities)			
	(a) Downstream Petroleum	**89,018**	71,838	99,639
	(b) Exploration & Production of Hydorcarbons	**(5)**	-	(3)
	(c) Others (Unallocated - Corporate)	**(29,442)**	(11,868)	(35,752)
	TOTAL	**59,571**	**59,970**	**63,884**

NOTES:

1 The Corporation is engaged in the following business segments:

a) Downstream petroleum i.e. Refining and Marketing of Petroleum Products

b) Exploration and Production of Hydrocarbons

Segments have been identified taking into account the nature of activities and the nature of risks and returns.

2 Segment Revenue comprises of Turnover (net of excise duties), subsidy received from Government of India, Net claim from / (surrender to) PPAC, Other income (excluding dividend and interest income).

3 There are no geographical segments.

Figures have been regrouped wherever necessary.

The above unaudited quarterly results of Bharat Petroleum Corporation Limited and the unaudited quarterly Consolidated Financial results have been taken on record by the Board at its meeting held on 29th July 2005.

Place : New Delhi
Date : 29.07.05

For and on behalf of the Board of Directors
sd/
Ashok Sinha
Chairman and Managing Director (I/C)