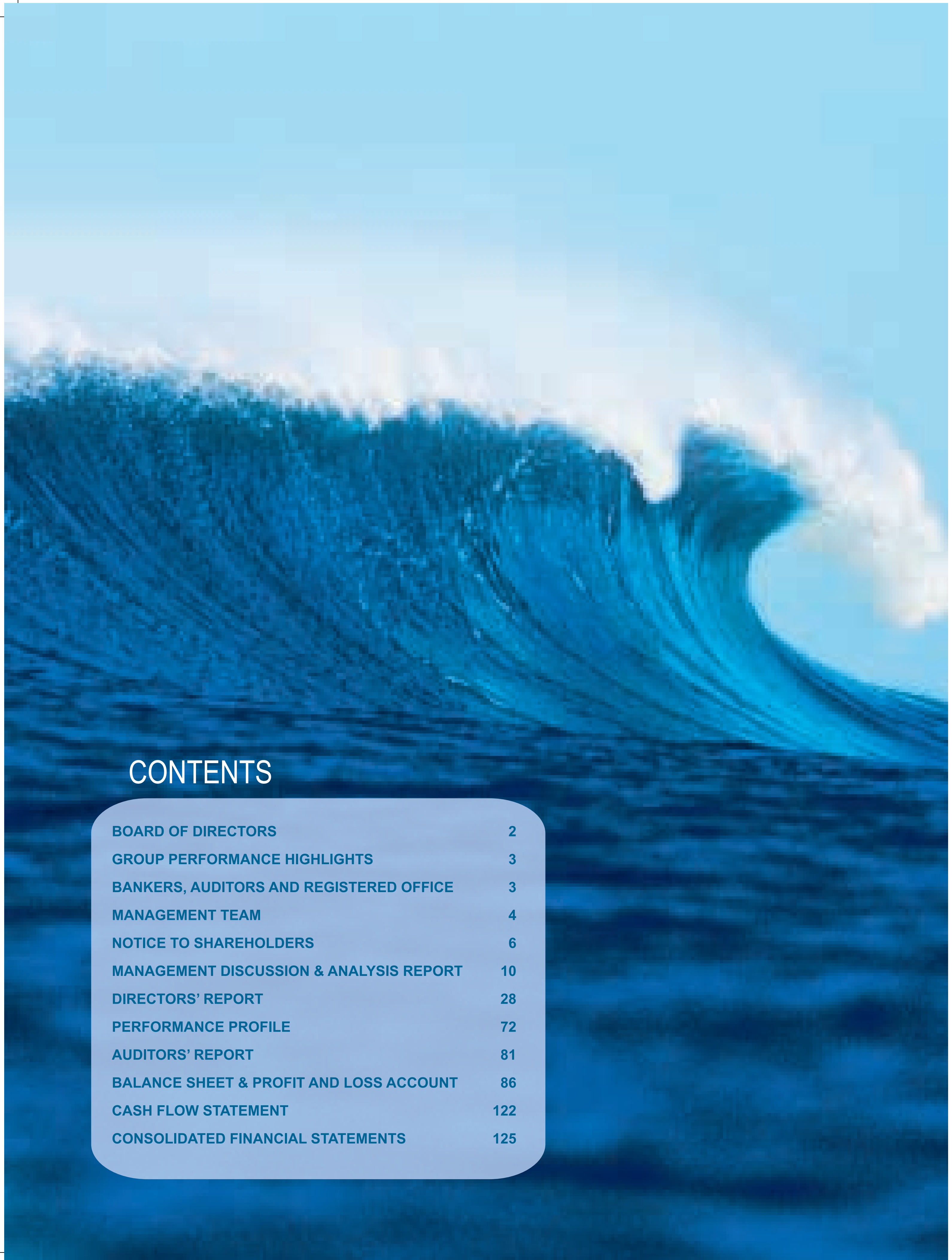
ANNUAL REPORT
2005-2006

Bharat Petroleum

Bharat Petroleum Corporation Limited

Annual Report 2005-2006

Bharat Petroleum



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Expanding Horizons

We've evolved a strong vision
with ambitious targets set for the years ahead.

Using our inherent strengths, our endeavour is to explore
the range of opportunities available on the global canvas,
making successful forays into new ventures.

Harnessing our brand equity,
we've gained an enviable reputation in the market,
addressing the diverse needs of our customers.

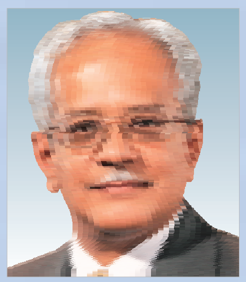
With consolidation as our cornerstone,
our focus continues to be on value addition
in all our activities.

Stimulating creativity at different levels
has resulted in excelling beyond the ordinary
and reaching new horizons, using cutting edge technology
to translate our vision into reality.

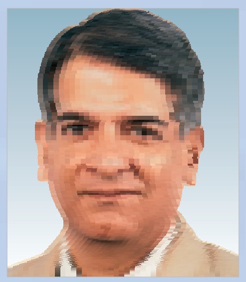
BPC . . . . . .passion to go beyond !

BOARD OF DIRECTORS

ASHOK SINHA
Chairman & Managing Director
Chairman & Managing Director (I/C)
(upto 18.8.2005)



S. A. NARAYAN
Director
(Human Resources)

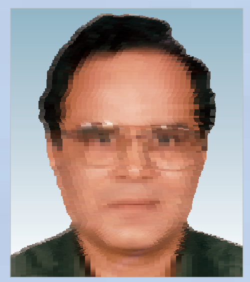


S. RADHAKRISHNAN
Director (Marketing)

S. K. JOSHI
Director (Finance)
(w.e.f. 8.3.2006)

R. K. SINGH
Director (Refineries)
(w.e.f. 8.3.2006)

M. ROHATGI
Director (Refineries)
(upto 30.9.2005)



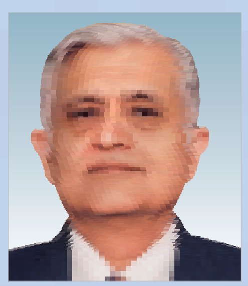
M. S. SRINIVASAN
Special Secretary,
Ministry of Petroleum &
Natural Gas
(upto 16.6.2005)

P. K. SINHA
Joint Secretary &
Financial Advisor,
Ministry of Petroleum &
Natural Gas
(w.e.f. 21.2.2006)

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

ADITI S. RAY
Economic Advisor,
Ministry of Petroleum
& Natural Gas
(w.e.f. 21.4.2005
upto 21.2.2006)

P. C. SEN



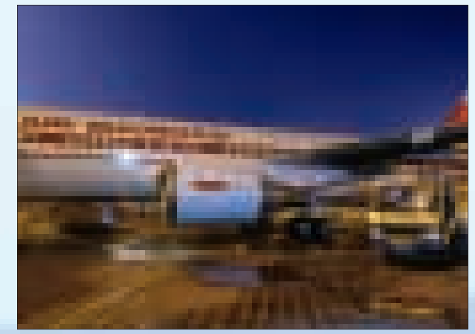
A.H. KALRO

V.D.GUPTA

N. VISWAKUMAR
Company Secretary

GROUP PERFORMANCE HIGHLIGHTS

BPC on the Fortune Global 500 and Forbes 2000 lists

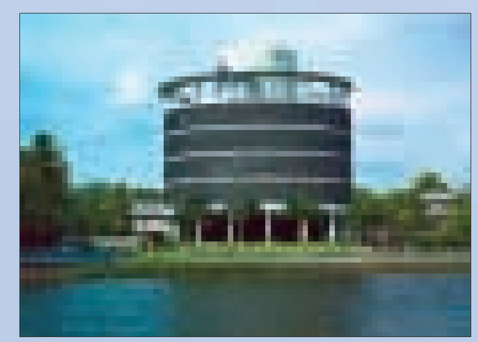


Sales Turnover soared by 19.69% touching Rs. 862.23 billion

Net Profit at Rs. 7.04 billion

BPC recognised as a Superbrand

Crude throughput increased to 19.37 MMT



Market sales including exports progressed to 23.18 MMT

BANKERS

STATE BANK OF INDIA
UNION BANK OF INDIA
CORPORATION BANK
BANK OF INDIA
STATE BANK OF PATIALA
CENTRAL BANK OF INDIA
DEUTSCHE 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.K. Joshi, Director (Finance), Mr. S. Radhakrishnan, Director (Marketing), Mr. Ashok Sinha, Chairman & Managing Director, Mr. S.A. Narayan, Director (Human Resources) and Mr. R.K. Singh, Director (Refineries)

MANAGEMENT TEAM

Mr. A. K. Bansal	Executive Director (Corporate Affairs)
Mr. B. K. Datta	Executive Director, Mumbai Refinery
Mr. B. K. Menon	Advisor (Exploration & Production)
Mr. C. K. Sengupta	Executive Director (International Trade)
Mr. D. M. Reddy	Executive Director (Human Resource Services)
Mr. J. Ravichandran	Executive Director (Audit)
Mr. K. K. Gupta	Executive Director (Lubes)
Mr. P. S. Bhargava	Executive Director (Quality Control Cell)
Mr. S. Chatterjee	Executive Director (Industrial & Commercial)
Mr. S. Krishnamurti	Executive Director (Retail)
Mr. S. K. Jain	Executive Director (LPG)
Mr. S. Mohan	Executive Director (Human Resources Development)
Mr. S. P. Gathoo	Executive Director (Integrated Information Systems)
Mr. Cherian Punnoose	Advisor (Finance), Kochi Refinery
Mr. A. C. Sen	General Manager (Health, Safety & Environment)
Mr. Anurag Deepak	General Manager (Industrial Business Development)
Mr. Arjun Hira	General Manager (Retail), North
Mr. A. R. Sarkar	General Manager (Materials)
Mr. Amitabha Sengupta	General Manager (Personnel & Administration), Mumbai Refinery
Mr. A. S. Bhatia	General Manager (Retail) East
Mr. D. Rajkumar	General Manager (Exploration & Production)
Ms. Dipti Sanzgiri	General Manager (Finance & Internal Coach), Retail
Mr. E. Nandakumar	General Manager (Projects), Kochi Refinery
Mr. G. S. Baveja	General Manager (Administration)
Mr. John Minu Mathew	General Manager (Technical & Development), Kochi Refinery
Mr. J. S. Sokhi	General Manager (Retail Initiatives) Headquarters

Mr. K. N. Ravindran	General Manager (Operations), Kochi Refinery
Mr. K. V. Seshadri	General Manager (Operations), Mumbai Refinery
Dr. M. A. Siddiqui	General Manager (Research & Development)
Mr. M. J. Mohan	General Manager (Human Resources), Kochi Refinery
Mr. M. K. Kaul	General Manager (Engineering & Advisory Services), Mumbai Refinery
Mr. Manmohan Singh	General Manager (Engineering & Projects)
Mr. N. Nandakumaran	General Manager (In-Charge), Kochi Refinery
Mr. N. S. Ramu	General Manager (Retail), South
Mr. N. Viswakumar	Company Secretary
Mr. Pallav Ghosh	General Manager (Retail) Headquarters
Mr. R. K. Mehra	General Manager (Logistics)
Ms. Sumita Bose Roy	General Manager (International Trade)
Mr. S. Chandramohan	General Manager (Finance), Mumbai Refinery
Mr. S. K. Mathur	General Manager (Coordination)
Mr. S. P. Mathur	General Manager (Aviation)
Mr. S. Ramesh	General Manager (Retail), West
Mr. S. Varadarajan	General Manager (Corporate Treasury)
Mr. U. N. Joshi	General Manager (Planning)
Mr. Vinod Giri	General Manager (Marketing Coordination)
Mr. V.K. Agrawal	General Manager (Refinery Modernisation), Mumbai Refinery
Mr. S.K. Agrawal	Dy. General Manager (Legal)
Mr. M. M. Somaya	Dy. General Manager (Public Relations & Brand)
Ms. Madhu Sagar	Dy. General Manager (Employee Satisfaction Enhancement)

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 53rd Annual General Meeting of the Shareholders of Bharat Petroleum Corporation Limited (BPC) will be held in the Y.B.Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400 021, on Monday, 18th December 2006 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 alongwith the addendum thereto and the Report on Corporate Governance, the Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date along with the Report of the Statutory Auditors and the Comments of the Comptroller & Auditor General of India.

2. To declare dividend.

3. To appoint a Director in place of Shri V. D. Gupta, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri V. D. Gupta, being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Shri P. C. Sen, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri P. C. Sen, being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Prof. A. H. Kalro, who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Prof. A. H. Kalro, being eligible, offers himself for re-appointment.

6. To fix the remuneration of the Statutory Auditors.

   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 Section 224(8)(aa) and other applicable provisions, if any, of the Companies Act, 1956, remuneration of the Single / Joint Statutory Auditors to be appointed by the Comptroller & Auditor General of India (C&AG) under Section 619(2) of the said Act, be and is hereby approved to be fixed at Rs. 13,50,000, to be paid to the Single firm of Statutory Auditors or to be shared equally by the Joint Statutory Auditors, in case of appointment of Joint firms of Statutory Auditors by the C&AG, in addition to actual reasonable travelling and out of pocket expenses and service tax as applicable, for the year 2006-07 and for subsequent years, till further recommendation for increase in the remuneration is approved."

B. Special Business

7. **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. P. K. Sinha, Joint Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas be and is hereby appointed as Director of the Company."

8. **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. S. K. Joshi, be and is hereby appointed as Director of the Company."

9. **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 R. K. Singh, be and is hereby appointed as Director of the Company."

By Order of the Board of Directors

Sd/-
(N. Viswakumar)
Company Secretary

Registered Office:
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
MUMBAI – 400 001.
Date : 17th November 2006

Notes :

1. Explanatory statements under Section 173 of the Companies Act, 1956, in respect of the above items of Special Business and Explanatory Statement in respect of the Special Resolution at Item No. 6 are annexed hereto:

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies, in the alternative, to attend and vote instead of himself and such proxy need not be a member. Proxies, in order to be effective, should be duly completed & affixed with the revenue stamp 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 shareholders may please send their queries that they would desire to raise at the AGM, at least one week in advance, to the Company Secretary at the Registered Office.

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

Item No. 6 Fixation of the remuneration of the Statutory Auditors

The Remuneration of the Statutory Auditors was fixed, earlier, by the shareholders at the 51st Annual General Meeting held on 30th August 2004 at Rs. 10,00,000, to be shared equally in addition to actual reasonable travelling and out of pocket expenses and applicable service tax. However, consequent to the merger of the erstwhile Kochi Refineries Limited with BPC, the accounts of Kochi Refinery will not be separately published and will have to be merged with the accounts of BPC, thereby increasing the scope and coverage of audit of BPC. Considering the increase in the nature and scope of audit activities, the Audit Committee has recommended increase in the remuneration of the Statutory Auditors, from Rs. 10,00,000 to Rs. 13,50,000, to be paid to the single/joint firm of the Statutory Auditors, in addition to actual reasonable travelling and out of pocket expenses and service tax as applicable, for the year 2006-07 and for subsequent years, till further approval of the shareholders for increase in the remuneration.

None of the Directors are interested or concerned in the Resolution.

Item No.7 Appointment of Director

Shri P. K. Sinha, Joint Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas, was appointed as Additional Director, by the Board of Directors, under Article 77A of the Articles of Association of the Company, with effect from 21st February 2006, in accordance with the directions of the Government of India.

Shri P. K. Sinha, 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 P. K.Sinha as Director of the Company. A brief resume of Shri P. K. Sinha, as required under Clause 49(IV)(G) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. Shri P. K. Sinha does not hold any shares in the Company as on the date of appointment. The Directors recommend appointment of Shri P.K.Sinha as Director of the Company.

Except Shri P. K. Sinha, no other Director is interested in the Resolution.

Item No. 8 Appointment of Director

Shri S.K. Joshi was appointed as Additional Director, by the Board of Directors, under Article 77A of the Articles of Association of the Company, with effect from 8th March 2006, in accordance with the directions of the Government of India. Shri S.K.Joshi has further been appointed as Director (Finance) of the Company.

Shri S.K. Joshi, 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 S.K. Joshi as Director of the Company. A brief resume of Shri S.K. Joshi, as required under Clause 49(IV)(G) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri S.K. Joshi as Director of the Company.

Except Shri S.K. Joshi, no other Director is interested in the Resolution.

Item No. 9 Appointment of Director

Shri R.K. Singh was appointed as Additional Director, by the Board of Directors, under Article 77A of the Articles of Association of the Company, with effect from 8th March 2006, in accordance with the directions of the Government of India. Shri R.K. Singh has further been appointed as Director (Refineries) of the Company.

Shri R.K. Singh, 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 R.K. Singh as Director of the Company. A brief resume of Shri R.K. Singh, as required under Clause 49(IV)(G) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri R.K. Singh as Director of the Company.

Except Shri R.K. Singh, no other Director is interested in the Resolution.

By Order of the Board of Directors

Sd/-
(N. Viswakumar)
Company Secretary

Registered Office:
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
MUMBAI – 400 001.
Date : 17th November 2006

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

As per the revised estimates released by the Central Statistical Organisation, the Indian economy is estimated to have grown at a rate of 8.4% in the year 2005-06 as against 7.5% growth achieved in the previous year. The agricultural and allied sector has recovered from a sharp decline in the growth rate in 2004-05 to post a growth rate of 3.9% in 2005-06. The manufacturing and services sectors have continued to deliver high growth rates, thereby fuelling the overall growth of the economy. These trends have been maintained during the first quarter of the current financial year, when the economy has been estimated to have grown at a rate of 8.9%.

The growth in Gross Domestic Product (GDP) at rates in excess of 8% has been achieved by the economy only in five years of recorded history and in two out of the last three years. The Economic Survey of 2005-06 attributes the dynamic growth rates in the recent past to factors like a new industrial resurgence, pick up in investment, modest inflation despite spiralling global crude prices, laying of some institutional foundations for faster development of physical infrastructure, rapid growth in exports and imports etc. The sharp rise in the benchmark indices of the Indian stock market reflects the growing confidence of the investing community on the sustained growth of the economy in general and the corporate sector in particular.

Although the economy has grown at a robust pace, the consumption of petroleum products has remained more or less static. The consumption of petroleum products in 2005-06 has been flat as compared to the previous year. The consumption of petroleum products during 2005-06 stands at 111.92 Million Metric Tonnes (MMT). With the growing significance of the services sector in the Indian economy, the high growth in GDP is not translating into a corresponding growth in the demand for petroleum products.

Consumption of High Speed Diesel (HSD) has shown a marginal growth over the previous year. Although the industrial demand for HSD has been consistently rising, the decline in the retail sector has led to the overall demand remaining flat. There has been decline in consumption of products like Naphtha and Fuel Oil (FO) in line with increase in consumption of products like Liquefied Natural Gas (LNG). Only few products like Motor Spirit (MS), Aviation Turbine Fuel (ATF) and Lubricants have seen some growth during the year. While the sales volume of petroleum products in 2005-06 has not shown any significant change, as compared to 2004-05, there has been an increase in the consumption of gas.

The sharp increases in the international prices of crude oil witnessed in 2004-05 continued during the year 2005-06. The benchmark Brent crude prices touched a high of USD 67.33 per barrel during the year as compared to USD 55.72 in the previous year. The average price of the Indian basket of crude, which had shown a sharp rise in the previous year, continued its upward movement and reached a level of USD 55.72 per barrel in 2005-06. This represented a significant jump over the level of USD 39.30 per barrel in 2004-05. The current financial year has continued to witness a sustained growth in crude oil prices in the world markets, even crossing USD 75 per barrel on several occasions. Although there has been some recent downward movement, the crude oil prices have been hovering around USD 58 per barrel. The impact of these high prices on the economy has been contained through a policy of distributing the burden between the Government of India, the oil companies and the consumer.

The average spread between light – sweet and heavy – sour crude oils continued to remain at fairly high levels of around USD 4.50 per barrel. With the commissioning of the Refinery Modernisation Project at the Mumbai Refinery and the ongoing Capacity Expansion and Modernisation Project at the Kochi Refinery, Bharat Petroleum Corporation Limited (BPC) would be in a position to take advantage of the high spread by processing a higher percentage of heavy – sour crude oils.

The prices of finished products in the international markets have also remained high in line with the high crude oil prices. The average price of HSD rose from USD 48 per barrel in 2004-05 to USD 67.78 in 2005-06. The prices of other products like Unleaded Petrol, Liquefied Petroleum Gas (LPG) and Superior Kerosene Oil (SKO) have also shown a rising trend during the year. Although international prices have been rising, domestic prices were not increased in line with them. This has had a significant impact on the margins of the oil companies and the same is reflected in the substantial reduction in profitability of the oil marketing companies during 2005-06.

Although there was a partial increase in the price of petrol and diesel in June 2005 and September 2005, the prices of SKO and LPG for domestic consumption were left unchanged. Consequently, the oil marketing companies continued to bear a substantial portion of the subsidy burden. This was the situation even after the upstream companies contributed towards sharing some of the burden of the rising prices. Finally, the Government of India issued Oil Bonds for an amount of Rs.1,15,000 million to the public sector oil companies in March 2006 to help them cope with the rising costs being incurred by them. While the issue of bonds and the sharing of burden by the upstream companies have given some breathing space, the oil marketing companies were losing their ability to generate internal resources required for investments in key areas like upgradation of refineries, building new capacities, setting up new marketing infrastructure and exploration of oil and gas.

The Rangarajan Committee, constituted by the Government to look into various aspects of pricing and taxation of petroleum products, submitted its report in February 2006. The Committee has given recommendations relating to the pricing of MS, HSD, domestic LPG and SKO for supply through the Public Distribution System. Besides, it has also recommended restructuring of excise duties to make it a pure specific levy. Some of these recommendations have already been implemented, including the change in the basis of pricing of petrol and diesel from import parity to trade parity and reduction in customs duty from 10% to 7.5% on these products. These changes will have an impact on the bottomlines of the oil companies.

India continues to be heavily dependent on imports for meeting its crude oil requirements. Based on the provisional figures, the domestic production of crude oil during the year 2005-06 stood at around 32.20 MMT while imports were almost of the order of 100 MMT, valued at USD 39 billion. While there has been a marginal increase in the quantum of crude imports as compared to the previous year, the increase in value terms has been significant, reflecting the sharp rise in prices.

With a refining capacity of close to 133 MMTPA and consumption of around 112 MMT in 2005-06, the country continues to have enough refining capacity. With several refineries in the process of expanding their capacities, this surplus refining capacity is expected to continue for some time to come.

The export of petroleum products continues to grow and has reached a level of 21.5 MMT in 2005-06. At the same time, import of petroleum products has reached a level of 11.7 MMT as compared to 8.9 MMT in 2004-05.

Consequent to the announcement of the Auto Fuel policy by the Government of India, the transition to Euro – III grades has commenced and the whole country is expected to be covered by March 2010. Considering the sharp rise in prices of crude and petroleum products, the Government of India has been considering measures for introduction of eco-friendly alternate fuels. In this regard, the Government had mandated oil companies to blend 5% ethanol with petrol. There were supply constraints of ethanol, which came in the way of oil companies commencing the supply of ethanol blended MS. With improvement in the supply position from distilleries, the oil marketing companies are likely to commence supply of ethanol blended MS shortly. The requirement of ethanol is expected to be of the order of 580 million litres for 5% doping with petrol. There are also indications of reduction of duty on ethanol, which may ensure lower prices for consumers.

Private players continued to make their presence felt in the domestic market. The retail network has grown considerably, with private players adding around 960 new outlets during the year. This has led to their market share increasing from 12.12% as on 31st March 2005 to 13.82% as on 31st March 2006. However, during the current year, the continuing rise in international product prices, without corresponding increase in domestic retail prices, has had a negative impact on the performance of the private players.

OPPORTUNITIES AND THREATS

The Indian economy appears to be in good shape. With strong fundamentals in place, the economy is slated to deliver strong GDP growth consistently in the coming years. As stated earlier, the period April – June 2006 has witnessed the economy grow at a rate of 8.9% over the corresponding period of the previous year. The development of infrastructure, including the road network and growing demand for vehicles, are some factors which will contribute to a strong demand for energy in the coming years. Given its share of the energy basket, the oil and gas sector can be expected to maintain a moderate growth rate of 4% to 5% in the coming years.

The recent past has been a period when the refiners' margins were at their peak. The growing spreads between the products and crude have contributed to the Refineries delivering excellent results, thereby mitigating to a certain extent, the losses in the marketing side of the business. However, the cycle has started to change and the coming days could see some downward pressure on the refiners' margins. The completion of the Refinery Modernisation Project at Mumbai Refinery and the Capacity Expansion and Modernisation Project at Kochi Refinery would enable BPC to be in a position to service the needs of the market very efficiently. The extension of the pipeline from the Mumbai Refinery to Delhi will reduce the cost of moving the products and ensure better utilisation of the enhanced refining capacity of the Mumbai Refinery, thereby increasing profitability.

The retail market continues to offer great potential for growth and profitability. The growth in the economy had led to a rapid expansion in the vehicle population across the country. With the growing levels of disposable income, the retail demand for fuels is expected to remain buoyant in the coming years. BPC has been focused on tapping this opportunity to the maximum. Considerable efforts and investment are being directed in this area and these are expected to deliver significant payoffs.

The Lubricants business has enormous potential. With the commissioning of the Lube Oil Base Stock (LOBS) plant at the Mumbai Refinery, Group II+ base oils will now be available. Apart from meeting the in-house demand, the production of this high quality base oil offers potential for marketing the same within the country and for exports. The Lube business is also examining the opportunities available in neighbouring countries like Sri Lanka. During 2005-06 exports of Lubricants have been made to Afghanistan, Nigeria and Sudan for the first time.

The gas sector continues to offer exciting prospects for growth. BPC has been an early entrant in this market. The key challenge has been the sourcing of gas supplies at competitive prices. BPC's stake in Petronet LNG Limited has helped in this regard. With increasing quantities becoming available on spot basis, BPC has been trying to get its share of these supplies at competitive rates. City Gas Distribution is another excellent opportunity. The joint venture with GAIL (India) Limited (GAIL) in the form of Indraprastha Gas Limited (IGL) for supply of Compressed Natural Gas (CNG) & Piped Natural Gas (PNG) in Delhi has set the tone for similar models for other cities. New companies have already been formed for undertaking city gas distribution in Pune in Maharashtra and Kanpur and surrounding areas in Uttar Pradesh. A new joint venture company has also been formed for the supply of natural gas for industrial, commercial, domestic and automotive use in the Gandhinagar, Sabarkantha and Mehsana districts of Gujarat.

The sharp spike in crude oil prices and product prices has led to alternatives being explored as a means of reducing the demand for petroleum products. One of the key initiatives in this regard is Bio-diesel. While work has started in this area, which offers immense potential, it will take some time for fruitful results.

The recent approval and the consequent completion of the merger of Kochi Refineries Limited (KRL) has meant that the combined entity is now better equipped to leverage its strengths in key areas of supply chain management. Besides, the greater product security will enable customers to be serviced more effectively. These are expected to have a significant positive impact on the bottomline in the days to come.

Over the last few years, BPC has been undergoing a rapid transformation to become a successful, profitable and innovative player in the energy business. Various initiatives like Pure for Sure, premium fuels, loyalty programs, non-fuel retailing, e-business and "Beyond LPG" have been successfully launched. While these initiatives have been successful in meeting targets, the dramatically changing scenario, due to regulatory changes as well as aggressive competitors, makes it essential for BPC to not only adopt new strategies and processes, but also acquire new and different capabilities and mindsets.

BPC is in the midst of embarking on an intensive enterprise programme to energise and prepare itself for the emerging challenges and move on to a new level of growth. Areas like Retail, Refining, Logistics, Natural Gas, LPG and Exploration & Production need to be addressed and looked at afresh. This initiative, named "Project Destiny", has commenced and BPC has set an ambitious target of becoming the most profitable downstream player in the country in the next five years. Areas of focus include re-evaluation of the supply chain management system, increase in retail market share, reduction of dependence on external crude sources, venture into localized power systems and putting in place a robust leadership development plan.

The petroleum business continues to face the risk of the volatile prices of crude oil and finished products. While prices have risen, the complete impact of the same has not been passed on to the end consumer. Also, selling prices of mass consumption petroleum products do not reflect full costs on account of various socio-economic factors. Consequently, the financial health of companies is impacted. While the recent easing of prices in the international markets does offer some hope, it remains to be seen whether this is a temporary situation. In the event of prices restarting their upward movements, the pressure will increase on the finances of the marketing companies.

Competition remains the key challenge for the existing players. While the high prices in the international markets and the inability to pass on the same in the domestic markets has had an impact on new players, this is expected to be a temporary phenomenon. In the medium to long term, the competitive pressures are expected to remain strong. However, BPC is geared up to face the emerging situation and is confident of not only retaining its position, but also growing in this dynamic market.

PERFORMANCE

The performance of the various Strategic Business Units (SBUs) and Entities is discussed in detail further.

REFINERIES

MUMBAI REFINERY

Mumbai Refinery achieved its highest ever crude processing level of 10.30 MMT during the year, covering 21 types of crudes, including 4 new ones, taking the total number of crudes processed to 67.

During the year, processing of high sulphur crude was enhanced to 40.7% and production of value added products like C3/LPG (440 Thousand Metric Tonnes [TMT]), Gasoline (1058 TMT), ATF (380 TMT) was maximized and improved upon vis-à-vis the previous year for enhancing refinery margins. The refinery also commenced export of 380 cst viscosity Fuel Oil during the year to save on high value middle distillates. Production and delivery of Euro III equivalent MS and HSD was enhanced for meeting the demand of Mumbai metro and other major cities. The first batch of 97 octane petrol was produced and despatched in October 2005.

The gross refinery margin of Rs.5,606.35 million for the year works out to USD 1.64/bbl compared to the previous year's margin of USD 4.56/bbl. The gross margin was lower mainly due to sharing of the subsidy burden for LPG, SKO, MS and HSD, reduction in duty protection rates, additional octroi payment and unfavourable spread between crude and product prices, especially on Naphtha and Fuel Oil.

The successful commissioning of the Hydrocracker Unit in August 2005 under the Refinery Modernization Project has enabled the refinery to process higher quantum of high sulphur crudes and has also enhanced the installed capacity of the refinery to 12 MMTPA.

With the completion of the LOBS plant, the refinery has developed the capability to manufacture 180 TMTPA of Group II+ Lube Base Oils and has joined the elite group of Fuel-cum-Lube producing refineries. This plant has been fully integrated with the Hydrocracker Unit for leveraging the equipment available in the Hydrocracker Complex so as to minimize capital investment for LOBS production. Since the unit is based on Hydroprocessing technology, the LOBS production is not constrained by crude origin and quality, as is the case with conventional units. This plant is the first of its kind in the country.

The capabilities of the quality assurance laboratories were upgraded to test and certify Euro-III quality Gasoline and Diesel. New generation analytical instruments like High Performance Liquid Chromatograph (HPLC) for determining Poly Nuclear Aromatics (PNA) species, instrument for measuring low concentration Sulphur levels using X-ray technique etc. have been installed to meet the new business requirements.

Mumbai Refinery's Quality Assurance Laboratory (ISO/IEC: 17025 accredited) has been bestowed with six gold certificates for 100% satisfactory performance in the laboratory proficiency testing program under the Shell Main Product Correlation Scheme (SMPCS) for HSD, FO, MS and SKO testing by M/s. Shell Global Solutions. This programme helps in benchmarking the analytical capabilities of the quality assurance laboratory for repeatability and reproducibility against world standards.

Effective maintenance and inspection practices have further improved the plant and equipment availability to achieve targeted throughput, as demonstrated by the record run length of four years of one of the Crude Distillation units & Fluid Catalytic Cracking unit. Implementation of a structured reliability oriented maintenance programme through enhancement of employee skills, as well as deployment of new generation maintenance tools, has enhanced the efficiency of the maintenance system in the refinery.

The power system reliability in Mumbai Refinery was further strengthened by commissioning of the state-of-the-art Gas Insulated Switchgear (GIS), which prevents ingress of atmospheric moisture and dust. The Distributed Control System (DCS) and Uninterrupted Power Supply (UPS) systems of one of the Crude Distillation Units in the refinery have been upgraded to the latest generation systems.

Condition monitoring of crude and product storage tanks was extensively carried out using acoustic emission technique for accurate prediction of residual service period. Advanced techniques like Gamma Ray Scanning for ascertaining coke formation inside heater tubes and Time of Flight Diffraction (TOFD) for high thickness weld joints were deployed, to improve inspection, quality and safety standards.

The refinery achieved 4 million manhours without any Lost Time Accident (LTA) during the year. This year, 1599 mandays of safety training was imparted to the employees. Around twenty managers from various functions were trained on 'Root Cause Analysis techniques` by external experts to avoid recurrence of similar incidents in their areas. For enhancing contractors' safety, training was conducted for 7288 contractors' workmen, 1065 contractors' supervisors and 47 contractor owners. As a part of women empowerment and to improve the safety culture, 22 women employees were enrolled into a safety group called 'Suraksha Vahinis' at the refinery. They were given training on various facets of safety for promoting safety awareness among employees.

For reducing stringent SO_2 source emissions by a further 10%, the refinery has commissioned two sulphur recovery trains with 70 MT/day capacity and 99% efficiency during the year. The refinery processed 5587 M^3 of oily sludge and recovered 3031 MT of useful oil, thus reducing the oily waste generation. The effluent treatment plant was revamped and converted into two trains at a cost of Rs.80 million for improving on-stream reliability. Online analyzers for oil content, pH, total suspended solids and total organic carbon were provided for continuous monitoring. As a part of the clean energy initiative, Mumbai Refinery is progressing a hybrid solar and wind power project for harnessing 10 Kilo Watts for its Marine Oil Terminal at Mumbai.

In recognition of its long tradition of outstanding community development work, Mumbai Refinery was selected out of several Public Sector organizations by Oil Industry Development Board Drought Relief Trust to implement a Rs.2.5 million project for providing water to villages at Washala and Karjat - two villages adopted by the refinery. The project includes repairs/deepening of wells, building bunds to capture and store rainwater, repairs and leak proofing of existing bunds, building water tanks etc. It is being implemented with the help of a Non-Government Organisation "The Bridge – Charitable Trust" who have expertise in watershed development and rainwater harvesting projects.

During the year, Mumbai Refinery continued its pathbreaking work on furthering AIDS awareness among employees as also the neighbourhood, as a chosen corporate partner of AVERT Society, an USAID body. As a part of World AIDS week, two unique initiatives were undertaken, namely, fixing of neck labels with messages on HIV/AIDS on LPG cylinders despatched from the refinery and Uran LPG plant to reach nearly one-lakh customers and a rickshaw rally organised at Karjat village.

The Mumbai Refinery has won the prestigious "Golden Peacock National Quality Award 2005 under the manufacturing sector amidst stiff competition.

To institutionalize team building, a customized programme on 'Leadership by Values' was organized for 135 senior/middle management staff of Mumbai Refinery. Additionally, 6208 mandays of functional training and 1062 mandays of development training were organised during the year. For fostering skill upgradation through e-learning, kiosks have been provided at strategic locations in the refinery for employees to have easy access to training packages. These packages have special features of online auto-certification. Besides meeting the in-house training needs, the refinery also trained two batches of 12 technical staff each, of M/s. BAPCO, Bahrain and M/s. Khartoum Refinery, Sudan on Hydrocracker and Rotary Equipment / HSE respectively, as a part of a business development initiative.

KOCHI REFINERY

During the year, Kochi Refinery achieved a crude oil throughput of 6.94 MMT as compared to 7.92 MMT in the previous year. In 2005-06, the production of Mineral Turpentine Oil (MTO) and ATF were the highest ever at 53.17 TMT and 155.73 TMT respectively.

The gross refinery margin for the year 2005-06 stood at Rs.7,153.98 million which works out to USD 3.2/ bbl as compared to USD 5.9/ bbl in the previous year. The reduction in margin is mainly on account of the refinery sharing the subsidy burden on LPG, SKO, MS and HSD and reduction in duty protection.

The Fluid Catalytic Cracking Unit (FCCU) was revamped as part of the Capacity Expansion and Modernisation Project - Phase-I during April-June 2005. Along with an increase in processing capacity of FCCU from 1.4 to 1.75 MMTPA, technology upgradation in areas such as Feed Injection Technology (FIT), Riser Termination Device (RTD), Reactor Stripper Packing, cold wall riser, cold wall flue gas duct and cold wall Orifice Chamber were implemented. With the completion of the project, the refinery has commenced production of auto fuels conforming to BS-II product specifications norms.

Kochi Refinery's laboratory was accredited with ISO/ IEC: 17025 certification by the National Accreditation Board for Testing. The laboratory has enrolled itself for the SMPCS program for next year.

Kochi Refinery was awarded the International Safety Rating System (ISRS) Level 8 by M/s Det Norske Veritas AS. The Kerala Chapter of National Safety Council has awarded the refinery the 'Runner Up' trophy for outstanding performance in industrial safety among large size chemical industries in Kerala. The refinery has also given 100 % safety training to employees, contractors, contract labours and supervisors.

At the refinery, around 13,700 MT of oil sludge was processed and 3,875 MT of oil was recovered during the year 2005-06. Conventional burners of the heater EH1 were replaced with low Nox burners. An impervious storage facility is being constructed for the storage of oily sludge. Ground water reconnaissance study was completed during the year. A detention pond of capacity 1,20,000 KL was constructed to collect storm water from various tank farms as a rain harvesting initiative. Facilities are currently being provided to use the water thus harvested as process water for gardening and for fire fighting purposes.

The refinery also maintains an eco-park covering an area of 5.5 acres of land in which varieties of plants and trees were planted and maintained. The ecological park and the treated effluent water bed attract different living species, including certain seasonal migratory birds.

During the year, the refinery was conferred with the following awards :

a) Three Star Export house status from Joint Director General of Foreign Trade.
b) Jawaharlal Nehru Centenary award for Energy Performance of Refineries.
c) OISD award for overall performance in safety.
d) FACT MKK Nayar Memorial productivity award.

A focused training on Role Management was organized in the form of a 3-day workshop covering 29 middle/ senior level managers of Kochi Refinery. High quality technical and behavioral training was imparted to a total of 1455 refinery personnel.

One of the greatest challenges that the refining industry is facing today is the need for large capital investment for meeting increasingly stringent product quality requirements. The demand for residual fuels like Fuel Oil and Low Sulphur Heavy Stock (LSHS) is dwindling on one hand, while the price differential between heavier and lighter crude oil is widening. Keeping this in view, BPC is embarking upon projects to produce Euro-IV quality transport fuel and is also examining the feasibility of upgrading the residue at the two refineries to enhance profitability.

In order to benefit from Refinery-Petrochemical synergies, Kochi Refinery is setting up a Chemical Grade Propylene Recovery Unit. Project implementation is in progress and is slated for completion by January 2008.

RETAIL

The fiscal year 2005-2006 was a testing year for the industry. Spiralling crude prices, uncertainty over retail price increases, erosion of margins, expansion and consolidation of the business by private oil companies and treading a fine line between profitability and market share, brought into play business dynamics and ushered in a new paradigm, bringing in new experiences for the industry.

The Retail Business unit overcame stiff competition and aggressive market tactics deployed by the competition and was able to stem the initial slide by retaining the second position in the retail fuels market with sales of 11.61 MMT during 2005-2006. This represents a loss of 4.52% over the volumes achieved in 2004-05, which stood at 12.16 MMT. This is in line with the performance of the industry as a whole.

The high point of the year for the Retail Business was BPC being conferred the award of the Forecourt Retailer of the Year 2005 by Images, the leading Retail publishing house. The jury, while deciding on BPC as the winner in this category, took into account BPC's unique bouquet of retail products and services and particularly for "setting innovative trends in retailing", "providing increased value for money to its customers" and "providing evidence of leadership in the field of collaborative efforts for its retail operations."

The emphasis during the year was on network expansion with the commissioning of 902 retail outlets, representing 21% of the 4304 new retail outlets commissioned by the industry during 2005-06. Numbers apart, the qualitative aspect of the retail network continued to make BPC stand out in the industry, with throughput per RO at 153 KL being 15% higher than that of other industry members. The year also saw a significant increase in competition from private sector players who have gained 10% of HSD and 4.6% MS market share.

During the year, MS volumes were 2.47 MMT, a marginal growth of 0.68% over the previous year. The subdued growth in MS sales has to a large extent been compensated by the extensive success enjoyed by "Speed", the market leader in the branded fuels segment. With an 18% share of MS volumes, Speed recorded sales of 445.8 TMT through a 2700 strong retail outlet network and consolidated its leadership position with a 40.2% share of a rapidly expanding market. The annual event "Speed Run" has now become a signature event, much sought after by vehicle enthusiasts and the Bangalore and Mumbai legs of the event witnessed a large turnout, adding momentum to the brand.

The HSD sales during the year amounted to 7.52 MMT. "Hi Speed Diesel", the premium HSD product launched in 2004-05, made rapid strides with sales of 344.8 TMT from 2512 retail outlets. In the process, it gained a market share of 16.5 % as against 4% market share in the previous year in this segment.

Recognition for BPC's branded fuels continued, with Intellect, the specialist research unit of the Lintas Media Group, in its study on petro-consumers, finding that 48 % of the car owners use the branded petrol – Speed, while among diesel users, 34 % use BPC's branded diesel – Hi-Speed Diesel.

During the year, BPC launched Speed 97 in September 2005 in the Delhi market and later on, extended the same to other centres like Mumbai, Chennai, Hyderabad, Coimbatore, Bangalore etc. By the end of the year, Speed 97 was available in 79 retail outlets in major urban markets. Speed 97 sales stood at 334 MT for the first 6 months after its launch.

During the year, a series of new mass media campaigns around Speed and Hi-Speed Diesel were launched. In keeping with BPC's tradition of connecting with today's contemporary Indian, the latest youth icon of the country – Mahendra Singh Dhoni – has been signed as the new Brand Ambassador for Speed and MAK brands. BPC is confident that the association with M. S. Dhoni and its existing Brand Ambassador, Narain Karthikeyan, will enable the brands to scale new boundaries of brand recall and visibility.

BPC continues to be the forerunner in the alternate fuels segment, recording strong growth of 22.81% in CNG sales in Delhi, Mumbai, Surat and Ahmedabad. Auto LPG sales grew by 136% with sales of 26.86 TMT. One of BPC's retail outlets, M/s. Nagpals Garage in Bangalore, has the distinction of having the highest Auto LPG throughput in the country, fuelling 7000 autorickshaws every day. This would be amongst the leading Auto LPG sellers in the retail petroleum industry globally. CNG and Auto LPG sales, while replacing MS/HSD sales in these markets, helped in retaining customers who had migrated from traditional fuels. The year also saw the addition of 23 CNG stations and 17 Auto LPG stations in the network. Another 45 CNG / Auto LPG stations are on the anvil.

With a view to expand BPC's horizons, the Retail Business has been examining opportunities beyond the country's borders. The Nepal Government is on the verge of deregulating the oil sector in that country. Currently, Indian Oil Corporation (IOC) is the sole supplier of petroleum products to Nepal. To take advantage of the impending deregulation, BPC has entered into an MOU with Surya Petroleum, a company under the Soaltee group in Nepal. This group has interests in several industrial sectors in Nepal including power, automobile trading etc. The MOU envisages BPC and Surya Petroleum to jointly explore development of business opportunities in the Nepalese oil sector.

BPC continues to remain committed to delivering superior value to customers. The year saw the expansion of the "Pure for Sure" (PFS) network through the enrolment of 670 fresh retail outlets under the PFS brand. With a total of 4643 retail outlets certified under the PFS banner, 65% of the RO network now consistently delivers superior value to customers. With the product assurance of Quality and Quantity, the customer validation of the PFS brand has further strengthened, with 7.2 out of every 10 litres purchased from the BPC network being through a PFS outlet. With a view to assure quantity and quality across the entire network, there are plans to bring the non-PFS outlets also under the ambit of third party audit.

Automation at retail outlets is another key area of attention. The objectives behind this initiative are to provide assurance on Quality and Quantity to customers, improvement in service / transaction time at the outlet, mitigate risks relating to frauds and ensure effective monitoring of stocks. During the year, pilots were carried out at 8 outlets for syndicating the learnings before the major rollout planned in 2006-07. Around 900 outlets will have automation operational by the end of 2006-07.

Gaining long term customer loyalty continued to remain a strong strategic focus for the business. The "Petro Card" base grew by 0.13 million customers to reach 1.58 million and the SmartFleet base grew to 0.54 million with the enrolment of 0.05 million heavy vehicles during the year. The strategic emphasis during the year was to drive activation and customers rewarded BPC's efforts with the Petro Card and SmartFleet business clocking a turnover growth of 31%. Sale of fuels through the cards accounted for nearly 20% of Retail's MS and HSD market sales turnover. Keeping pace with the increasing penetration of credit and debit cards in various consumer segments, BPC has firmed up strategic payment-facilitating alliances with State Bank of India and HDFC Bank, for increased customer convenience and to drive their respective customer bases to BPC's outlets.

BPC added another dimension in its Customer Relationship Management programme by joining hands with the Tata group in the launch of the Tata Credit-cum-Loyalty Card. BPC is part of the Coalition Loyalty Program as the exclusive fuel partner. The Tata Group has initiated the programme in association with Master Card International and SBI Card, that would accord a unified view of customers across various participating brands. The programme will be a 'mileage' program, where members will earn a common currency of reward points for their transactions (including referrals, where tracked) across the participating companies.

BPC's network of 383 In & Out stores is by far the largest organized convenience retailing proposition in the country. The sales turnover grew by 42% to touch a level of Rs.605 million in 2005-06. During the year, 6 In & Out stores made up the "millionaire club" by clocking sales of Rs.1 million per month with several more stores being within striking distance of this mark. The daily sales per square foot of these millionaire stores is in excess of Rs.40/-, which is more than several established supermarkets in the country. On the Allied Retail Business (ARB) front, Food & Beverages (F&B) and Automated Teller Machines (ATMs) continued to be the area of focus under the alliance management strategy. Alliances with 19 banks account for the 222 ATMs located in BPC's network of retail outlets. With the fast food industry showing an annual growth of 40%, F&B as a proposition within the In & Out, as well as a standalone proposition, is an area where BPC plans to grow aggressively. The existing 27 restaurants at the retail outlets achieved a turnover of Rs. 129 million during the year.

Another key alliance initiative with Western Union Money Transfer has seen the In & Out store network record 17,430 transactions and a turnover of Rs.370 million. The In & Out network is today amongst the largest branded retail networks offering this service, besides banks, financial institutions and post offices.

During the year, the web of alliances of the In & Out proposition was strengthened with the entry of new partners – Godrej Sara Lee for its Ambipur range of car accessories, IFB Industries Ltd. for setting up Launderettes and consolidation of existing alliances with ITC, Red Bull and others. The pilot initiative in Kolkata, on retailing of movie tickets from the stores through strategic alliance with a multiplex, has been highly successful with the stores recording sales of Rs.2.2 million worth of movie tickets during the year. The multiplex alliance is now being rolled out across major cities in the country.

The "In & Out convenience store" brand had the distinction of being nominated for the "Retailer of the Year – Food & Grocery" award at the Images Retail Awards – 2005 alongside three leading retailers of the country – Nilgiris, Food Bazaar and Star India Bazaar.

The branded service stations, "V-Care" in BPC's network, which were launched during 2004-05, saw the addition of 10 more centers during the year 2005-06.

Managing the supply chain efficiently holds the key to the success of the retail business. The total tankage across the country now stands at 3.01 million KL. The extension of the Mumbai Manmad product pipeline to Piyala near Delhi, along with a connecting pipeline to Bijwasan and Tap off points at Kota and Bharatpur, has been mechanically completed. This will help in bridging product shortfalls and consolidate product security in the Northern Region.

The concept of Model Location, which was introduced in the previous year, has facilitated the shift from compliance to excellence in operations, thereby becoming a role model for the oil industry. A total of 33 locations have been certified as Model Locations and another 17 locations are being taken up for certification during 2006-07.

During the year, BPC finalised a Road Transport rate contract through a process of e-bidding. This was a first in the Indian petroleum industry. This process has significant potential for bringing about savings in transportation costs, which forms a major portion of the distribution costs for oil marketing companies. With a view to effectively track the fuel movements transported through lorries, Global Positioning Systems (GPS) have been installed in 150 tank lorries.

BPC has commenced a new initiative of segmenting customers, with a view to provide superior customer enablement, thereby achieving market leadership position. This initiative of offering solutions to customers, based on their psychographics and fuelling behaviour, was initiated during the year. The year 2006-2007 will see a larger rollout of these programmes across the country. This and other initiatives will support BPC's endeavour to remain the retailer of choice across all segments of the customer population.

INDUSTRIAL AND COMMERCIAL (I&C)

The year 2005-06 has been a landmark year for the I&C business as, for the first time, the sales volume (excluding the sales volume of the erstwhile KRL) for the year crossed the 6 MMT mark. While the other PSU oil majors recorded negative growth in the sales of I & C products, BPC registered a growth of 9.16% over the previous year. The volume of 6.67 MMT, which includes the sales volume of the erstwhile KRL, is the highest volume ever achieved, surpassing the previous best of 5.57 MMT sold during 2004-05.

BPC recorded the highest growth in the industry for HSD, FO, LSHS and Naphtha. The bunkering business grew at a rate of 16.6% over last year. BPC further consolidated its position in the LNG business by achieving a volume of 473 TMT against 249 TMT sold during 2004-05. The entire LNG allocation to BPC has been evacuated, with the enrolment of new customers such as National Fertilizers Ltd, KRIBHCO, NTPC-Auraiya and Indraprastha Gas Ltd.

In May 2005, BPC also successfully ventured into the City Gas business with marketing of City Gas to industrial customers in Gandhinagar district of Gujarat. BPC has sold a volume of 6.3 TMT City Gas during 2005-06.

With a view to source additional LNG, BPC signed an LNG Sale and Purchase Agreement with National Iranian Gas Export Company (NIGEC) for import of 1.25 MMTPA of LNG effective 2009-10. Apart from the above, BPC, along with Petronet LNG Limited (PLL) and the other marketers of LNG, is also discussing with various overseas suppliers for sourcing additional LNG for the proposed Kochi Terminal.

During the year, BPC's installations at Kakinada, Sewree, Jawaharlal Nehru Port Trust and Marine Oil Terminal near Mumbai obtained ISO 9001:2000 certification for Bunker Supply Chain Management.

Commercial marketing of Crumb Rubber Modified Bitumen (CRMB) was started in April 2005 and has shown steady growth during the year. A new product, Polymer Modified Bitumen (PMB) was also launched in November 2005.

The year also saw the launch of trading of furnace oil futures by National Commodity and Derivatives Exchange Limited (NCDEX) and BPC partnered the new initiative as 'Exclusive Warehouser and Accredited Assayer'.

A new initiative of a Mobile Dispensing Unit for industrial fuelling was started during the year. The Unit offers many advantages to customers, in terms of saving of fuel cost and increasing productivity of heavy mining and earth moving machineries and equipments. The first unit of the Mobile Dispenser has been put to use by Bharat Coking Coal Ltd. (BCCL) in their Muraidih mining area, Dhanbad in March, 2006.

A number of new initiatives were undertaken during the year in the areas of customer servicing and technical support to customers. In this competitive era, these initiatives are expected to help in retaining the existing customers and facilitate tying up of new business.

Intense competition and aggressive marketing by Oil PSUs and private marketers will continue to be the order of the day. Despite this, the I&C business, which had increased its market share by 2% in 2005-06, looks forward to facing the challenges and scaling greater heights in the years to come.

LUBRICANTS

The Lubricants business has witnessed a slight decline in sales volume in 2005-06, as compared to the sales volume in 2004-05. With a view to prevent value erosion, BPC has refrained from pushing customers to pre-pone their upliftment prior to the end of the financial year. Consequently, most of lost sales volume has been recovered in the first quarter of 2006-07 with higher market realisation.

While the retail channel has witnessed a decline in sales, the business has recorded an impressive growth of 11% over historicals in the bazaar segment. This segment is an area of constant focus considering its huge potential. To establish the BPC brand in the growing bazaar channel, where currently its presence is very low, a scientific potential study was done along with M/s Linterland. Consequent to this study, the future placement of Primary Lube Distributors will be focused on markets with the highest potential.

The direct channel has also grown significantly, with a growth percentage of 9% over the sales volume in the previous year. Some of the major customers added during 2005-06 in the direct channel include SAIL, Pune Municipal Transport, Pune, Atlas Copco and SECL, Bilaspur. Exports have shown an increase of 6%, with exports of lubricants being made for the first time to Afghanistan, Nigeria and Sudan.

For effective planning, production and product placement, the Lubes Business was the first to implement end to end system based integrated Supply Chain Management (SCM). In fact, BPC has taken the lead in the oil industry to implement SCM Advanced Planning Optimizer (APO). The project was completed in a short span of 5 months.

During the year, the Lubes SBU, along with Engineering & Projects, has commissioned a fully automated Lube Filling Plant with an installed capacity of 20,000 MT per annum at Loni (Ghaziabad). Also, as a process of technical upgradation of existing plants, a new automatic filling machine has been put up at the Budge Budge (Kolkata) Plant.

With the commissioning of the plant producing LOBS at the Mumbai Refinery, evacuation of the same from the refinery became critical. To meet this requirement, a road loading terminal at Sewree is being constructed. A pipeline has also been constructed from the refinery to Wadilube for evacuation of Base Oils.

The Product and Application Development (P&AD) Centre at Mumbai has developed 27 new formulations to meet the market requirements during the year 2005-06. The new grades developed are expected to yield additional / new business and generate additional sales volume in the coming years.

During 2005-06, BPC's grade MAK TATA Motors Genuine Engine Oil 15W-40 has been approved for all models of commercial vehicles, including vehicles fitted with Cummins Engines. Also, technical approval has been obtained for the 4T 10W 30 grade and commercial sales of the same will commence shortly.

The Total Fuel Lube Management, which was carried out by the P & AD department, has shown significant improvement in equipment / machine utilization, reduction in oil consumption and increase in productivity for the customer. This is being offered as a value added service to important customers and is expected to sustain relationships on a long term basis.

The R&D setup has conducted several technical seminars to promote the advantages of using the high quality Base Oils produced at the Mumbai Refinery.

To build the MAK brand on a long term basis, the "MAK Anti Ageing Magic" campaign was launched with wide coverage on mass media i.e. TV, radio, print and cinema. "MAK" Lubricants has acquired an enviable position in the minds of the general public and the brand recall is very high.

With an established brand, in-house Base Oil facilities at Mumbai Refinery, new Genuine Oil tie-ups and better reach in bazaar trade, the Lubricants business is well placed to grow its sales volume and margins.

LPG

The year 2005-06 has been an eventful year in the LPG Business. While the price of LPG has been spiralling in the international market, the domestic LPG consumer has been protected from any price hike. Consequently, there has been an adverse impact on the profitability of the PSU oil marketing companies. In this scenario, the focus has been on ensuring that the demand of genuine customers are satisfied, while curtailing the leakage of domestic cylinders to the non-domestic segment. During the year 2005-06, the sales volume of LPG has declined by 0.81% as compared to the previous year; however, BPC's market share was 26.11%.

However, the packed commercial segment, where the product is subject to market determined prices, has registered a high growth of 99.25 %. The overall LPG sales were 2586.44 TMT, including the sales of the erstwhile KRL. With the addition of 1.21 million new customers during the year, Bharatgas is present in 22 million households as on 31.3.06 and this customer population is catered to by 2123 LPG distributors.

On the infrastructure front, a new LPG bottling plant has been commissioned, with a capacity of 44 TMTPA at Rajkot. With this, BPC now has 45 bottling plants with a rated capacity of 2028 TMTPA at the end of the year. The total bottling done during the year has been 2493.4 TMT with a capacity utilisation of 113%.

The LPG Business unit has launched many new initiatives which have shown promising results. One such initiative was Beyond LPG, a value added service to Bharatgas consumers, by providing a variety of products and services at their doorstep, at attractive prices and offerings. This initiative clocked a turnover of over Rs. 1330 million during the year.

Bharat Cutting Gas was another innovative product launched for use by industrial customers. This product was well appreciated by major customers like Railways, BHEL, Vizag Steel etc. and has immense potential in future.

Reaching out to the economically weaker sections, BPC has started community kitchens for the convenience of people attending to the sick at Government Hospitals. A total number of 37 such kitchens were established, with a gas stove for cooking, where the people come and use the facilities and pay as per the usage time.

Rural marketing was another priority area and BPC was able to reach LPG to over 500 villages through the e-choupal network of ITC Limited. BPC has also positioned 24 Rural Marketing Vehicles (RMVs) that move around from village to village and fill cylinders in the presence of the customer. A total of 5.89 lakh gas connections was released during the year in rural areas from RMVs and distributors catering to rural areas.

With a view to reduce the initial investment for acquiring an LPG connection, 5 kg cylinders were introduced, mainly aimed at the rural and low income group segments. This has proved to be very successful and presently about 70,000 customers are using 5 kg cylinders.

Safety has always been a priority area and towards this end, BPC has been propagating the use of a Suraksha LPG Hose with enhanced safety features, developed by LERC, the Oil Industry Research Centre at Bangalore. During the year, 2.48 million customers have changed over to the Suraksha LPG hose and on a cumulative basis, over 5 million hoses have been sold through BPC's network in the last three years.

Besides, consumer education on safety has been a major thrust area. Along with the ground activities of holding safety clinics and customer education programs, the electronic media was used to air films on safety through various TV channels.

While the subsidy burden on LPG used by the domestic segment remains a matter of concern, the LPG business is aggressively pursuing a strategy of introducing value-added products for the industrial segment and providing enhanced offerings to domestic customers. In the long run, this will pave the way for profitable operations and sustainable growth.

AVIATION

The Indian aviation industry has been going through a dynamic growth phase. A number of new players have entered the market. There has been a quantum increase in the number of international flights into the country. The booming economy, coupled with the attractive fares on offer, has led to a sharp increase in the number of first time fliers. The once stagnant market is now buzzing with activity. In this scenario, ATF sales have been growing rapidly despite the high prices. The growth is expected to continue in the coming years.

These changes and activities have opened tremendous opportunities for growth for the Aviation Business Unit. During the year 2005-06, BPC grossed a sales volume of 680.67 TMT of ATF. This represents a growth of 15.91% over the previous year. Several locations, including strategic locations like Mumbai, Delhi, Bangalore, Hyderabad, Ahmedabad and Cochin achieved their highest ever sales during the year. Despite the intense competition, BPC has been able to retain most of the major domestic and international customers.

BPC is the sole distributor of AeroShell Lubricants in India. The Aviation Lubricants sales have increased by nearly 33.11% over the last year. During the year 2005-06, BPC has been successful in acquiring orders from the Indian Navy and the Indian Air Force. Further, BPC also secured the approval of the Centre for Military Airworthiness and Certification (CEMILAC) for two more products- AeroShell Turbine Oil-750 (ASTO-750) and AeroShell Turbine Oil-3 (ASTO-3).

The Government has also taken steps to privatize many of the major airports in India. The privatization of Delhi and Mumbai International Airports is expected to be complete by the year 2006-07. The uncertainty with respect to the ownership and operation of the Industry hydrant at both these airports represents an opportunity and a threat to BPC's operations at these locations.

Further, two new International airports are coming up under public-private participation at Bangalore and Hyderabad. From amongst stiff competition, BPC has been selected as technical consultants for the construction of the Hyderabad International Airport Fuel Hydrant system.

Consequent to the rapid growth in the services sector, the Indian aviation industry is witnessing unprecedented growth. The necessary infrastructural facilities are also being enhanced across the country to cater to this phenomenal growth in the number of passengers. BPC, with its infrastructural strengths, brand image and customer friendly offerings, is well poised to take advantage of the emerging growth opportunities.

HUMAN RESOURCES

As on 1st April 2006, BPC had 11,995 employees and the erstwhile KRL had 1879 employees on its rolls. BPC's core strength has always been the quality of its human resources. In line with this belief, BPC always seeks to involve people across the organization in all the major initiatives being undertaken. This engagement ensures ownership of people at all levels to the goals and targets set. Accordingly, a cross section of the employees were enrolled in the process of revisiting BPC's vision, keeping in mind the emerging needs of the competitive market place through the process of 'Appreciative Inquiry'. A total of around 1000 management staff have been covered during the year.

The entry of competitors in the Indian market, both in the upstream and downstream segments of the industry, have driven compensation levels upwards, which in turn posed a major problem of retention of staff in the public sector oil companies. Attracting and retaining the best talent has become a big challenge. Several recommendations have been made to the Government of India in this regard. As a proactive step, with a view to differentiate performance and reward high performers, BPC had introduced a Performance Related Incentive Scheme for the first time in 2003-04. The scheme has been fine tuned during the year by increasing the differential of incentive across various levels of performance. Notwithstanding these initiatives, BPC had an attrition rate of 4.71% during the year 2005-06.

With a view to benchmark performance with the highest standards, BPC had identified competencies which set apart outstanding performers. During the year, the process was carried forward and these competencies have been used to profile select staff. BPC has implemented the 'development center' for its employees. The 'development center' is a method for assessing the competencies and development potential of the participants by trained assessors using diagnostic processes. A total of three Development Centres were conducted during the year covering 31 Territory Managers.

Training and Development continues to be an important thrust area. The Bharat Petroleum Learning Center at Mumbai and the Regional/Refinery Training Centers are used for imparting training on new initiatives and for skill upgradation of employees. During the year 2005-06, 7977 mandays of training were conducted in BPC and 6015 mandays of training in the erstwhile KRL. Through this process, 4103 employees of BPC and 1455 employees of the erstwhile KRL were trained and inputs given in both functional and managerial areas.

The Bharat Petroleum Scholarship for Higher Studies scheme launched in 2003-04 is BPC's contribution to promote excellence in higher education. Deserving students are identified and financial support provided for higher studies in prestigious institutions in India and abroad. During the year, 19 students going abroad and 5 students studying in India were awarded scholarships under the scheme.

Reaching out to others has been BPC's forte over the years. This has now been recognized internationally as BPC, along with Maruti Udyog has been ranked number one in Corporate Social Responsibility in the country by TNS Automotive. The study, conducted across 16 countries, addressed issues like ethics, concern for employees, products that improve the quality of life, creation of jobs, preservation of natural resources and disaster relief efforts on the part of companies.

The Ideas platform, which was institutionalised in the year 2000, to nurture creativity and innovation amongst employees, has become a key event in the organization. Employees look forward to this event to share the innovations made by them at their work place. During the year, new award categories were introduced, both in Refining and Marketing, besides Research & Development. A total of 51 Awards were given away in recognition of the contribution made by the participants.

One of the key challenges that BPC is facing is the retention of skilled and experienced manpower. The opening up of the economy has created numerous avenues, besides increasing overall compensation levels. At the same time, BPC has ambitious plans and goals. While attrition is a reality, BPC is constantly focused on improving its HR policies to face the emerging challenges.

INTEGRATED INFORMATION SYSTEMS

BPC has continued with its tradition of using Information Technology (IT) as a facilitator in achieving business objectives and deriving significant benefits. Several milestones were achieved in 2005-06 with the successful deployment of various IT initiatives.

The "Supply Chain Management" (SCM) project was implemented during the year for the Lubes business. The project was aimed at improving responsiveness to market demand while substantially lowering overall supply-chain costs. The end to end supply chain planning processes cover demand planning, supply network planning, production planning and detailed scheduling. The SCM project went live in October 2005. In the days to come, this solution is expected to yield major benefits through inventory optimization across the Lubes supply network, in addition to providing complete visibility and transparency for the entire supply chain.

In recognition of the successful SCM implementation, BPC was awarded the prestigious 'NASSCOM IT USER award - Best Supply Chain Management under the Oil & Petrochemical Refineries/Fertilizer Category'. There are now plans to undertake implementation of SCM in the LPG SBU, which is one of the largest SBUs having complex logistics involved in the movement of packed and bulk LPG and associated inventory management problems.

Subsequent to the receipt of 'in principle' approval from the Ministry of Petroleum & Natural Gas for the merger of BPC's erstwhile subsidiary, KRL, work was initiated on achieving system integration across the merged entity. This involved aligning business processes, making changes in a running SAP R/3 system and training of the affected users. The process was completed within a short span of four months and things were kept in readiness pending completion of the merger formalities. Consequently, there was a smooth transition to a single system on 1st October 2006 within a short time of receiving all relevant approvals for the merger.

With a view to exercising better budgetary control over expenditure, BPC has implemented the Fund Management module of SAP R/3, effective from 1st April 2006. Another process improvement achieved was the implementation of the off-cycle payroll feature, by which all employee payments/reimbursements from the financial year 2006-07 onwards are directly remitted to the employee's bank account, thus eliminating the generation of a large number of payment vouchers across the company.

The SAP Business Information Warehouse has been upgraded from version 3.0B to the latest version 3.5 in a short span of three weeks, by the in-house team. This will help build a strong base for integration with the Net Weaver components of SAP and thereby keep up with new technology, offering new and powerful features. The Solution Manager tool in SAP, that enables all users to directly log in issues for speedy response from the support desk as well as for on line system monitoring, has been upgraded to Version 3.2.

During the year 2005-06, BPC has connected 200 retail outlets through Ku Band based VSATs across the country for on-line capturing of data in respect of Petro Card / SmartFleet Card and the Cash Management System. This will also support the retail automation initiatives. As on date a total number of 500 Ku band based VSATs have been deployed at upcountry locations across the country for online transactions and data access. This will help in creating a common communication medium across different applications, leading to cost savings and highest possible network uptime. BPC's KU band based VSAT captive hub operating on INSAT 3A is running successfully with 100% uptime and remotes with more than 99.5% uptime. BPC has won the Uptime Champion 2005 award in Technology Senate 2005 – an exclusive off-site CIO event organized by The Indian Express Group and its associate technical publications, Express Computer and Network Magazine at Bangkok, Thailand.

The Uptime Champion award is in honour of organisations where IT infrastructure needs are to be guaranteed with an uptime of 99.999 percent and protection available on 24x7 basis.

As a part of the Information Security Policy, the password policy was successfully implemented in the BPC domain across the country to enhance data security.

During the year, strong support continued to be provided to the businesses in implementing new initiatives like e-choupal, B2B and sale of CNG and LNG. Implementation of the Instant Messaging feature has enabled businesses in bringing down the communication cost at major locations. Vendor Portal, an in-house development, provides real time information on Request For Quotations, Contracts, Purchase Orders, Statement of Accounts etc. for select vendors from the backend SAP R/3 system over the Internet. BPC leverages smart card technology to design and offer loyalty cards. B2B and B2C transactional platforms have been created to assist industrial customers and global aviation consumers to transact business online. SMS PULL Applications, developed in-house for SmartFleet Card owners, helps them to know their balance, set limits or block the usage of Fleet cards and track the location of the vehicle, based on the usage of the Fleet card.

The Performance Index for IT Infrastructure and support on Facilities Management Services/Call Centre operations have been maintained at near 100% levels, thus helping to maintain the highest level of satisfaction amongst the end user community. During the year, revenues of around Rs. 24 million have also been generated by way of External Consulting Assignments by the SAP R 3 specialists.

Clearly, BPC is one of the few Indian corporate houses that walk the talk when it comes to using the information super highway, giving it an "e-edge".

HEALTH SAFETY AND ENVIRONMENT

In line with BPC's policy, a number of initiatives for promoting HSE activities in the organisation were undertaken during the year. Regional HSE Councils have been created in the four regions. The councils, comprising of representatives from all the Business Units and Entities at the region, commenced functioning with the objective of integrated monitoring, review and coordinated measures for protection of working personnel, the environment and the surrounding community.

BPC considers the root cause findings from incident investigations as the most important means of preventing such incidents. A platform has been provided for locations to present 'Near-miss' incidents. BPC has institutionalized the Health Safety Environment & Security awards, rewarding locations for near-misses i.e. prompt preventive actions, environmental care and excellent HSE&S performance.

Exclusive HSE workshops have been introduced to cover all employees working at locations and offices in a phased manner. A number of loss control measures and protective devices for prevention of spill/gas/vapour and reduction of greenhouse gas emission were implemented for protecting the environment. Several Clean Development Mechanism (CDM) Projects that come under the Kyoto Protocol have been identified. Steps have been undertaken to arrange host country approval and registration with United Nation Framework Convention for Climate Change (UNFCCC) to avail carbon emission reduction credits.

In order to reinforce safety for large numbers of hired vehicle drivers and cleaners, a seminar on 'Road Transportation Safety' was jointly organized with National Safety Council, Chennai. A large number of transporters and officials attended the seminar in which everyone expressed their commitment for improved performance. In addition, a large number of safety clinics, training programmes and workshops were held for vehicle crews at BPC's 47 training centers across the country. Special health clinics were held at locations for vehicle crews who underwent various health check-ups by doctors. Medical advice and prescriptions were given in sensitive cases requiring further treatment.

BPC's HSE efforts have been recognized by a number of regulatory bodies and safety savvy organizations. During the year, the Corporation received the first OISD Safety Award in the category of LPG Marketing Organisations. 22 locations have also received awards for contribution to safety activities and environmental protection from National Safety Council and Greentech Foundation.

INTERNATIONAL TRADE AND RISK MANAGEMENT

BPC had commenced imports of crude oil for meeting the Refinery requirements in 2002. Since then, the international markets have witnessed considerable volatility and fluctuations in the prices of crude oil and finished products. BPC has been making efforts to develop the required capabilities for efficiently managing the emerging business realities. BPC's International Trade department had undergone a restructuring exercise in line with the global best practices during 2004-05. The essence of the restructuring, which was to build Trading Risk Management capability, has helped in developing competence in managing commodity risk and innovative decision making capability to support future trading potential. During the year, BPC made a small begining in hedging its margin risk through selling swaps in product cracks (Dubai crude – Singapore product differential).

The year 2005-06 saw imports of 11.86 MMT of crude oil for meeting the requirements of both Mumbai and Kochi refineries. While there has been a small increase in the quantity of imports as compared to the previous year, the sharp rise in prices has seen the value of imports at a record level of USD 4898.4 million as against USD 3183.0 million for the year 2004-05. The ratio of term to spot purchase of imported crude was of the order of 71:29, implying security of volume tie-ups.

With the implementation of the Refinery Modernization Project at Mumbai Refinery, BPC maximized procurement of the heavy-sour variety of crude and captured the price differential between heavy-sour crude oils (benchmarked to Oman/Dubai average) and light-sweet grades (benchmarked to Dated Brent).

During the year, BPC had also imported 217 TMT of Euro III MS and 61 TMT of Euro II HSD to meet the shortfall and comply with the Euro III & BS II emission norms. In addition, to meet the deficit in the availability of LPG, BPC had imported 202 TMT of LPG during the year.

BPC exported 1384 TMT of products during the year, as compared to 1286 TMT exported in the previous year. This represents an increase of over 8% over the previous year, mainly on account of export of Fuel Oil from the refineries. The foreign exchange earnings increased to USD 608 million from USD 407 million during the previous year.

Providing logistic support for imports, exports and coastal movements of products at the least cost continued to be the focus of the International Trade department. With the shipping rates as volatile as the crude prices, it became necessary to balance the shipping arrangement through a combination of Contract Of Affreightment (COA), Spot and Time Charter. During the year, four time charter vessels were taken, which besides giving cost advantages, provided immense flexibility in operations.

BPC embarked on hedging its exposures on refinery margins as well as export realizations based on the laid down Commodity Risk Management Policy. During 2005-06, BPC has hedged 2.7 million barrels of refining margins and 40 TMT of exports. In line with international best practices, a sound governance mechanism has been put in place. The volume and nature of hedge to be undertaken is determined by the Risk Management Committee appointed by the Board and the overall risk management approach is approved by the Trading Risk Management Board. Counterparties are enrolled through a rigorous evaluation process and trading is commenced only after completion of registration and ISDA (International Swaps and Derivatives Association) negotiations are concluded. The first year of hedging operations saw net cash inflow to counter margin loss in physical volumes.

RESEARCH & DEVELOPMENT

Recognizing the role of innovation and technological excellence in achieving and sustaining a competitive edge in the high tech business, BPC has been continuously strengthening the infrastructure at its Corporate R&D Centre at Greater Noida in Uttar Pradesh as well as at its Product & Application Development Centre at Sewree in Mumbai.

The Corporate R&D Centre focused attention on value addition through process optimization studies, selection of optimum catalysts and additives, detailed crude evaluations and crude compatibility studies, product quality upgradation studies etc.

The R&D Centre also extended valuable technical support to Refinery and Marketing operations, including carrying out corrosion abatement studies and technical assistance in launching of new grades of bitumen, viz., Crumb Rubber Modified Bitumen and Polymer Modified Bitumen. A cost effective LPG additive for cutting gas application has been developed. Exploratory research programs were also undertaken in the area of alternative fuels including Bio-diesel and Hydrogen.

The Product & Application Development Centre has continued to extend valuable technical support to the business and developed several new formulations to meet customer requirements. The new formulations include high performance gasoline engine oils, long life rear axle oils, synthetic gear oils, greases, metal working fluids and improved formulations for existing grades. Exclusive grades of lubricants for use by Defence have been developed.

EXPLORATION AND PRODUCTION OF CRUDE OIL AND GAS

In continuation of its endeavour to consolidate its presence in the upstream oil and gas sector, BPC has taken a number of strides forward in the past year.

A strategic decision has been taken to balance the risk by spreading it on a mix of exposure to Exploration, Development and Production assets with a budget of upto Rs.15,000 million over a five year period.

With a view to achieving quick return on investment and retaining the goal of oil security, a number of properties were evaluated during the year, both in India and abroad. BPC has successfully 'farmed-in" into an on-land block (Cachar, Assam) with a view to acquiring 14.5 % participating interest out of the 29% holding of Premier Oil, a UK based company.

In early 2006, BPC joined the consortium of Oilex (Australia), M/s Videocon Industries Limited (VIL), GAIL and Hindustan Petroleum Corporation Limited (HPC) for bidding for two out of five exploration blocks in Oman, offered by the Government of the Sultanate of Oman. These blocks are adjoining the south Oman salt basin, which is a prolific producer of oil in that country. The consortium was awarded Block No. 56 by the Government of the Sultanate of Oman. BPC holds participating interest of 12.5% in the consortium.

BPC has also signed a MOU with VIL for cooperation in the upstream area. BPC has also entered into a MOU with Petroleo Brasileiro SA (Petrobras), a National Oil Company in Brazil and Foresight Oil Limited (Foresight), UK, for cooperation in upstream, midstream and downstream activities of the oil and gas sector in India and abroad.

A consortium, comprising of BPC, Oilex (Operator), VIL, Gujarat State Petroleum Corporation Limited (GSPC) and HPC, was awarded an exploration block WA-388-P in Australia, with each partner having 20% stake. Subsequently, another block (no.103) was awarded in the Joint Petroleum Development Area (JPDA) between East Timor and Australia offered by Timor Sea Designated Authority (TSDA) in the JPDA 2005 bidding round. JPDA is an area being jointly promoted by the Governments of Australia and East Timor for hydrocarbon exploration in the area between Australia and Timor. BPC and the other consortium members Oilex (Operator), VIL and GSPC will each have 25% participating interest in this block.

BPC has also participated in the recently concluded NELP-VI bidding round offered by the Government of India in consortium with operators like Oil & Natural Gas Corporation Limited (ONGC), Hindustan Oil Exploration Company Limited, GSPC, Norwest Energy and Premier Oil. BPC, in consortium with Oilex (Operator), VIL, GSPC and GAIL, has also bid for 2 blocks offered by Egyptian Natural Gas Company (EGAS) in the 2006 Egyptian gazettal round. The outcome of the same is awaited.

Exploration work is in progress in all the blocks awarded under the NELP-IV bidding round of the Government of India. The total expenditure commitments for BPC for these blocks would be approximately Rs.1580 million during the exploration phase.

Considering the need for a focused approach for Exploration and Production activities, implementation of the investment plans of BPC at a quicker pace, facilitate faster decisions, mitigate business risks, adopt the latest technology, acquire business skills, expeditiously place competent human resources etc., it was felt that the formation of a separate subsidiary company would be the best option. BPC's board has recently approved the formation of a wholly owned subsidiary company viz. Bharat PetroResources Limited, with an authorised share capital of Rs. 10,000 million, for carrying on Exploration and Production related activities.

BPC, in its ambition to fulfil the national endeavour of accruing reserves as well as enhancing refining capacity, is successfully spreading capital in both risk related ventures as well as revenue generation assets. With a view to enhancing the technical capability and to become a robust exploration company, BPC has proposed to strengthen the Exploration & Production activities by establishment of interactive work stations for internal evaluation of seismic, geological, well-logging and testing data of different exploration and exploitation blocks. The process of augmenting manpower required for manning these work stations and to give a thrust in its endeavour to succeed in its operations is being seriously pursued.

AWARDS AND RECOGNITION

Besides the accolades indicated under the respective Businesses and Entities, the year also saw BPC being recognised by prestigious institutions for achieving excellence in performance in different fields.

Superbrands, a leading international organisation, selected the BPC brand as one of the superbrands in India. Similarly, Brand Finance, one of the leading brand evaluation agencies worldwide, has ranked BPC as the third most valuable Indian brand with an assessed brand value of 'just over USD 3 billion'. BPC was also voted as one of India's leading brands and placed in the 17th position by MEDIA, a leading international publication. In Asia, BPC is ranked 205 among Asia's Top 1000 brands, the highest position among Indian petroleum companies.

BPC had a composite ranking of 8th among 30 leading Indian companies in the Forbes Global 2000 list. BPC was also ranked amongst the top ten companies in Business India's 'Super 100' list. The company also scaled up its ranking to 368th in the prestigious 'Fortune Global 500' list, as compared to 429th in the previous year.

The investing community continued to repose confidence in BPC. Institutional Investor, a reputed American journal serving the global investor community, ranked BPC in the 5th position amongst the top 28 Oil & Gas companies in Asia in the area of Management of Investor Relations. Amongst Indian corporates, BPC ranked 4th amongst the top 40 companies. BPC was also placed in the 22nd position amongst Asian Companies in the prestigious 'Platts Top 250 Global Energy Companies' list.

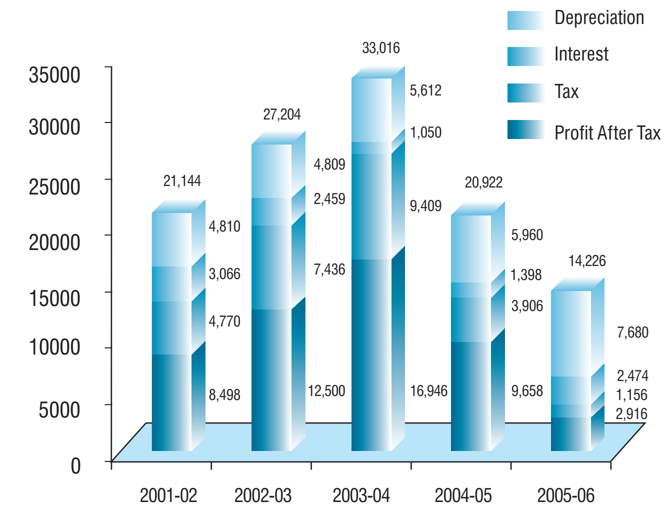
In recognition of BPC's outstanding work for persons with disabilities, BPC was presented with the prestigious NCPEDP – Shell Helen Keller Award 2005.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

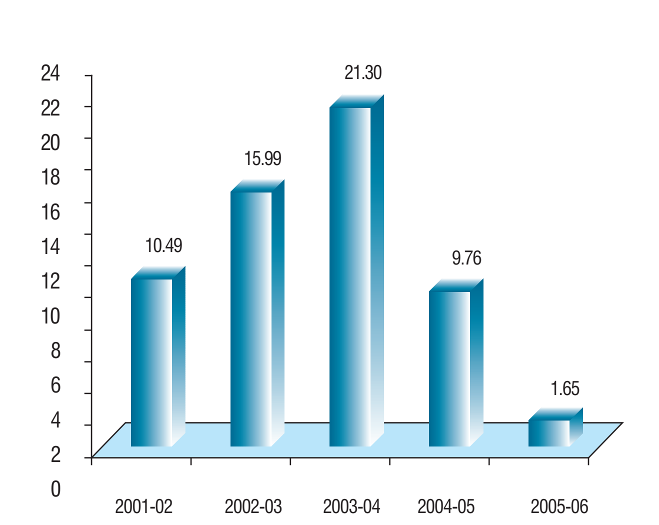
BPC has a system of internal controls to ensure optimum utilization and protection of resources, IT security, speedy and accurate reporting of financial transactions and compliance with applicable laws and regulations, as also internal policies and procedures. For this purpose, the company has formulated 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 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 management, internal audit and statutory auditors.

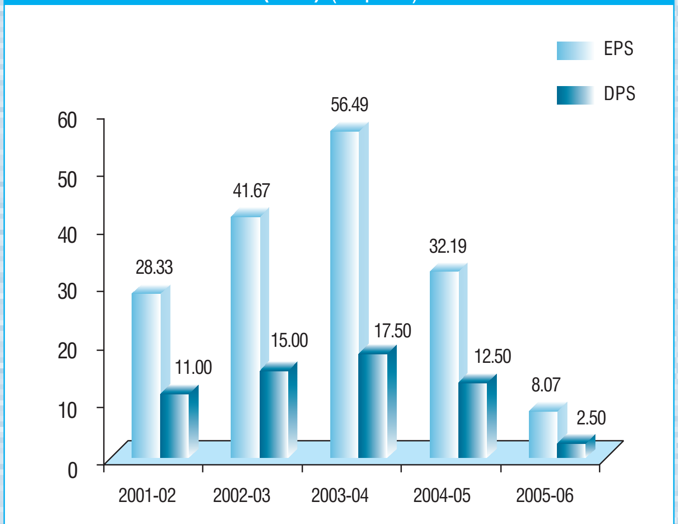
GROSS PROFIT (Rs. in Million)



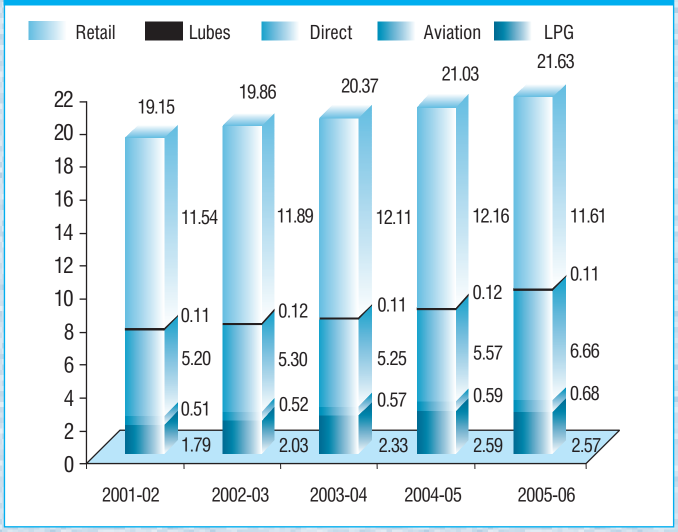
RETURN ON CAPITAL EMPLOYED (Percentage)



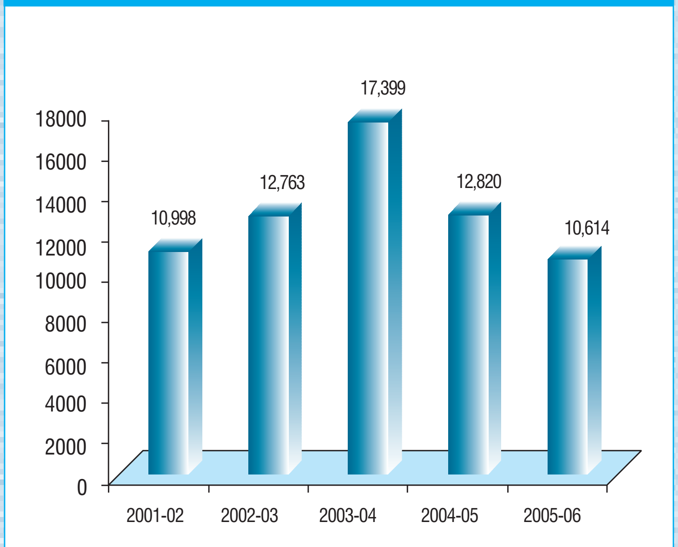
EARNINGS PER SHARE (EPS) / DIVIDEND PER SHARE (DPS) (Rupees)



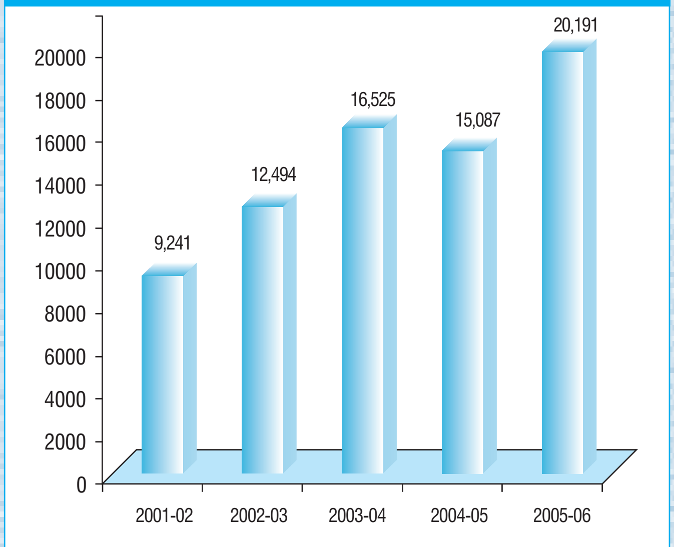
MARKET SALES VOLUME (Million Metric Tonnes)



RESOURCES GENERATED (Rs. in Million)

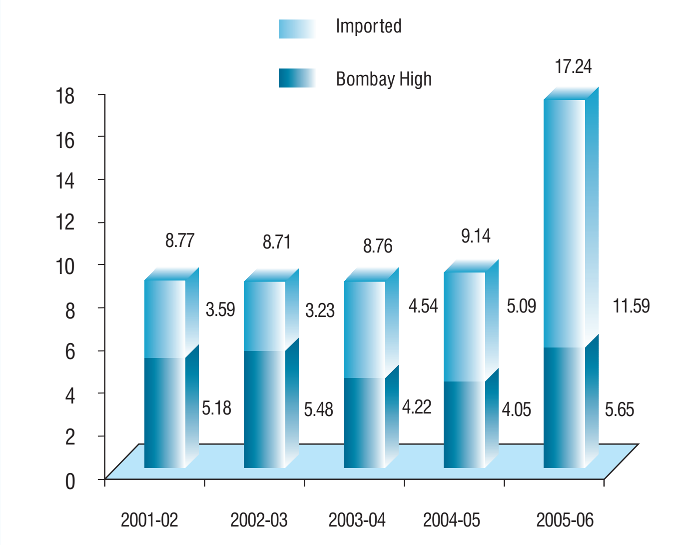


CAPITAL EXPENDITURE (Rs. in Million)

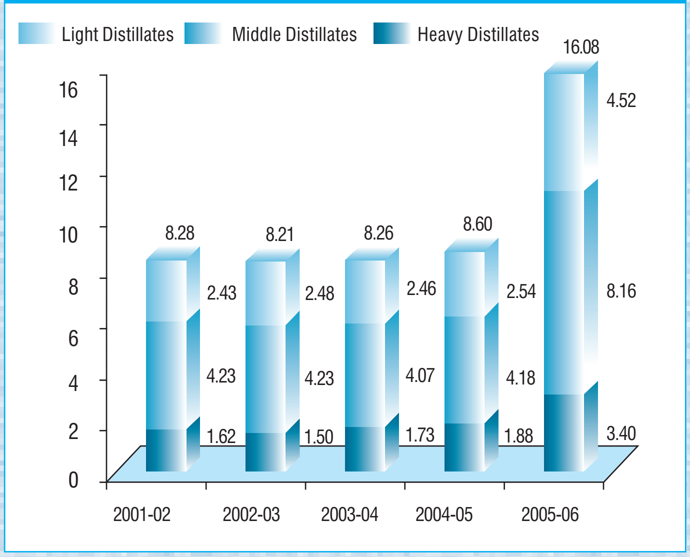


Note: Previous years' figures do not include the figures of the erstwhile KRL and hence are not comparable to those of the current year.

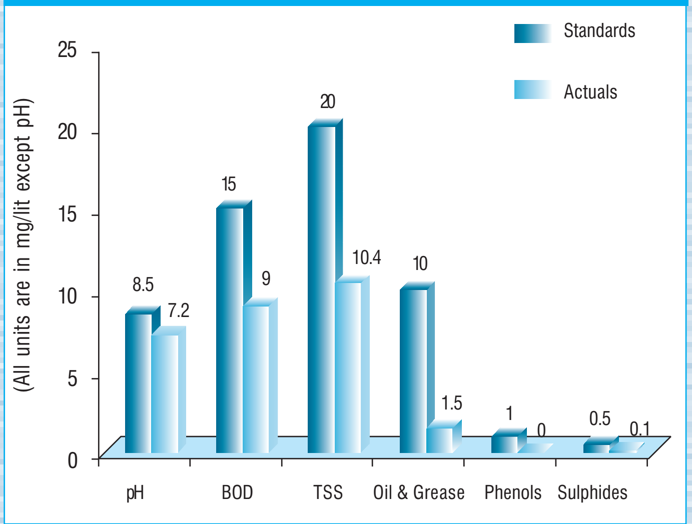
CRUDE PROCESSED (Million Metric Tonnes)



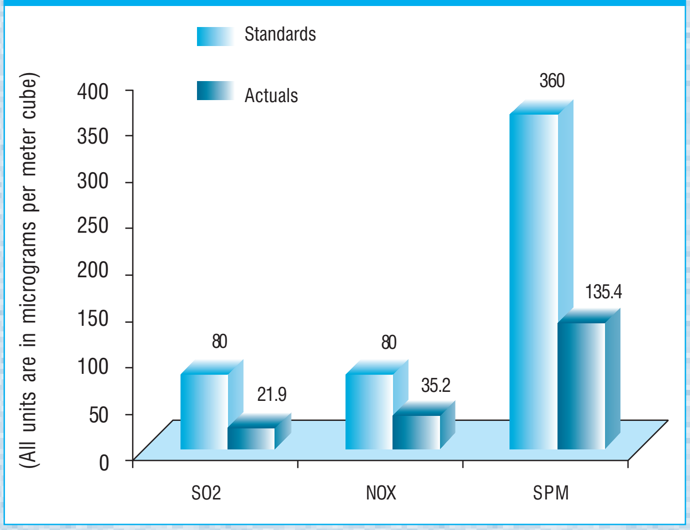
PRODUCTION (Million Metric Tonnes)



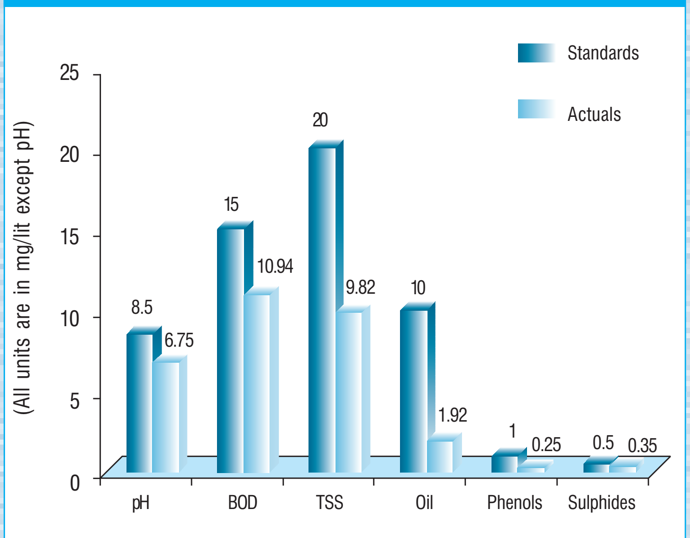
TREATED EFFLUENT WATER QUALITY VIS-A-VIS STATUTORY STANDARDS AT MUMBAI REFINERY



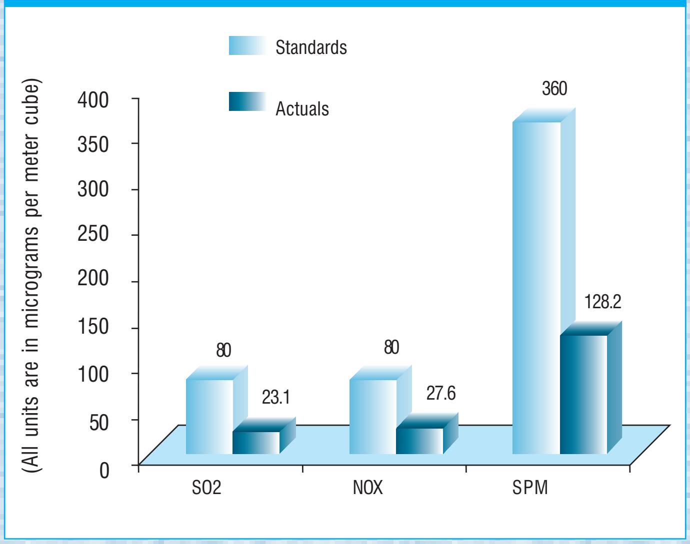
TYPICAL AMBIENT AIR QUALITY VIS-A-VIS STATUTORY STANDARDS AT MUMBAI REFINERY



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



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



Note: Previous years' figures do not include the figures of the erstwhile KRL and hence are not comparable to those of the current year.

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, 2006

PERFORMANCE OVERVIEW

Group Performance

The combined Refinery throughput at BPC's Refineries at Mumbai and Kochi, along with that of Numaligarh Refinery Limited (NRL), increased from 19.10 MMT during the last year to 19.37 MMT in 2005-06. Group market sales decreased marginally from 21.80 MMT to 21.79 MMT. In addition, the Group exported 1.39 MMT of petroleum products.

Financially, the Group companies achieved a sales turnover of Rs. 862.23 billion, up from last year's level of Rs. 720.37 billion. Group profit after tax (PAT) decreased from Rs. 20.74 billion to Rs. 7.04 billion. After setting off the minority interest, the Group earnings per share decreased from Rs. 51.40 to Rs. 14.86.

CONSOLIDATED GROUP RESULTS

	2005-06	2004-05
Physical Performance		
Crude Throughput (MMT)	**19.37**	19.10
Market Sales (MMT)	**21.79**	21.80
Financial Performance		**Rs.in Million**
Sales / Income from Operations	**862,229.01**	720,366.03
Less: Excise Duty Paid	**(87,068.27)**	(76,117.60)
Net Sales / Income from Operations	**775,160.74**	644,248.43
Gross Profit	**21,226.75**	41,032.93
Interest	**3,052.22**	2,468.94
Depreciation & amortisation	**9,457.92**	8,809.71
Profit before Tax	**8,716.61**	29,754.28
Provision for Taxation - Current	**815.83**	7,823.91
Less: MAT Credit	**(240.00)**	-
Profit after Current Tax	**8,140.78**	21,930.37
Provision for Fringe Benefit Tax	**157.22**	-
Provision for Taxation - Deferred	**957.81**	2255.65
Excess/ (Short) Tax provision in earlier years written back/provided for	**10.07**	1,065.93
Net Profit	**7,035.82**	20,740.65
Minority Interest	**1,662.85**	5,321.03
Net Income of the group attributable to BPC	**5,372.97**	15,419.62
Group Earnings per share attributable to BPC (Rs.)	**14.86**	51.40

Company Performance

BPC's Mumbai Refinery had a crude throughput of 10.30 MMT, which was higher than the level of 9.14 MMT achieved during the last year. The crude throughput of Kochi Refinery, acquired by BPC pursuant to the Scheme of Amalgamation, was 6.94 MMT. BPC's domestic market sales increased from 21.03 MMT to 21.63 MMT, partly on account of inclusion of domestic market sales of the erstwhile KRL.

Financially, BPC achieved a 33.34 % growth in sales turnover from Rs. 638.57 billion to Rs. 851.50 billion. Part of this increase was due to inclusion of the erstwhile KRL's turnover pursuant to the Scheme of Amalgamation. However, gross profit before interest, depreciation and tax decreased by 32 % to Rs.14,226.15 million. The profit before tax decreased by 69.98 % from Rs. 13,563.48 million to Rs. 4,071.95 million. After providing for tax (including deferred tax and fringe benefit tax) of Rs.1,155.49 million, as against Rs. 3,905.52 million during the last year, the profit after tax showed a decrease of 69.80 % from Rs. 9,657.96 million last year to Rs. 2,916.46 million.

The Board of Directors has recommended a dividend of 25% (Rs.2.50 per share) for the year on the enlarged paid-up share capital of Rs.3,615.42 million, which will absorb Rs.903.86 million out of profit after tax, exclusive of Rs.126.77 million for tax on distributed profits.

The earnings per share translates to Rs.8.07, as compared to Rs.32.19 during 2004-05. Internal cash generation during

FINANCIAL HIGHLIGHTS

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

Rs. in Million

	2005-06	2004-05
Sales Turnover - Gross	**851,496.22**	638,570.03
Gross Profit before Depreciation, Interest and Tax	**14,226.15**	20,921.90
Interest	**2,474.14**	1,398.03
Depreciation & amortisation	**7,680.06**	5,960.39
Profit before tax	**4,071.95**	13,563.48
Provision for taxtion - Current	**246.40**	2,805.10
Less: MAT Credit	**(240.00)**	-
Provision for Fringe Benefit Tax	**133.82**	-
Provision for taxation - Deferred	**1,025.34**	1,466.34
Excess/(Short) Tax Provision in earlier years written back/provided for	**10.07**	365.92
Net Profit	**2,916.46**	9,657.96
Transfer from/(to) Debenture Redemption Reserve	**(1,890.00)**	1,860.00
Balance brought forward from the previous year	**6,281.74**	0.01
Amount transferred on Amalgamation	**20,843.18**	-
Amount available for disposal	**28,151.38**	11,517.97
The Directors propose to appropriate this amount as under :		
Towards Dividend :		
Interim Dividend (declared & paid) - @ Rs. 5 per share	**-**	1,500.00
Second Interim Dividend (declared) - @ Rs. 7.50 per share	**-**	2,250.00
Final (proposed) Dividend - Rs. 2.50 per share	**903.86**	-
Towards Corporate Dividend Tax	**126.77**	520.43
For transfer to General Reserve	**291.65**	965.80
Balance carried to Balance Sheet	**26,829.10**	6,281.74
Summarised Cash Flow Statement:		
Cash Flows:		
Inflow/(Outflow) from operations	**13,499.18**	2,340.36
Inflow/(Outflow) from investing activities	**(46,167.73)**	(9,573.45)
Inflow/(Outflow) from financing activities	**(6,261.22)**	(5,980.59)
Net increase/(decrease) in cash & cash equivalents	**(38,929.77)**	(13,213.68)

Note: The results of 2005-06 include the performance of the erstwhile KRL and hence are not comparable with those of the previous year.

the year was lower at Rs.10,613.71 million, as against Rs.12,819.55 million last year. BPC contributed Rs. 203.92 billion to the exchequer by way of taxes and duties vis-à-vis Rs. 152.19 billion during the last financial year.

Borrowings from the banks increased to Rs.63,095.58 million from Rs.30,804.13 million at the close of the previous year. Additional, the Corporation had Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Ltd. amounting to Rs.8,650.00 million. Public deposits as at March 31, 2006 stood at Rs.970.34 million as compared to Rs.2,231.35 million at the end of the previous year. The amount of deposits, matured but unclaimed, at the end of the year was Rs.11.34 million, which pertains to 101 depositors. The total Capital Expenditure during the year 2005-06 amounted to Rs. 20,190.84 million.

The comments of the Comptroller and Auditor General of India (C&AG) on the Accounts, along with the explanations of the Board of Directors, are annexed as Annexure D.

REFINERIES

Mumbai Refinery

During the year 2005-06, Mumbai Refinery processed 10.30 MMT of crude as against 9.14 MMT during 2004-05, thereby achieving its highest level of crude processing in a financial year. However, the gross margin for the current year stood at USD 1.64 per barrel, as against the gross margin of USD 4.56 per barrel in 2004-05. This translated into an overall gross margin of Rs.5,606.35 million as compared to Rs.14,064.09 million in the previous year. The sharp reduction in the gross margin can be attributed to the sharing of subsidy burden for LPG, SKO, MS and HSD, reduction in duty protection rates, additional octroi payment at Mumbai and unfavorable spread between crude and product prices, especially for Naphtha and Fuel Oil. With the commissioning of the Hydrocracker unit and LOBS plant at the Mumbai Refinery, the gross margin is expected to improve in the coming years.

Kochi Refinery

During the year 2005-06, Kochi Refinery processed 6.94 MMT crude as compared to 7.92 MMT during the previous year. The gross margin per tonne of crude processed, which stood at USD 5.9 per barrel in 2004-05, went down to USD 3.2 per barrel during 2005-06.

The details of the performance of the Refineries, activities and future plans are discussed in the Management Discussion and Analysis Report (MD&A).

MERGER OF KRL WITH BPC

Pursuant to the provisions of Section 391 to 394 of the Companies Act, 1956, and with the approval of the Board of Directors, the proposal for merger of Kochi Refineries Limited (KRL) with BPC was approved by the shareholders of BPC and KRL with 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 Ministry of Company Affairs, New Delhi accorded their sanction to the Scheme of Amalgamation vide Order dated 18th August 2006.

Allotment / Issue of BPC shares in the approved Swap Ratio to KRL Shareholders, who were eligible for such shares as on the record date of 29th September 2006, has been completed and the said Shareholders have become Shareowners of BPC.

MARKETING

During the year 2005-06, BPC's overall marketing sales stood at 21.63 MMT. While there was no significant change in the sales volume as compared to the previous year, BPC's market share amongst Public Sector Oil Companies increased to 23.1% as on 31st March 2006, as compared to 22.6% at the end of the previous year. The year witnessed a sharp reduction in the sales volumes of HSD, both for the Industry as well as for BPC. This was offset by a significant increase in the sales of ATF, FO and Naphtha as compared to the previous year. BPC also exported 0.80 MMT of Naphtha, 0.33 MMT of FO and 0.24 MMT of HSD during the year. A detailed discussion of marketing performance is covered in MD&A.

PROJECTS

Central India Refinery Project

Bharat Oman Refineries Ltd. (BORL), a Joint Venture Company formed by BPC along with Oman Oil Company Ltd. (OOCL), is in the process of setting up a 6 MMTPA capacity grassroot Refinery at Bina, in Madhya Pradesh with Crude Oil / Supply System consisting of a Single Point Mooring system (SPM) and Crude Oil Storage Terminal (COT) at Vadinar and a 935 km long cross-country crude oil pipeline from Vadinar to Bina. The approved revised cost of the Refinery project is Rs.103.78 billion and so far, BPC and OOCL have each contributed Rs. 755 million towards the equity of the Company.

Environmental clearances, which had delayed the implementation of this project, have since been received. In view of the decision by OOCL to limit its equity contribution in BORL to the present level of Rs.755 million, BPC has, with the approval of the Government of India, decided to enhance its equity contribution in BORL upto 50%, amounting to Rs. 19,960 million. As at 31st March, 2006, BORL has net worth of Rs. 1500.15 million with a book value of Rs. 9.93 per share.

A new configuration study has been completed, wherein the configuration based on use of the integrated Full

Conversion Hydrocracker with Diesel Hydrotreater / Delayed Coker Unit / Continuous Catalyst Regeneration Reformer, has been found to be the most suitable option for the BORL Refinery.

For the selected new process configuration, Engineers India Limited (EIL) have completed the detailed cost estimate; and profitability analysis has been carried out by SBI Caps Limited. BORL has signed an agreement with the consortium of lenders led by SBI, for loans amounting to Rs. 63,870 million.

The project is proposed to be implemented on conventional basis instead of the lump sum turn key (LSTK) route envisaged earlier. Project implementation has commenced, with a schedule for mechanical completion in December 2009. As on 31st October 2006, the total commitments made amounted to Rs.19,075 million and the cumulative expenditure as on that day stood at Rs.2,145 million.

Uttar Pradesh Refinery Project

To cater to its long-term product requirements, BPC will be setting up a 7 MMTPA capacity grassroot Refinery at Lohagara in Allahabad District of Uttar Pradesh. The location of the Refinery 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 project, 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.

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.

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. With the capacity of Mumbai Refinery having expanded to 12 MMTPA there is a need to economically evacuate products from the Refinery, to cater to the requirements of the Northern Region. This project was conceived to meet this objective, by extending the Mumbai-Manmad- Manglia pipeline to Piyala, with a feeder line from Piyala to Bijwasan near Delhi, at an approved cost of Rs. 8,074.6 million, inclusive of a foreign exchange component of Rs. 2,365.6 million. As on November 1, 2006, the commitments amounted to Rs.7,525 million and the cumulative expenditure incurred amounted to Rs.5,951 million.

With the total pipeline length from Mumbai to Bijwasan being approximately 1358 kms, it will be one of the longest pipelines in the country. The project has been mechanically completed in September 2006.

Capacity Expansion cum Modernization Project at Kochi Refinery

Phase I of the Capacity Expansion cum Modernization Project (CEMP), that envisaged Kochi Refinery modification required to meet Bharat Stage II (BS II) product specifications, has been completed with an approved cost of Rs.2730 million. Kochi Refinery has commenced supply of MS and HSD conforming to BS II norms since April 2005.

Phase II of the CEMP, at an estimated cost of Rs.25,918 million, envisages facilities for production of auto fuels conforming to Euro-III equivalent norms and modernization and capacity expansion of the Kochi Refinery from the present 7.5 MMTPA to 9.5 MMTPA. The project is scheduled for completion in September 2009.

SBM Project at Kochi Refinery

This project envisages setting up of Crude Oil Receipt Facilities consisting of Single Buoy Mooring (SBM), shore tank farm and pipelines along with associated facilities. It will facilitate transportation of crude oil in very large crude carriers (VLCC), thereby reducing the transportation cost. With an estimated cost of Rs.8,210 million, the project is scheduled for completion by the middle of 2007.

RESEARCH & DEVELOPMENT

Recognizing the role of innovation and technological excellence in achieving and sustaining a competitive edge in the hi-tech business, BPC is continuously strengthening the infrastructure at its Corporate R&D Centre, Greater Noida, Uttar Pradesh as well as at its Product & Application Development Centre, Sewree, Mumbai.

Corporate R&D Centre made focused efforts for value addition through process optimization studies, selection of optimum catalysts and additives, detailed crude evaluations and crude compatibility studies, product quality upgradation studies etc. The R&D Centre also extended valuable technical support to Refinery and Marketing operations, that included corrosion abatement studies and technical assistance in launching of new grades of bitumen viz., Crumb Rubber Modified Bitumen and Polymer Modified Bitumen. A cost effective LPG additive for cutting gas application was developed. Exploratory research programs were also undertaken in the areas of alternative fuels including Bio-diesel and Hydrogen.

The Product & Application Development Centre continued to extend valuable technical support to the business and developed several new formulations to meet the requirements of customers. The new formulations included high performance gasoline engine oils, long life rear axle oils, synthetic gear oils, greases, metal working fluids and improved formulations for existing grades. Exclusive grades of lubricants for use by the Defence sector were also developed.

The Research and Development Center at Kochi Refinery which was set up in 1988 is recognized by the Department of Scientific and Industrial Research (DSIR), Government of India. The Centre is continuously engaged in research to develop value added products from the refinery streams. The Centre collaborates with esteemed institutions like the Indian Institute of Petroleum, Dehradun, Indian Institute of Technology, Chennai and Tamil Nadu Agricultural University, Coimbatore. Natural Rubber Modified Bitumen and Bitumen Emulsion are the popular value added products developed by this Centre. A bio-filter for bitumen off gases has been developed in collaboration with Regional Research Laboratory, Thiruvananthapuram.

Optimisation and innovative improvements in the process operations and undertaking exploratory research to discover new avenues for growth and diversification are the other objectives of the R&D Centre. Apart from other petroleum testing facilities, the Centre is equipped with facilities for evaluation of crude oils from various origins, Fluid Catalytic Cracking(FCC) catalysts and various catalyst additives (Octane enhancement, Gasolene sulphur reduction etc.). The FCC pilot plant, True Boiling Point Apparatus(TBP) and FCC offline simulation software have been extensively utilized for the evaluation of new improved catalysts and additives.

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.

NON-CONVENTIONAL ENERGY INITIATIVES

BPC has embarked upon various non-conventional energy initiatives. Towards this objective, BPC has an ambitious programme of generating power for its own consumption through windmills. Work on windmills of 5 MW capacity in the State of Karnataka will start shortly. There are plans to scale up the capacity gradually in a few other States also. BPC has also started Jatropha plantation at a few places in the country to enter the Bio-diesel value chain. A pilot project on end to end Bio-diesel production has been initiated in an area of around 1000 acres of land in UP.

Although at a very nascent stage, BPC plans to enter the area of fuel cells in cooperation with BHEL and depending upon the commercial viability, the programme will be accelerated. Also, BPC is experimenting on the generation of solar power for part of our Retail Outlet requirements at a moderate cost, coupled with a solar-cum-wind power generator, which is being tested for its commercial prudence.

INDUSTRIAL RELATIONS

The industrial relations have been peaceful and cordial throughout the year. Extensive communication on business and other related issues were sent to all the stakeholders i.e. management, employees and their associations / unions during the year.

FULFILLMENT OF SOCIAL OBLIGATIONS

As a responsible corporate citizen, BPC accords significant importance to Corporate Social Responsibility (CSR) and takes it as one of the prime focus areas. Community Development Programmes were undertaken to bring all round development in adopted villages, consisting of economically and socially backward population and significant resources were allocated towards these activities. Under the Component Plan, welfare activities were undertaken at 37 adopted villages spread over 13 states across the country. The main impetus of activities was given in the fields of health, education, infrastructure development and usage of non-conventional alternate energy sources.

BPC is always at the forefront to stand by the side of people affected by natural disasters/ calamities and had contributed towards the relief of Jammu & Kashmir earthquake victims as well as rehabilitation of tsunami affected people in Tamil Nadu and Kerala.

BPC sportspersons continued to excel and hit the headlines in the national as well as international sports arena. The Indian Badminton Men's and Women's teams and Women's Table Tennis team consisting of BPC Sportspersons, won the Bronze medal in the Team events at the Commonwealth Games in Melbourne (Australia).The BPC Billiards/Snooker players won the maximum number of National titles this year. Ms. Anuja Thakur was conferred with the prestigious Arjuna Award, being the first lady cueist in the country to be thus honoured. This year, she won the National Snooker title for women. Mr. Manan Chandra won his maiden National title in Snooker and retained his Pool title. Mr. Devendra Joshi won the Men's National Billiards title. Ms. Marianne Karmarkar won the National Pairs title in Bridge.

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

BPC has been providing reservations and concessions for physically challenged persons in the recruitment process since 1981. The reservations were earlier provided for Group C and Group D posts. However, after the enactment of "The Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995", the reservations stood extended to posts in Group A and Group B with effect from February 1996. BPC identified positions in these groups which could be reserved for filling up by persons with disabilities. It is BPC's endeavor to achieve the desired percentage for physically handicapped persons in identified posts during direct recruitment. BPC currently has 156 physically challenged persons employed in the Organization as at 31st March 2006.

Various concessions are given to the physically challenged persons such as age relaxation of 5/10 years, besides giving them a sympathetic consideration during interviews; hearing aids are provided for the hearing-impaired persons and also relevant equipment required by orthopaedic handicapped persons; visually handicapped staff are provided with special "talking" computers; also, Income Tax Relief through salary as per Section 80U is given, provided the physically challenged person complies with the requirements of Income Tax rules.

Besides the above, as a corporate body, various initiatives have been undertaken as a part of community development, like Pulse Polio Immunisation Programme; setting up of a Thalessemia care unit at Sion Hospital and organising workshops for physically handicapped persons in association with the Social Welfare branch of Municipal Corporation of Mumbai. Under the project "Healing Touch", BPC provided adequate space and the necessary kiosk to operate spark plug cleaning and testing equipment at its retail outlets, for providing self-employment opportunities to physically challenged persons.

IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

The Official Language Committees function at the Corporate, Regional, Area and Location levels in order to promote the use of Hindi at work places. These committees review the progress made in Official Language Implementation. Hindi workshops were organized in the Regions and Refinery. The Parliamentary Committee inspected the Official Language Implementation at six of BPC's locations during the period and expressed their appreciation for the efforts taken by BPC.

The "Chairman's Inter-Region Rajya-bhasha Rolling Trophy" has been instituted to create competition and awareness. Various competitions and cultural programmes were organized at locations during the Hindi fortnight celebrations from 14th – 28th September 2005.

CITIZENS' CHARTER

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

The Right to Information Act, 2005 has been implemented in BPC, effective 12.10.2005 in the true spirit of the Act. People across the organization are familiar with the Act and BPC has a unique single window concept of all replies under the Act. During the period ending 31st March 2006, 143 requests for information were received of which only one case was referred to the Chief Information Commissioner.

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

VIGILANCE

The Vigilance Department continued to assist the management in promoting transparency with the objective of maintaining high standards of integrity by one and all in the organization in handling public funds while carrying out business operations. Interventions by way of suggestions towards strengthening of certain areas were made, based on experience gained during scrutiny of the business processes.

Apart from a preventive role, the vigilance machinery continued to act effectively on complaints and source information, with the purpose of safeguarding stakeholders' interest, while ensuring that motivated complaints, if any, were effectively weeded out. Vigilance Awareness Week was observed from 7th to 11th November 2005, at all locations throughout the country, in which customers, clients, dealers, distributors, contractors, vendors etc. also participated. This occasion was utilized to spread awareness among the public to fight corruption.

Adequate briefing was provided to the Ministry of Petroleum & Natural Gas and Central Vigilance Commission (CVC) to enable them to reach just conclusions in matters referred by them. Simultaneously, instructions emanating from the Ministry and CVC from time to time were explained and interpreted to the concerned, to ensure their proper implementation.

SUBSIDIARY COMPANY

Numaligarh Refinery Limited (NRL)

BPC holds 62.96% of the paid up equity in Numaligarh Refinery Ltd. (NRL), which is a Mini Ratna Company (Category I). As on 31st March 2006, the 3 MMTPA Refinery completed 1502 days of Lost-Time Accident Free operations since its commissioning. The crude oil processed during the year was 2.13 MMT, as compared to 2.04 MMT during the previous year. As at 31st March, 2006, NRL has net worth of Rs. 16,913.28 million with a book value of Rs. 22.99 per share. The company achieved a turnover of Rs.58.20 billion and earned a profit after tax of Rs.4,489.34 million in 2005-06 as against a turnover of Rs.42.99 billion and profit after tax of Rs.4,091.52 million in the previous year. NRL has declared a dividend of Rs1.90 per share as against a dividend of Rs.1.70 per share in the previous year. NRL has till date, commissioned 58 Retail Outlets, of which 36 are in the North East and the remaining in other parts of the country.

The benchmarking study conducted by Shell Global Solution for India PSU Refineries, based on operating data for the year 2004-05, placed NRL in the first tercile in 12 parameters, in the second tercile in 4 and in the third tercile in 8, considering 24 parameters in 5 different performance categories. NRL was ranked first in the parameter 'Non turn around maintenance cost' amongst global refineries and also achieved first rank in 4 parameters amongst Indian PSU refineries. NRL was conferred with the prestigious 5th Annual Greentech Safety Gold Award in the Petroleum Refinery Sector' for the year 2006, in recognition of its outstanding performance in the field of Health & Safety.

Annual Accounts of the Subsidiary Company

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 Company i.e. NRL 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 NRL are enclosed as Annexure E to the Directors' Report for information. The Audited Annual Accounts of NRL and related detailed information are open for inspection by any member at BPC's Registered Office. Further, BPC will make available these documents, on request, to any of its members and the said documents will also be published on BPC's website.

JOINT VENTURE COMPANIES

Bharat Shell Limited

Bharat Shell Limited (BSL) a Joint Venture Company (JVC) between BPC and Shell Overseas Investment (BV) (Shell) of Holland, markets Shell branded lubricants. As at 31st March, 2006, BSL has net worth of Rs. 742.16 million and book value of Rs. 3.71 per share. The face value of BSL is Rs. 2.50 per share. During the financial year 2005-06, BSL achieved sales of Rs.3918.29 million, as compared to Rs.3240.12 million during the previous year. The net profit after tax for the year stood at 86.55 million, as against Rs.44.57 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 was formed to give impetus to the development of pipeline networks throughout the country. PIL is facilitating pipeline access on a common carrier principle, through its joint ventures for the pipelines commissioned by them viz. Vadinar-Kandla (Sikka-Kandla section), Kochi-Karur and Mangalore-Hassan-Bangalore.

As at 31st March, 2006, PIL has net worth of Rs. 1027.49 million with a book value of Rs. 10.27 per share. For the financial year 2005-06, PIL registered a gross revenue of Rs.5.39 million, against Rs.5.43 million in the previous year, resulting in a net loss of Rs.19.27 million, against a net loss of Rs.14.74 million in the previous year.

The new pipeline policy has affected the future of this Company. As there are no possibilities of future projects coming under the PIL ambit, the promoter oil companies and other investors in PIL have concluded that continuation of PIL is not viable. Accordingly, the winding up process for PIL has been initiated with the appointment of financial advisors and consultants for the divestment of PIL's stake in the other pipelines.

Petronet CI Limited

Petronet CI Limited is a JVC set up for laying a pipeline of about 1760 km for evacuation of petroleum products from the Refineries at Jamnagar/Koyali to feed various consumption zones in Central India. BPC has equity participation of 11% aggregating to Rs.15.84 million. As at 31st March, 2006, PCIL has net worth of Rs. 5.68 million with a book value of Rs. 0.39 per share. 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

Petronet CCK Limited (PCCKL) is a JVC promoted by BPC and PIL. BPC had 26% equity in PCCKL amounting to Rs.260 million. BPC's share has now increased to

49%, consequent to the acquisition of the share of the erstwhile KRL. PCCKL owns the Kochi-Karur pipeline which is a 292 km long multi-product pipeline from BPC's oil installation at Irimpanam near Kochi to Karur receiving terminal along with a tap off point at Coimbatore for transportation of MS/SKO and HSD. The pipeline commenced commercial operations from September 2002. The volume of pumping till March, 2006 amounted to 3.97 MMT.

As at 31st March, 2006, PCCKL has net worth of Rs. 649.15 million with a book value of Rs. 6.49 per share. PCCKL has registered a turnover of Rs.312.65 million and cash profit of Rs.92.34 million for the year ended 31st March 2006 as against a turnover of Rs.372.26 million and a cash profit of Rs.147.33 million in the previous year. BPC has submitted expression of interest for acquiring PIL's 23% interest in PCCKL, as PIL is being wound up.

Petronet LNG Limited

Petronet LNG Limited (PLL) was set up for importing LNG and setting up LNG terminals at Dahej and Kochi, with facilities like jetty, storage, re-gassification etc. 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. As at 31st March, 2006, PLL has net worth of Rs.10,719.46 million with a book value of Rs. 14.29 per share. The shares of PLL are listed on the Stock Exchange, Mumbai and National Stock Exchange of India Ltd.

PLL has set up LNG receipt and re-gassification terminal facilities of 5 MMTPA capacities at Dahej in Gujarat and started commercial supplies of re-gassified LNG from this terminal. Income from operations for the current financial year was Rs.38,371.73 million, as compared to Rs.19,452.65 million and a net profit of Rs.1,949 .27 million for the current year, against a loss of Rs.284.46 million in the previous year.

Indraprastha Gas Limited

Indraprastha Gas Limited (IGL), a JVC with GAIL, 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 143 CNG Stations, IGL has laid considerable infrastructure for supply of piped natural gas (PNG) as also connections to numerous domestic and commercial customers. As on 31st March 2006, IGL has provided PNG connections to 46,989 customers.

As at 31st March, 2006, IGL has net worth of Rs. 3,786.97 million with a book value of Rs. 27.05 per share. IGL registered a turnover of Rs.6,096.26 million for the year 2005-06, as compared to Rs.5282.28 million in the previous year. Profit after tax for the year 2005-06 was Rs.1061.38 million, as compared to Rs.926.85 million during the previous year. IGL has declared a dividend of 25% for the current year, against a dividend of 20% in the previous year. The shares of IGL are listed on the Stock Exchange, Mumbai and National Stock Exchange of India Ltd.

Central UP Gas Limited

Central U.P. Gas Limited is a JVC set up in March, 2005 with GAIL as the other partner, for implementing the City Gas Distribution project for supply of CNG to the household, industrial and automobile sectors in Kanpur. Subsequently, it is proposed to cover Allahabad, Bareilly and Jhansi. 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% and financial institutions will have the balance 50% in the share capital. The company commissioned the first CNG station on 7th April 2006.

Maharashtra Natural Gas Limited.

Maharashtra Natural Gas Limited is a JVC with GAIL, which was incorporated on 13th January 2006 for implementing the City Gas Distribution project for supply of CNG to the household and automobile sectors in the city of Pune and adjacent areas in Maharashtra, except Mumbai, Navi Mumbai and Thane. This project will be implemented on the lines of IGL. BPC's investment in this project is expected to be Rs.225 million, being 22.5% share of the equity participation. The Government of Maharashtra will invest up to 5% and balance 50% will be offered to financial institutions.

VI e Trans Private Limited

An investment of Rs.1 million, representing 33.33% of the equity of VI e Trans Pvt Limited, 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 company registered a turnover of Rs.30.99 million for the year ended 31st March 2006, as against a turnover of Rs.30.35 million in the previous year. The company has ended the year with a loss of

Rs.2.33 million for the current year, after recognition of defered tax assets of Rs.0.70 million as compared to a loss of Rs.0.53 million in the previous year, after provision of deferred tax liability of Rs.1.01 million.

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

BPC, for the seventeenth successive year has entered into a Memorandum of Understanding (MOU) with the Ministry of Petroleum & Natural Gas for the year 2006-07. For the 15th consecutive year (year ending March 2005), BPC has achieved an 'Excellent' rating for its performance. Based on an internal evaluation of performance for the year 2005-06, BPC once again merits an "Excellent" rating, subject to approval by the Government of India. From the year 2005-06, the performance of BPC's subsidiary company, NRL has a bearing on the rating of BPC.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

As there were no employees who were 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 2006, are not required to be given.

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

Till the year 2004-05, BPC was listed on the Stock Exchange, Mumbai (BSE), The National Stock Exchange of India Limited (NSE), The Madras Stock Exchange Limited (MSE), The Delhi Stock Exchange Association Limited (DSE) and the Calcutta Stock Exchange Association Limited (CSE). However, there was no trading in BPC shares on the MSE, DSE and CSE during the last five years, consequent to the nationwide availability of the trading terminals of BSE and NSE, coupled with availability of facilities for internet trading. Accordingly, applications were made for delisting of BPC's shares from MSE, DSE and CSE, after taking necessary approvals from the Board of Directors and Shareholders in the Annual General Meeting and after complying with all the required SEBI Regulations.

While BPC's equity shares have been delisted from the DSE and MSE, the application for delisting of shares from CSE is being processed by the Stock Exchange.

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 judgments 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 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 M.S.Srinivasan, Special Secretary, Petroleum & Natural Gas, resigned from the directorship of BPC with effect from 16th June 2005. Smt Aditi S Ray, Economic Advisor, MoP&NG resigned from the directorship of BPC with effect from 21st February 2006. Shri M. Rohatgi, Director (Refineries) resigned from the Board with effect from 1st October 2005, on his appointment as Chairman & Managing Director of Engineers India Ltd.

The Directors have placed on record their appreciation of the valuable contributions made and guidance given by Shri M.S.Srinivasan, Shri M. Rohatgi and Smt. Aditi S. Ray for the development and progress of BPC's business.

Shri Ashok Sinha, Director (Finance) was appointed as Chairman & Managing Director with effect from 19th August 2005. Shri Ajay Tyagi, Joint Secretary, Ministry of Petroleum & Natural Gas was appointed as Additional Director with effect from 21st April 2005 and he was reappointed at the Annual General Meeting held on 23rd September 2005.

Shri P.K.Sinha, Joint Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 21st February 2006.

Shri S.K.Joshi, Executive Director (Corporate Treasury) was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 8th March 2006. Shri Joshi also assumed the office of Director (Finance) from that date in pursuance of his appointment by the President of India.

Shri R.K.Singh, Executive Director (LPG) was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 8th March 2006. Shri Singh also assumed the office of Director (Refineries) from that date in pursuance of his appointment by the President of India.

The above three 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 V.D.Gupta, Shri P.C.Sen and Prof. A.H.Kalro, Directors 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 bio-datas of the above Directors who are appointed / reappointed at the Annual General Meeting 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 2005-06, by the Comptroller & Auditor General of India (C&AG), under the provisions of Section 619(2) of the Companies Act, 1956. They will hold office till the ensuing Annual General Meeting. Further, the C&AG has appointed M/s. V Sankar Aiyar & Co. as Statutory Auditors for the financial year 2006-07.

ACKNOWLEDGEMENTS

The Directors convey their appreciation of the services rendered by employees at all levels, without whose valuable contribution, the excellent performance of BPC would not have been possible.

The Directors place on record their deep appreciation towards BPC's valued customers for their continued cooperation, patronage and confidence and look forward to the continuance of this mutually supportive relationship in future.

The Directors also gratefully acknowledge the support and guidance received from the various ministries of the Government of India, particularly from the Ministry of Petroleum & Natural Gas, in BPC's operations and developmental plans.

The Directors sincerely thank BPC's dealers, distributors, contractors and suppliers for their contribution to its success.

The Directors express their sincere thanks to each and every shareowner of BPC and the erstwhile KRL for reposing confidence in the management.

For and on Behalf of the Board of Directors

Sd/-

Ashok Sinha
Chairman & Managing Director

Mumbai
Date : 17th November 2006

ANNEXURE A

Efforts made by BPC in regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & 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:

Mumbai Refinery

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 a data acquisition system. An elaborate energy accounting system and Management Information System are important features of Mumbai Refinery operations.

Kochi Refinery

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, hydrocarbon loss, flare loss, heater/boiler performances are carried out systematically with the help of most sophisticated instruments. The analysis report and data compiled are communicated to the respective sections and necessary actions are initiated in case of any abnormalities.

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

Mumbai Refinery

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

- Commissioning of new Hydrogen, Sulphur Recovery & Hydrocracker Units with all modern highly energy efficient equipments.
- Anti-foulant injection in pre-heat exchanger trains of the Crude/Vacuum units to sustain pre-heat temperatures.
- Cleaning of convection coils and decoking of two furnaces in the Crude Distillation complex using modern pigging technique.
- Application of special insulating paint for open manways in CDU & FPU.
- Diversion of Plant gas ex FPU to FPU Furnace.
- Commissioning of HCP plant gas system for reducing flaring.
- Undertaking steam insulation and steam leak surveys.
- Replacement of Insulation for various Steam Headers.
- Replacement of leaky steam traps and attending to steam leaks.
- Provision of still well sleeve assembly in one of the MS tanks on trial basis.
- Conducted electrical energy audit of refinery through M/s. Petroleum Conservation Research Association.
- Replaced gland packing by mechanical seal in 2 pumps in the Catalytic Cracking Unit.

As a part of Oil & Gas Conservation Fortnight 2006, M/s. Center for High Technology had organised a detailed furnace efficiency and insulation effectiveness survey for all Furnaces & Boilers at Mumbai Refinery, along with external experts. In addition, various awareness programmes on the Oil Conservation theme were conducted, both inside and outside the refinery, including free PUC check up for more than 5000 vehicles.

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

- Increasing condensate recovery from Sulphur Recovery Unit.
- Application of High Emissivity Ceramic Coating in High Vacuum Unit Heater.
- Application of special insulating paint for open manways in HCP, HVU & FCCU.
- Slops system study of refinery by M/s Engineers India Ltd. to minimize slops generation.
- Provision of still well sleeve assembly in MS & Naphtha tanks to reduce hydrocarbon losses.

Kochi Refinery

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

- Friction reducing coating of ARU cooling water pumps for improvement in efficiency.
- Decoking of FPU vacuum heater.
- Insulation of plant fuel tank 190.
- Conducting insulation survey and replacing damaged portions with new insulation.
- Replacing mineral wool insulation with more efficient Perlite insulation.
- Conducting surveys on hydrocarbon leak and relief valve passing and attending to the leaks and repairing the faulty relief valves.
- Replacement of leaky steam traps & attending to steam leaks.
- Repair of damaged APH of vacuum heater.
- Repair of air registers, dampers in heaters/boilers.
- Conversion of single seal arrangement to double seal arrangement in floating roof tanks in a phased manner.
- Conducted energy audit of steam system and power generation through M/s. Petroleum Conservation Research Association.

As a part of Oil & Gas Conservation Fortnight 2006, M/s. Centre for High Technology had organized a detailed furnace efficiency and insulation effectiveness survey for all Furnaces & Boilers at Kochi Refinery along with the assistance of external experts. To propagate better awareness of energy conservation among the public, various programmes like quiz and essay writing competitions were conducted in schools and colleges. Training for employees on energy management, OGCF pamphlet distribution to contract workers and OGCF-Marathon were the other activities organized in connection with the Oil & Gas Conservation Fortnight 2006.

Kochi Refinery is in the process of implementing various energy conservation and loss control projects as given below:

- Additional condensate recovery from VR/Plant Fuel tank farm.
- Trial runs in KH1B heater and UB5 boiler with fireside cleaning chemical for efficiency improvement.
- Replacement of metallic blade air fin fans with FRP blade air fin fans for power reduction.
- Replacement of mineral wool insulation with more efficient Perlite insulation.
- Replacement of crude charge heaters CH1A/B with a single high efficiency heater.
- Application of High Emissivity Ceramic Coating in low efficiency heaters.
- Replacement of low efficiency LH1 heater with steam reboiler.
- Replacement of KH1B heater with a high efficiency heater.

(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

Mumbai Refinery

The Refinery has implemented the following projects to obtain the benefits of the latest technological developments and advances:

- As part of the Refinery Modernization Project (RMP), the Hydrocracker unit was commissioned to produce superior quality middle distillates and 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) 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.

Kochi Refinery

The Refinery has implemented the following projects to obtain the benefits of the latest technological developments and advances:

- As part of the Capacity Expansion cum modernization Project (CEMP-Phase 1), the DHDS unit was revamped to enhance the capacity and to facilitate processing of high sulfur VGO, in a blocked out mode. Desulfurisation of VGO was necessitated in order to meet BS II norms for MS. Part quantities of Euro III (equivalent) quality MS can also be produced.

  The technology was supplied by the process licensor of the unit, M/s Axens, France

- As part of the CEMP - Phase I, the Fluid Catalytic Cracking Unit was revamped to increase the production of value added products such as LPG and MS. Technology for revamp was obtained from M/s. Stone and Webster, USA.

- Bitumen Emulsion unit from ENH Engineering A/S, Denmark was set up for production of different grades of Bitumen Emulsion.

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 :-

a. Exports

BPC exported 1384 TMT of products during the year, compared to 1286 TMT in the previous year registering an increase of over 8%. The contribution to the foreign exchange earnings increased to USD 608 million (Rs. 27,172.61 million) from USD 407 million (Rs. 18,298.10 million) during the previous year. This was mainly due to the regular availability of Fuel Oil for export from the refineries.

b. Hedging

BPC embarked on hedging its exposures on refinery margins as well as export realizations, based on the Risk Management Policy approved by the BPC Board. The first trade was executed on 9th March 2005. During 2005-06, BPC hedged 2.7 million barrels of refining margins and 40 TMT of exports. In line with international best practices, a sound governance mechanism has been put in place. The volume and nature of hedge to be undertaken is determined by the Risk Management Committee appointed by the Board. The overall risk management approach is approved by the Trading Risk Management Board.

Counterparties are enrolled through a rigorous evaluation process and trading is commenced only after completion of registration and ISDA (International Swaps and Derivatives Association) negotiations are concluded.

The first year of hedging operations saw net cash inflow of USD 9.45 million (Rs. 427.39 million) to counter margin loss in physical volumes.

c. Import

The year 2005-06 saw imports of 11.86 MMT of crude oil for meeting the requirements of both Mumbai and Kochi refineries. While there has been a small increase in the quantity of imports as compared to the previous year, the sharp rise in prices has seen the value of imports at a record level of USD 4898.4 million (Rs. 217,833 million) as against USD 3183.0 million (Rs. 142,789 million) for the year 2004-05.

With the implementation of the Refinery Modernization Project at the Mumbai Refinery, BPC maximized procurement of heavy sour variety of crude and captured the price differential between heavy sour crude oils (benchmarked to Oman/Dubai average) and light sweet grades (benchmarked to Dated Brent).

During the year, BPC had also imported 217 TMT of Euro III MS at USD 131 million (Rs. 5761.14 million) and 61 TMT of Euro II HSD at USD 30 million (Rs. 139.52 million) to meet the shortfall and comply with Euro III & BS II emission norms. In addition, to meet the deficit in the availability of LPG, BPC had imported 202 TMT of LPG at USD 102 million (Rs. 4517.98 million) during the year.

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

Rs. in Million

	2005-06*	2004-05
Earnings in Foreign Exchange	**42,866.71**	19,445.63
— includes receipt of Rs 5,516.66 million (Rs 7,605.75 million) in Indian currency out of the repatriable funds of foreign airline customers and Rs. 81.44 million (previous year NIL) of INR exports to Nepal and Bhutan.		
Foreign Exchange Outgo	**237,379.43**	74,254.15
— on account of purchase of Raw Materials, Capital Goods, Chemicals, Catalysts, Spare Parts, International Trading Activities.		

* includes figures of the erstwhile KRL

FORM A

Form for disclosure of particulars with respect to conservation of energy

1. MUMBAI REFINERY

A.	**Power & Fuel Consumption**	**2005 - 06**	2004 - 05
	1. Electricity		
	a) Purchased		
	Units (Million KWH)	**17.50**	5.13
	Total Amount (Rs. Million)@	**157.05**	79.09
	Rate/Unit (Rs./KWH)*	**8.97**	15.43
	b) Own Generation		
	Through Steam Turbine/ Generator		
	Units (Million KWH)	**433.40**	317.41
	Units per Ton of Fuel	**2,713.12**	2,755.25
	Cost/Unit (Rs./KWH) **	**4.91**	3.94
	2 Coal	**Nil**	Nil
	3 Furnace Oil/Liquid Fuel		
	LSHS Qty - MT	**1,76,746**	1,77,981
	Total amount (Rs. Million)	**2,426.69**	1,668.44
	Avg. Rate (Rs./Unit)	**13,729.81**	9,374.27
	IBP-60 Qty - MT	**29,413**	7,287
	Total amount (Rs. Million)	**751.01**	129.23
	Avg. Rate (Rs./Unit)	**25,533.13**	17,734.10
4	Others / Internal Generation		
	External Fuel :		
	Bombay High Associated Gas (BHAG)		
	Qty - (MT)	**196**	464
	Total amount (Rs. Million)	**1.50**	2.01
	Avg. Rate (Rs./Unit)	**7,666.23**	4,327.22

Internal Fuel :

Refinery Gas Qty - (MT)	**113,883**	94,555
Total amount (Rs. Million)	**1,563.59**	886.38
Avg. Rate (Rs./Unit)	**13,729.81**	9,374.27
Pressure Swing Adsorption (PSA) Off Gas Qty - (MT)	**67,438**	17,051
Total amount (Rs. Million)	**163.34**	28.20
Avg. Rate (Rs./Unit)	**2,422.09**	1,653.72
FCC Units Coke Qty - MT	**87,418**	89,799
Total amount (Rs. Million)	**1,200.23**	841.80
Avg. Rate (Rs./Unit)	**13,729.81**	9,374.27

Notes:

@ Increase in power purchased cost is mainly due to planned shutdown of GT1, GT2, GT3 & higher power import for commissioning RMP Hydrocracker Unit

* 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.

B. Energy consumption per unit of production

	Unit	Stds. if any#	**2005-06**	2004-05
Production of Petroleum products	MT		**9,626,716**	8,597,737
Electricity	KWH / MT		**46.84**	37.51
LSHS / IBP-60	Kg/MT		**21.42**	21.55
Gas (Excluding CPP)	Kg/MT		**18.86**	13.03
FCC Units Coke	Kg/MT		**9.08**	10.44

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 shutdown of processing units for maintenance / inspection and severity of operations of processing units, which varies widely.

2. KOCHI REFINERY

	2005-06	2004-05
A) Power & Fuel Consumption		
1) Electricity		
a) Purchased :		
Units (Million KWH)	**48.828**	49.121
Total amount (Rs. Million)	**220.29**	238.03
Rate/Unit (Rs./KWH)	**4.51**	4.85
b) Own Generation		
i) Through Gas Turbine generation in CPP (Million KWH)	**143.47**	118.40
Units (KWH) per Ton of fuel oil/gas	**2,820.00**	2,870.00
Cost/Unit (Rs./KWH)	**5.31**	4.00
ii) Through Steam Turbine Generation (Million KWH)	**58.340**	77.434
Cost/Unit (Rs./KWH)	**5.46**	3.81
2) FCC coke for steam generation :		
Quantity (tonnes)	**61,773**	77,532
Total Cost (Rs. Million)	**850.00**	701.77
Average rate (Rs./MT)	**13,760**	9,051
3) LSHS :		
Quantity (tonnes)	**224,473**	232,017
Total Cost (Rs. Million)	**3,088.77**	2,100.07
Average rate (Rs./MT)	**13,760**	9,051
4) DHDS Naphtha :		
Quantity (tonnes)	**36,221**	20,568
Total Cost (Rs. Million)	**760.55**	314.28
Average rate (Rs./MT)	**20,997**	15,280
5) Others (Refinery Fuel Gas) : (Excluding fuel used for Power Generation)		
Quantity (tonnes)	**82,953**	75,958
Total Cost (Rs. Million)	**1,141.44**	687.52
Average rate (Rs./MT)	**13,760**	9,051

B) Energy Consumption per unit of production

	Unit	Stds. if any #	2005-06	2004-05
Production of Petroleum products	MT		**6,456,965**	7,445,293
Electricity	KWH/MT		**37.89**	32.28
FCC Coke	KG/MT		**9.57**	10.50
LSHS	KG/MT		**34.77**	31.41
DHDS Naphtha and Refinery fuel gas	KG/MT		**18.46**	13.07

Notes :
1. Fuel for CPP consisted of Intermediates and Refinery Fuel Gas
2. The purchased power is net of export to KSEB (181 MWH)
3. Cost of FCC coke, LSHS, Intermediates, Refinery Fuel Gas etc. are at average cost.

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 shutdown 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

A. MUMBAI REFINERY

RESEARCH & DEVELOPMENT (R&D)

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

i) Catalytic processes

ii) Clean Fuel Technology

iii) Residue Upgradation

iv) Detailed Crude Evaluations and Crude compatibility studies

v) Value added products

vi) Modelling and Simulation of refinery processes

vii) Corrosion and fouling

viii) Analytical methods development

ix) Alternate fuels

x) High Performance Diesel Engine Oil

xi) Long Life Rear Axle Oils

xii) Synthetic Gear Oils for Industrial gears

xiii) Metal Working Fluid

xiv) High Performance Greases

xv) Exclusive grades for Defence

xvi) Alternate formulations for existing grades

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

i) Optimum catalyst/additives and conditions selected for Fluid Catalytic Cracking Units (FCCU) resulting in improved yields of distillates.

ii) In-house simulation and optimization model for hydrodesulphurization of diesel refined to improve predictions and the model installed in Mumbai Refinery for plant optimization.

iii) Cost effective LPG additive for cutting gas applications developed and its performance evaluated. Ready for commercial launch.

iv) Detailed crude evaluations aided in enhancing value realization and enlarging crude basket. Crude blend compatibility studies helped in processing opportunity crude.

v) Advanced Tech support to Refinery and Marketing operations for resolving technical problems/effecting improvements, such as, (a) disposal of spent platinum based catalyst, (b) revamp of bitumen plant at Kochi Refinery, (c) manufacture of straight run bitumen at Mumbai Refinery post-RMP, (d) advanced analytical method development, (e) launching of new modified bitumen products, viz., CRMB and PMB.

vi) Usage of optimum antifoulants for crude and vacuum residue resulted in improved heat recovery.

vii) The following new products were developed:

a) High Performance Gasoline Engine Oil which would meet the lubricants requirements of the latest generation passenger cars.

b) Long Life Oil that would help in extending the drain interval and life of the transmission system.

c) Synthetic Gear Oil to help in extending the lubricant drain interval and life of the gear system.

d) Grade of Metal Working Fluid developed would help in increasing the Metal Working Fluids portfolio and would help to increase market share in this segment.

e) New grades of greases would help core industries extend their equipment life, besides increasing market share.

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

g) Alternate formulations for 9 existing grades, which 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 upgradation

b) Development of new process technologies for clean fuels

c) Enlargement of crude basket and identification of opportunity crudes and crude blends

d) Value added Products/Solvents from the refinery streams

e) Bio-technological processes

f) Alternate Fuels e.g. Bio-diesel, Ethanol and Hydrogen

g) Coal/residue to clean liquid fuels

h) Extended R&D Services to other group refineries

i) Developing the following grades/products:

i) Customer Specific Cutting Oil

ii) Rolling Oil for Steel Industry

iii) Metal Working Oil for Aluminium

iv) Agricultural Spray Oil

v) Heat Treatment Oil

vi) Defence specific grade

vii) Alternate formulations for existing grades

B. KOCHI REFINERY

RESEARCH & DEVELOPMENT (R&D)

1) Specific areas in which R&D has been carried out by the company :

a) Development of value added products from Refinery streams e.g. Rubber Spray Oil, Special Boiling Point Spirit, Natural Rubber Modified Bitumen, Mineral Turpentine Oil, High Performance Diesel Additive and various grades of Bitumen Emulsion.

b) Evaluation and selection of FCC Catalysts.

c) Evaluation of crude oil.

d) Formulation of specialty products. e.g. Bitumen Emulsion

e) Development of Bio-diesel

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

a) A commercial plant for specialty hydrocarbon solvent based on in-house R&D know-how has been under regular production run.

b) Through laboratory and pilot plant studies, selection of new improved catalysts made for the commercial FCC plant.

c) Selected FCC catalyst additives for enhancement of LPG & MS production.

d) A commercial plant for the production of Natural Rubber Modified Bitumen based on in-house R&D know-how has been under regular production run.

e) A commercial plant has been set up to manufacture High Performance Diesel additive based on R&D studies.

f) Technical support to the existing FCC, crude and other Units in the following areas:

i) Crude oil evaluation

ii) Evolving different schemes by computer simulation and modelling

iii) Manufacture of Bitumen Emulsion

3) **Future plan of action**

a) To continue FCC related R&D studies using FCC Pilot Plant and other facilities.

b) To undertake plant simulation and optimization studies

c) To pursue exploratory research for development of value added products

d) To develop process for sulfide removal from Liquid Effluent.

e) Formulation of different grades of bitumen emulsion.

f) To evaluate the performance of Gasoline Sulfur Reduction Additives.

C. EXPENDITURE ON R&D DURING 2005-06

(Rs. in million)

	Total
Capital Expenditure	67.07
Revenue/Recurring Expenditure	121.68
Total	188.74
Total R&D Expenditure as a % of total turnover	Negligible

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

A. MUMBAI REFINERY

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

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

- Revamping of the Fluid Catalytic Cracking Unit (FCCU) by incorporating advanced Feed Injection Technology from M/s.Stone & Webster, USA for improving FCCU yield.
- As a part of the Refinery Modernization Project (RMP), the Hydrocracker unit and associated Hydrogen unit & Sulphur recovery facilities have been set up to produce superior quality middle distillates and reduce overall SO_2 emissions from the Refinery.
- The Catalytic Reforming Unit (CRU) was revamped using 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 Lube Oil Base Stock (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.

- Yield improvement
- 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 Lube Oil Base Stocks

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 Lube Oil Base Stocks.	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.

B. KOCHI REFINERY

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

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

- Revamping of Diesel Hydro De-Sulfurisation Unit (DHDS) to facilitate processing of high sulfur VGO for producing MS of BSII specification. VGO desulfurisation would also result in improved product pattern in Fluid Catalytic Cracking Unit (FCCU) operation.
- Revamping of FCCU by incorporating advanced Feed Injection Technology, Riser Termination Device, Stripper Packing from M/s.Stone & Webster, USA for improving FCCU yield.
- Bitumen Emulsion Unit was set up with technology from ENH Engineering A/S, Denmark, incorporating Colloidal mill for production of different grades of Bitumen Emulsion.

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

- Production of MS of BSII, Euro III (Eqv.) specification
- Yield improvement in FCCU
- Reduction of overall SO_2 emissions from the Refinery and manufacture of superior quality middle distillates
- Production of different grades of Bitumen Emulsion

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

(a) **Technology Imported:**

Technology Imported	Year of import
• FCC – Feed Injection Technology, Riser termination Device, Packed Stripper from M/s. Stone & Webster, USA for yield improvement.	2003
• Colloidal Mill for production of Bitumen Emulsion from M/s. ENH Engineering, Denmark.	2004
• Process technology for blocked out mode operation of VGO in DHDS from M/s. Axens, France.	2003
• Technology for revamp of FCCU from M/s. Stone & Webster, USA	2003
• Technology from M/s. ENH Engineering, Denmark for production of Bitumen Emulsion.	2004

(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

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 sixteen.

BPC being a Government Company, the Government has decided the composition of the Board of BPC. As on 31st March 2006, the Board of BPC comprises five Whole-time (Executive) Directors including the Chairman & Managing Director, two Part-time (Ex-Officio) Directors and three Part-time (Independent) Directors. Nomination of the additional four Part-time (Independent) Directors, required under the revised terms of Clause 49 of the Listing Agreement, will be made by the Government of India.

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

During the year, 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 the 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

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

19th May 2005	29th June 2005	29th July 2005	23rd Sept 2005	17th Oct 2005
28th Oct 2005	23rd Dec 2005	30th Jan 2006	25th Feb, 2006	28th March, 2006

The Board has periodically reviewed the compliance of all laws applicable to the Company, including steps taken by the Company to rectify instances of non-compliances.

The Board has adopted the Code of Conduct for the Directors and also for the senior management of the Company and the same has been posted on the website of the Company. All the Board members and senior management of the Company have affirmed compliance with the Code of Conduct in respect of the financial year ended 31st March 2006.

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2005-06

Names of the Directors	Academic Qualifications	Attendance out of 10 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 Chairman & Managing Director (I/C) upto 18.8.2005	B.Tech (Elect.), M.B.A.	10	100	Attended	Chairman : 1. KRL 2. NRL 3. IGL 4. BORL Director 5. BSL 6. PLL	Member : a) Investors' Grievance Committee 1) BPC (upto 27.3.2006) 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	100	Attended	Director 1) NRL 2) KRL 3) PIL 4) BSL	Member a) Audit Committee 1) BSL
Shri S. Radhakrishnan Director (Marketing)	B.Tech, (Mech.) M.B.A.	9	100	Attended	Director 1) KRL 2) NRL	Member a) Audit Committee - KRL

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

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2005-06

Names of the Directors	Academic Qualifications	Attendance out of 10 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 S.K. Joshi Director (Finance) (w.e.f. 8.3.2006)	A.C.A. M.B.A.	1*	100*	N.A.	Director : 1. KRL 2. NRL 3. PCIL 4. VEL	Member : a) Investors' Grievance Committee BPC (w.e.f. 28.3.2006) b) Audit Committee 1) PCIL
Shri R.K. Singh Director (Refineries) (w.e.f. 8.3.2006)	B.Tech. (Mech.)	1*	100*	N.A.	Director 1) KRL 2) NRL	
Shri M. Rohatgi Director (Refineries) (upto 30.9.2005)	B.Tech, (Chem.) M.B.A.	4*	100*	Attended	Director 1) KRL 2) NRL 3) BORL	Member a) Audit Committee 1) KRL Chairman b) Remuneration Committee 2) BORL

KRL : Kochi Refineries Limited, NRL : Numaligarh Refinery Limited, BORL : Bharat Oman Refineries Limited, PCIL : Petronet CI Limited,
VEL : VI eTrans Private 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 2005-06

Names of the Directors	Academic Qualifications	Attendance out of 10 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 (Ex-officio)		**No. of Meetings Attended**	**%**			
Shri P.K. Sinha Joint Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas (w.e.f. 21.2.2006)	I.A.S., Post-graduate in Economics, M. Phil., M.P.A.	1*	50*	NA	1. IOC 2. HPC	Member : a) Establishment Committee - IOC b) Remuneration Committee - IOC
Shri. Ajay Tyagi Joint Secretary, Ministry of Petroleum & Natural Gas (w.e.f. 21.4.2005)	B.Tech.(Elect.), I.A.S. Graduate in Computer Science	8	80	Did not attend	1. GAIL	
Shri M. S. Srinivasan Special Secretary, Ministry of Petroleum and Natural Gas (upto 16.6.2005)	B.Tech (Civil), I.A.S. M.P.A.	NIL*	NIL*	NA	Director 1) IOC 2) HPC 3) GAIL	Chairman : a) Remuneration Committee : 1. IOC 2. BPC
Smt Aditi S. Ray Economic Advisor, Ministry of Petroleum and Natural Gas (upto 21.2.2006)	M.A. (Eco.), I.E.S.	8*	80*	Did not attend		
(b) Part-Time (Independent)						
Shri V.D. Gupta	B.Sc. Engg. (Hons)	9	90	Attended		Member a) Audit Committee - BPC b) Remuneration Committee - BPC
Shri P.C. Sen	B.A. (History) (Hons) M.A. (History), M.Sc. (Eco.), IAS	9	90	Attended		Member a) Audit Committee - BPC b) Remuneration Committee - BPC
Prof. A.H. Kalro	B.Tech (Hons), (Elect.), M.S., Ph. D. (Industrial Engg),	7	70	Attended	TPSC	Chairman a) Audit Committee 1. BPC 2. TPSC b) Investors' Grievance Committee -BPC

IOC : Indian Oil Corporation Limited, HPC : Hindustan Petroleum Corporation Limited, GAIL : GAIL (India) Ltd , TPSC : Torrent Power SEC Ltd.

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

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 (Independent) 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. The Company Secretary acts as the Secretary of this Commttee.

Director (Finance) is a permanent invitee at the meetings of the Committee. 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 terms of reference of the Audit Committee cover all matters specified in Clause 49 of the Listing Agreement with Stock Exchanges.

The role and responsibilities of the Committee include the following :-

1. Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by them.
4. Reviewing, with the management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
   a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
   b. Changes, if any, in accounting policies and practices and reasons for the same
   c. Major accounting entries involving estimates based on the exercise of judgment by management
   d. Significant adjustments made in the financial statements arising out of audit findings
   e. Compliance with listing and other legal requirements relating to financial statements
   f. Disclosure of any related party transactions
   g. Qualifications in the draft audit report
5. Reviewing, with the management, the Quarterly Financial Statements before submission to the Board for approval
6. Reviewing, with the management, the performance of the Statutory and Internal Auditors and adequacy of the internal control systems.
7. Reviewing the adequacy of the Internal Audit function, if any, including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussing with the Internal Auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussing with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. Looking into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12 Defining the significant related party transactions
13. Carrying out any other function as mentioned in the terms of reference of the Audit Committee.

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

5th May, 2005	19th May, 2005	29th July, 2005
2nd September, 2005	23rd September, 2005	28th October, 2005
30th January, 2006	27th February, 2006	28th March, 2006

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	8	89	Attended
Shri V.D. Gupta,Member	9	100	Attended
Shri P.C. Sen, Member	8	89	Attended

The Committee, at its meetings held on 29th July 2005, 28th October 2005, 30th January 2006 and 27th April 2006 reviewed the Half Yearly / Quarterly Financial Statements as on 30th June 2005, 30th September 2005, 31st December 2005 and 31st March 2006 respectively. Further, Annual Financial Statements as on 31st March 2006 were reviewed by the Committee at its meeting held on 26th September 2006, before the same were submitted to the Board for approval.

BPC has one unlisted subsidiary company i.e. Numaligarh Refinery Ltd. (NRL) which does not fall under the category of 'material non-listed Indian subsidiary' as indicated in Clause 49(III) of the Listing Agreement. Financial statements of NRL, including investments made, if any, are reviewed by the Audit Committee/Board. The performance of NRL and the minutes of the Board meeting of NRL are discussed at the Board meetings of the Company. Any significant transactions or arrangement entered into by NRL is also reported to the Board of Directors of BPC.

4. Remuneration Committee

BPC being a Government Company, appointment and remuneration of Whole-time Directors are determined by the Government, through the Ministry of Petroleum & Natural Gas. The Part-time (Ex-officio) Directors do not receive any remuneration from the Company. The Part-time (Independent) 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 (Ex-officio) 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 2005-06 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	1,195,534	Fixed Component : 768,093 PLIS : 221,686	205,755
Shri S.A.Narayan Director (Human Resources)	1,126,704	Fixed Component : 752,114 PLIS : 212,371	162,219
Shri S. Radhakrishnan Director (Marketing)	1,062,501	Fixed Component : 760,347 PLIS : 107,288	194,866
Shri S.K.Joshi Director (Finance) (*w.e.f. 8.3.2006)	56,027*	Fixed Component : 47,496 PLIS : 6,256	2,275
Shri R.K.Singh Director (Refineries) (*w.e.f. 8.3.2006)	56,183*	Fixed Component : 47,496 PLIS : 6,256	2,431
Shri M. Rohatgi Director (Refineries) (upto 30.9.2005)	967,321	Fixed Component : 388,092 PLIS : 180,262	398,967

PLIS : Performance Linked Incentive Scheme

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

Notice period : Three months

BPC has not introduced any Stock Options Scheme. None of the Non-Executive Directors holds any share in BPC.

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

Name of Director	Remuneration (Rs.)
Shri V.D. Gupta	180,000
Shri P.C. Sen	170,000
Prof. A.H. Kalro	160,000

5. Investors' Grievance Committee

The Committee, comprising Prof. A.H.Kalro, Director and Shri S. K. Joshi, Director (Finance), monitors the shareholders'/ investors' complaints and redressal of their grievances. The Committee, at its meeting held on 28th March 2006, 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.

The Company Secretary acts as the Compliance Officer for matters related to investor relations.

During the year, three complaints were received from investors through SEBI, BSE & ROC, which were attended to and resolved on priority. One complaint, received through SEBI, for delay in transfer of shares and non-receipt of dividend, remained unresolved, as the matter was subjudice and pending before the Court. SEBI has removed this complaint from their records.

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 2006.

6. Annual / Extraordinary General Meetings

	Date and Time of the Meeting	Venue
50th Annual General Meeting	18th September, 2003 at 10.30 a.m.	Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021
51st Annual General Meeting	30th September, 2004 at 10.30 a.m.	
52nd Annual General Meeting	23rd September, 2005 at 10.30. a.m.	

During the year 2005-06, there was no occasion to resort to Postal Ballot as no proposal requiring Postal Ballot was proposed for consideration of the shareholders.

The Special Resolution for Delisting of Equity Shares of BPC from the Stock Exchanges at Delhi, Chennai and Kolkata was approved by the shareholders at an Annual General Meeting held on 23rd September 2005.

The shareholders, at the Extraordinary General Meeting held on 16th January 2006, approved the Scheme of Amalgamation of Kochi Refineries Ltd. with BPC by an overwhelming majority.

Further, Special Resolutions for amendment to the Articles of Association for increasing the number of Directors and for increase in the Borrowing Powers of the Company were approved by the shareholders at an Extraordinary General Meeting held on 27th February 2006.

6A Brief Resumes of Directors Seeking Re-appointment

1. Shri V.D.Gupta

   Shri V.D.Gupta is a B.Sc. Engg. (Hons). He has rich experience in various sectors such as Oil, Engineering and Railways for the last 22 years. He retired as General Manager (Western Railways).

   Shri V.D.Gupta was appointed as Additional Director w.e.f. 5th September, 2003, 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. He was further reappointed at the AGM held on 30th August 2004. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

2. Shri P.C. Sen

   Shri P.C. Sen did his B.A.(History) (Hons) from St. Stephens College and M.A.(History) from Cambridge, U.K. He joined the Indian Administrative Service in 1967 and has been in various senior posts in different Ministries of the Govt. of India. He was also Managing Director of various Public Sector Undertakings, Chairman & Managing Director of Indian Airlines and Chairman of Air India. He retired as Secretary to the Govt. of India. At present, he is also a Director of India International Centre.

   Shri P.C. Sen was appointed as Additional Director w.e.f. 5th September, 2003, 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. He was further reappointed at the AGM held on 30th August 2004. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

3. Prof. A.H. Kalro

   Prof. A.H. Kalro is a B.Tech. (Hons) in Electrical Engineering from I.I.T. Kharagpur and MS and Ph.D in Industrial Engineering from the University of Minnesota, Minneapolis, USA and is a recipient of several scholastic awards. He was Asst. Professor at the University of Minnesota and joined IIM, Ahmedabad in August 1970. He has co-authored three books and has extensive consulting experience with public and private sector organisations. Presently, he is a Director of AES Post Graduate Institute of Business Management.

   Prof. A.H.Kalro was appointed as Additional Director w.e.f. 5th September, 2003, 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. He was reappointed at the AGM held on 30th August 2004. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

4. Shri P. K.Sinha

   Shri P. K.Sinha, Joint Secretary and Financial Advisor, Ministry of Petroleum & Natural Gas, is a senior IAS officer belonging to the 1977 Batch of U.P. Cadre. He is a post-graduate in Economics from Delhi School of Economics and M. Phil. in Social Sciences and has a Masters Diploma in Public Administration. In addition to BPC, he holds the Directorship in Indian Oil Corporation Ltd. and Hindustan Petroleum Corporation Ltd.

   Shri P. K.Sinha was appointed as Additional Director w.e.f. 21st February 2006, 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 up to 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.

5. Shri S.K.Joshi

   Shri S K Joshi, Director (Finance) is a member of the Institute of Chartered Accountants of India, and M.B. A. from the University of Hull, United Kingdom. He has been heading the Corporate Treasury function as Executive Director, and was responsible for the overall fund management, risk management, corporate accounts and budgeting. He was also closely associated with key initiatives undertaken by the Corporation, including implementation of SAP and drawing up of the corporate credit policy and commodity risk management policy.

Besides, Shri Joshi was closely associated with key initiatives impacting the oil industry in India. He was a member of the study group formed for the purpose of preparing a long term perspective plan for the oil industry in India which had come out with the report titled 'Hydrocarbon Perspective : 2010 – Meeting the Challenges'. In addition to BPC, he also holds the position of Director in Numaligarh Refinery Ltd., Bharat Oman Refineries Ltd, Petronet CI Ltd., VI eTrans Pvt Ltd., Bharat PetroResources Ltd. and Bharat PetroResources JPDA Ltd.

Shri S.K.Joshi was appointed as Director (Finance) on 8th March 2006, 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 up to 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.

6. Shri R.K.Singh

Shri R.K.Singh, Director (Refineries) is a Mechanical Engineer and has held various assignments, both in Refinery and Marketing divisions. He has attended a Management Development Programme at I.I.M, Ahmedabad, Materials Management Programme at ASCI, Hyderabad and Logistics Management Course at University of Tennessee in U.S.A. He has also headed a group constituted for transfer of technology of LPG equipment from Denmark / Italy and he was closely associated with the World LPG Association as an active member of their subcommittees. In addition to BPC, he also holds the position of Director in Numaligarh Refinery Ltd., Bharat Oman Refineries Ltd. and Bharat PetroResources Ltd.

Shri R. K. Singh was appointed as Director (Refineries) on 8th March 2006, 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 up to 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.

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 17 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.

The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement, except provisions relating to the composition of the Board of Directors with respect to the number of Independent Directors as indicated in Clause 49(I)(A)(ii) for which the Govt. of India is taking necessary action, as BPC is a Government Company. Out of the non-mandatory requirements, the Company has adopted requirements with regard to constitution of the Remuneration Committee and sending of quarterly / half yearly financial results to the shareholders of the Company.

The Chairman & Managing Director and Director (Finance) have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO Certification for the financial year 2005-06.

The Company has also laid down the Risk Management Policy and procedures thereof for periodically informing the Board members about the risk assessment and minimising procedures.

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'. The 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 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 2005, 30th September 2005, 31st December 2005 and 31st March 2006 were obtained from the Auditors of the Company and filed with the Stock Exchanges. The Financial Statements for the first quarter ended June 2005, half year ended September 2005, third quarter ended December 2005 and fourth quarter ended March 2006 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.in and on the Electronic Data Information Filing and Retrieval System (EDIFAR), website launched by SEBI, in collaboration with National Informatics Centre.

10. **Management Discussion & Analysis Report**

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

11. **General Shareholders' 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 99.32% of its free float shares listed for trading on the Stock Exchanges.

Annual General Meeting : Date, Time and Venue	Monday, 18th December, 2006 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 four quarters were taken on record by the Board and published on the following dates:-

Quarter Ended	Date of Board Meeting	Date of Publication
Apr-June 2005	29th July, 2005	30th July, 2005
July-Sept 2005	28th October, 2005	29th October, 2005
Oct-Dec 2005	30th January, 2006	31st January, 2006
Jan-March 2006	27th April, 2006	28th April, 2006

Dividend Payment Date	The Board has recommended Dividend @ Rs. 2.50 per share for the consideration of the shareholders at the ensuing Annual General Meeting. If approved by the shareholders, the same will be paid on or before 26th December, 2006.
Date of Book Closure	Friday, 17th November, 2006 to Thursday, 14th December, 2006 for the purpose of determining the names of shareholders/beneficial owners who would be entitled to the notice of Annual General Meeting and Dividend.

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 Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata 700 001	12072

The Listing Fees have been paid for the year 2006-07 to all the above Exchanges.

ISIN Number For National Securities Depository Ltd. (NSDL) & Central Depository Services India Ltd. (CDSL) for equity shares	INE029A01011
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.BSE100	Please see Annexure II
Registrar and Transfer Agents	Share Transfers were handled in-house till 31st August 2006 at the Investor Relations Department, Bharat Bhavan III, Ground Floor, Walchand Hirachand Marg, Ballard Estate, Mumbai 400001 Data Software Research Co. Pvt. Ltd. (DSRC) were appointed as Share Transfer Agents for BPC w.e.f. 1.9.2006 The address of DSRC is as follows:- Shri H.Krishnamoorthy, General Manager (Operations), Data Software Research Co. Pvt. Ltd. 'Sree Sovereign Complex' 22, 4th Cross Street Trustpuram Kodambakkam, Chennai 600024 Ph: +91-44-24833738 / 24834487 Fax: 91-44-2483 4646 Email : dsrcmd@vsnl.com
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 viz. NSDL and CDSL within 15 days.

Distribution of shareholding as on 31st March, 2006

	Shareholder	No. of Shares Held	% of Holding
1)	Government of India	198600060	66.20
2)	Unit Trust of India	2476980	0.83
3)	Life Insurance Corporation of India	26193474	8.73
4)	Other Financial Institutions/Banks/Mutual Funds	12238484	4.08
5)	Foreign Institutional Investors	52356868	17.45
6)	Private Corporate Bodies	1625820	0.54
7)	Non Resident Indians/Overseas Corporate Bodies	160382	0.06
8)	Employees	2165477	0.72
9)	Indian Public	4182455	1.39
		300000000	100.00

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

Pursuant to the merger of KRL with BPC, vide order from Ministry of Company Affairs dated 18.8.2006, the total paid-up share capital of BPC had increased to 36,15,42,124 equity shares of Rs. 10/- each and the shareholding of the Government of India in BPC has reduced from 66.20 % to 54.93%. Further, 3,37,28,737 equity shares allotted to BPC against the investment of 7,58,89,660 equity shares in KRL are deposited in the "BPCL Trust for Investment in Shares."

Dematerialization of shares and liquidity

Out of the shares held by the shareholders other than the Government, 99.32% are held in dematerialised form as on 31st March, 2006.

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

Plant Locations

Mumbai Refinery : Bharat Petroleum Corporation Limited
Mahul, Mumbai 400 074

Kochi Refinery : Bharat Petroleum Corporation Limited
Ambalamugal, Kochi

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

Shri H.Krishnamoorthy,
General Manager (Operations),
Data Software Research Co. Pvt. Ltd.
'Sree Sovereign Complex'
22, 4th Cross Street Trustpuram
Kodambakkam, Chennai 600024
Ph: +91-44-24833738 / 24834487
Fax: 91-44-2483 4646
Email : dsrcmd@vsnl.com

Annexure I

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

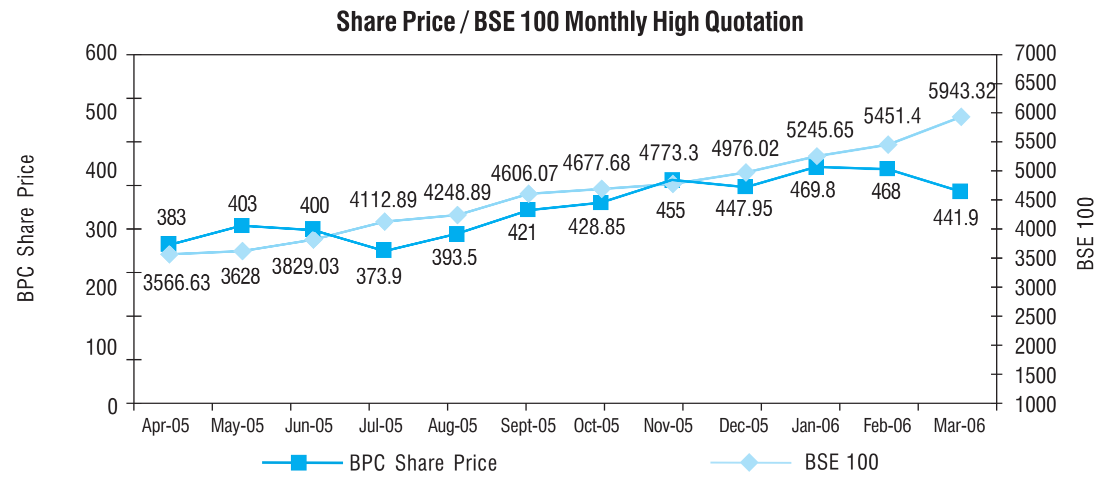
Month(s) (April 2005 - (March 2006)	Mumbai Stock Exchange			National Stock Exchange		
	High (Rs. per share)	Low (Rs. per share)	Monthly Volume	High (Rs. per share)	Low (Rs. per share)	Monthly Volume
April	383	344.60	1948453	381.75	344.60	8592 740
May	403	**323.80**	2404970	402	351	9055210
June	400	359.05	3100218	400	361.10	7947177
July	373.90	340	1402769	374.50	**339**	4905552
August	393.50	340	1789259	394	340	6984263
September	421	362	3384694	422	360.1	10671277
October	428.85	362.05	2196705	429.40	363	7393100
November	455	369	2680667	455	368.25	7858914
December	447.95	403	4284066	448	401.30	8025168
January	**469.80**	408	2398568	**471.10**	412.05	5115242
February	468	405.10	3392026	460	400	7756285
March	441.90	409	3228846	442	386.10	5270464

Shares traded during 1st April, 2005 to 31st March, 2006

	BSE	NSE
No. of Shares traded	32211241	89575392
Highest Share Price	Rs. 469.80 (as on 6.1.2006)	Rs. 471.10 (as on 18.1.2006)
Lowest Share Price	Rs. 323.80 (as on 20.5.2005	Rs. 339 (as on 20.7.2005)
Closing Share price as on 31st March, 2006	Rs. 426.05	Rs.425.30
Market Capitalisation as on 31st March, 2006	Rs. 127,815 million	Rs. 127,590 million

Annexure II

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

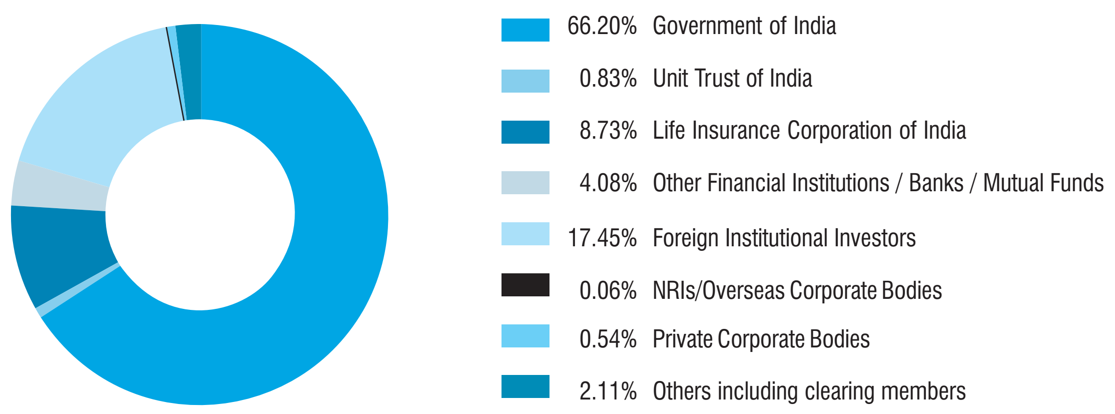


Annexure III

Distribution of Shareholding as on 31st March, 2006

No. of equity shares held	No. of Shareholders	No. of Shares	% to the total
Upto 5000	31823	6452066	2.151
From 5001 10000	35	244371	0.081
From 10001 50000	71	1655015	0.552
From 50001 100000	24	1721274	0.574
From 100001 500000	52	12324025	4.108
From 500001 1000000	14	11076692	3.692
From 1000001 2000000	13	18071768	6.024
From 2000001 3000000	4	10119658	3.373
From 3000001 & above	4	238335131	79.445
	32040	300000000	100.00

SHAREHOLDING PATTERN OF BPC AS ON 31ST MARCH 2006 (Percentage)



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, 2006, 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 mandatory requirements of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement except for non-compliance of Clause 49(I)(A)(ii) relating to the number of Independent Directors on the Board of Directors of the Company.

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 : 31st October 2006

ANNEXURE C

ANNUAL STATEMENT OF BPC SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) AS ON 1ST JANUARY 2006 AND NUMBER OF APPOINTMENTS MADE DURING THE CALENDAR YEAR 2005

Groups	Representation of SCs/STs/OBCs (As on 1st January 2006)				Number of appointments made during the calendar year 2005									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	3713	619	208	202	203	36	22	16	4	1	Nil	Nil	Nil	Nil
Group B	2669	400	172	54	5	Nil	Nil	Nil	86	9	11	Nil	Nil	Nil
Group C	2976	547	222	158	70	11	5	27	19	2	Nil	Nil	Nil	Nil
Group D (Excluding Sweepers)	2594	517	148	279	5	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group D (Sweepers)	85	51	5	8	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	12037	2134	755	701	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

ANNUAL STATEMENT OF BPC SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) AS ON 1ST JANUARY 2006 OF THE YEAR AND NUMBER OF APPOINTMENTS MADE DURING THE SERVICE IN VARIOUS GRADES IN THE CALENDAR YEAR 2005

Groups	Representation of SCs/STs/OBCs (As on 1st January 2006)				Number of appointments made during the calendar year 2005									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
12000-17500	917	162	66	107	200	36	22	16	4	1	Nil	Nil	Nil	Nil
13750-15200	999	178	75	86	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
16000-20800	773	158	50	8	2	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
17500-22300	486	80	12	Nil	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
18500-23900	259	25	3	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
19000-24750	138	6	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
19500 & above	141	10	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	3713	619	208	202	203	36	22	16	4	1	Nil	Nil	Nil	Nil

ANNUAL STATEMENT OF THE ERSTWHILE KOCHI REFINERIES LIMITED SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) AS ON 1st JANUARY 2006 AND NUMBER OF APPOINTMENTS MADE DURING THE CALENDAR YEAR 2005

Groups	Representation of SCs/STs/OBCs (As on 1st January 2006)				Number of appointments made during the calendar year 2005									
					By Direct Recruitment				By Promotion			By Deputation/Absorption		
	Total	SCs	STs	OBCs @	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Group A	571	84	25	41	Nil	Nil	Nil	Nil	65	6	3	Nil	Nil	Nil
Group B	378	53	9	27	Nil	Nil	Nil	Nil	44	6	Nil	Nil	Nil	Nil
Group C	942	103	17	232	21	2	Nil	7	142	15	4	Nil	Nil	Nil
Group D (Excluding Sweepers)	1	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group D (Sweepers)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	1892	241	51	300	21 *	2	Nil	7	251	27	7	Nil	Nil	Nil

* 20 General Workmen-B and 1 Sports person (Volleyball) in Group - C were recruited during the year 2005.

@ Reservation for OBC in direct recruitment was implemented from 08.09.1993 as per Govt.O.M. No.36012/22/993-Estt(SCT) dtd:22.10.1993. Status shown is against the total manpower.

ANNUAL STATEMENT OF ERSTWHILE KOCHI REFINERIES LIMITED SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) IN VARIOUS GROUP 'A' SERVICES AS ON 1ST JANUARY 2006 AND NUMBER OF APPOINTMENTS MADE IN THE SERVICE IN VARIOUS GRADES IN THE CALENDAR YEAR 2005

Service : Group-A

Groups	Representation of SCs/STs/OBCs (As on 1st January 2006)					Number of appointments made during the calendar year 2005									
						By Direct Recruitment				By Promotion			By Deputation/Absorption		
	Pay Scale (in Rupees)	Total	SCs	STs	OBCs @	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Supervisory															
A	12000-17500	131	23	8	15	Nil	Nil	Nil	Nil	17	3	Nil	Nil	Nil	Nil
B	13750-18700	137	24	4	17	Nil	Nil	Nil	Nil	10	1	1	Nil	Nil	Nil
C	16000-20800	65	13	1	8	Nil	Nil	Nil	Nil	10	1	Nil	Nil	Nil	Nil
D	17500-22300	123	17	8	1	Nil	Nil	Nil	Nil	10	1	1	Nil	Nil	Nil
E	18500-23900	47	4	4	Nil	Nil	Nil	Nil	Nil	9	Nil	1	Nil	Nil	Nil
F	19000-24750	40	1	Nil	Nil	Nil	Nil	Nil	Nil	8	Nil	Nil	Nil	Nil	Nil
G	19500-25600	19	2	Nil	Nil	Nil	Nil	Nil	Nil	1	Nil	Nil	Nil	Nil	Nil
H	20500-26500	6	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
CVO	22500-600-27300	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Director	22500-600-27300	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Managing Director	25750-650-30950	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total		571	84	25	41	Nil	Nil	Nil	Nil	65	6	3	Nil	Nil	Nil

@ Reservation for OBC in direct recruitment was implemented from 08.09.1993 as per Govt.O.M. No.36012/22/993-Estt(SCT) dtd:22.10.1993. Status shown is against the total manpower.

ANNEXURE D

ADDENDUM

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHARAT PETROLEUM CORPORATION LIMITED, FOR THE YEAR ENDED 31ST MARCH, 2006.	The Directors have received the comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the Annual Accounts for the year ended 31st March, 2006 vide their letter no. MAB II/BPCL/ACCOUNTS/05-06/T-633/441 dated 3.11.2006. The explanations of the Board of Directors are as under:
COMMENT	**EXPLANATION**
BALANCE SHEET **Application of Funds** **Current Assets, Loans and Advances:** **Inventories: (Schedule G)** **Raw Materials : Rs. 20116.55 million** This includes Raw materials-in-transit amounting to Rs. 2599.25 million which should have been shown separately.	Noted. However, as per para 27 of AS-2 valuation of Inventories, the common classification of inventories are raw materials and components, work-in-progress, finished goods, stores and spares and loose tools. Further as per Schedule VI of the Companies Act, there is no specific requirement for disclosure of raw materials in transit separately.

For and on behalf of the Board of Directors

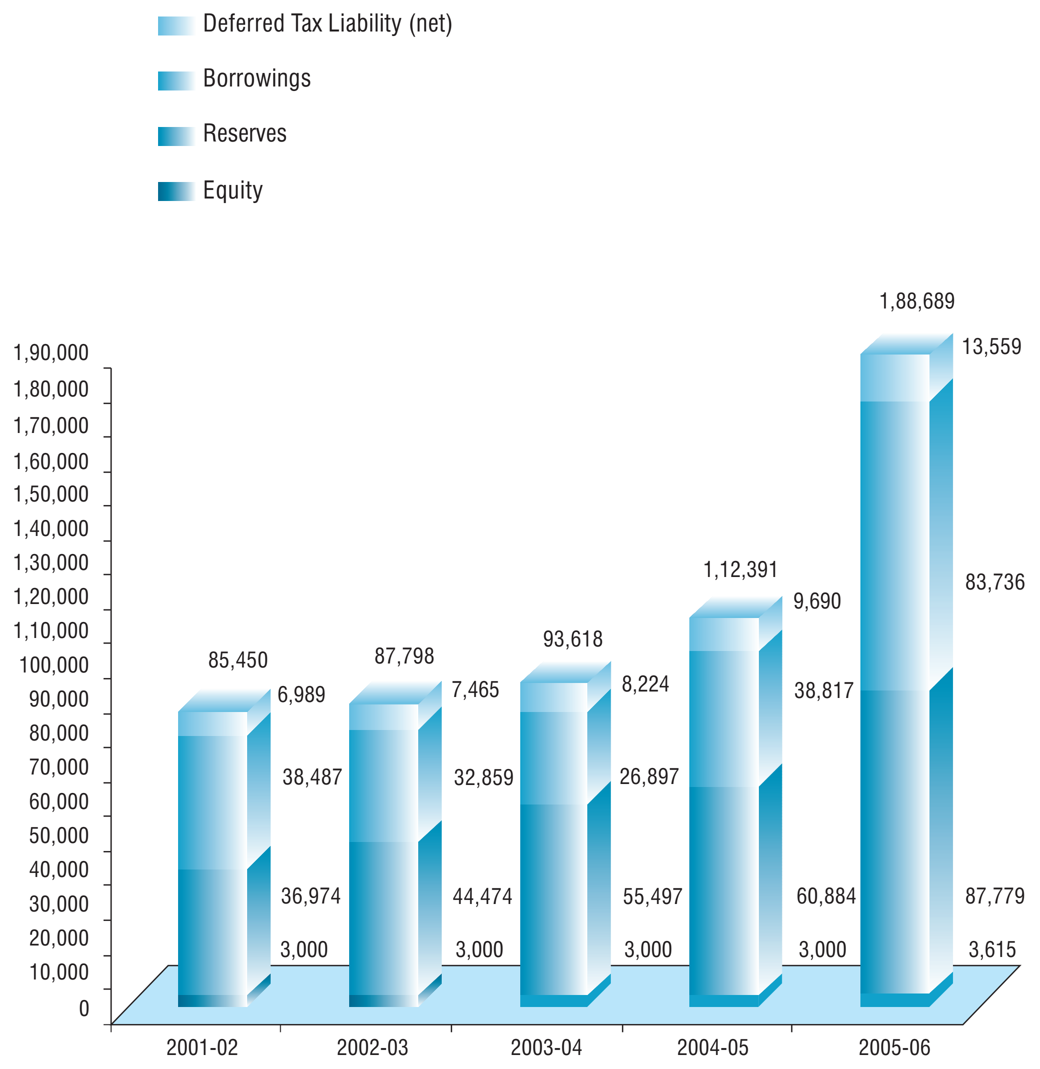
Sd/-
REVATHY IYER
Principal Director of Commercial Audit &
ex-officio Member, Audit Board II, Mumbai

Mumbai
3rd November 2006

Sd/-
ASHOK SINHA
Chairman & Managing Director

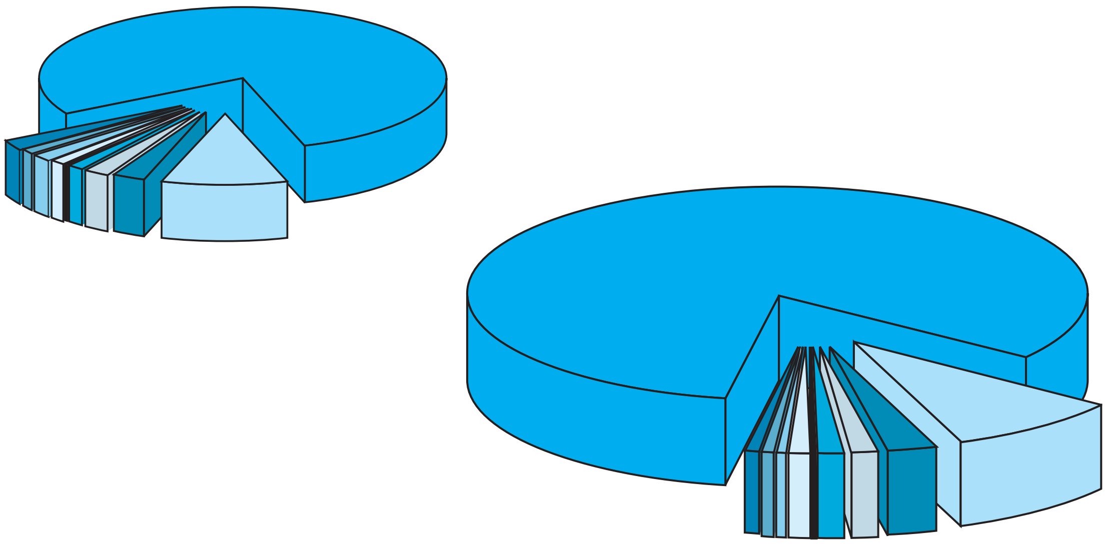
Mumbai
17th November 2006

TOTAL FUNDS EMPLOYED (Rs. in Million)



Note: Previous years' figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

DISTRIBUTION OF EACH RUPEE EARNED



2004-2005	2005-2006	
82.36	82.54	Raw Materials, Purchase of Products for resale and packages
9.30	11.23	Duties, Taxes etc.
2.32	1.91	Transportation
1.53	1.63	Stores and other operating expenses
1.23	1.03	Employees' remuneration and other benefits
0.22	0.29	Interest on Borrowings
0.93	0.90	Depreciation
0.61	0.13	Income Tax
0.66	0.12	Dividend (including Corporate Dividend Tax)
0.84	0.22	Retained Profits

Note: Previous years' figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

PERFORMANCE PROFILE

		2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
1.	**Crude Oil Processed (000 Tonnes)**									
	Imported	**11584**	5093	4543	3230	3587	2743	2546	1731	1222
	Indigenous	**5653**	4045	4214	5481	5183	5919	6323	7205	6720
	TOTAL	**17237**	9138	8757	8711	8770	8662	8869	8936	7942
2.	**Production Quantity (000 KL)**	**19795**	10314	10210	10291	10355	10348	10643	10861	9648
	Light Distillates %	**31.97**	31.35	33.27	34.32	33.51	34.74	32.69	34.85	34.47
	Middle Distillates %	**50.43**	49.89	49.13	50.73	50.45	49.43	53.45	53.90	54.29
	Heavy Ends %	**17.60**	18.76	17.60	14.95	16.04	15.83	13.86	11.25	11.24
3.	**Fuel and Loss as % of Crude Processed**	6.7	5.9	5.7	5.6	5.6	5.4	4.9	4.5	4.8
4.	**Aromatics Production (MT)**									
	Benzene	**61335**	44243	43178	69798	56360	75293	76351	70496	57169
	Toluene	**43051**	10042	12759	20013	16610	16344	19569	16990	18664
5.	**Market Sales (MMT)**	**21.63**	21.03	20.37	19.86	19.15	19.35	18.68	17.50	16.37
6.	**Lubricants Production (MT)**	**100461**	106287	101245	112730	99875	96624	100396	102684	86951
7.	**Market Participation %**	**23.07**	21.9	22.1	22.0	21.5	21.4	20.7	20.6	20.5
8.	**Marketing Network**									
	Installations	**12**	12	12	17	19	19	19	16	16
	Depots	**121**	123	129	153	171	164	146	131	128
	Aviation Service Stations	**20**	19	19	19	19	19	19	16	15
	Total Tankages (Million KL)	**3.01**	3.05	3.08	3.13	3.23	2.94	2.88	2.72	2.3
	Retail Outlets	**7332**	6426	5530	4854	4711	4562	4489	4423	4407
	Number of LPG Bottling Plants	**45**	44	42	40	40	38	32	27	21
	LPG Distributors	**2123**	2061	1922	1828	1729	1421	1345	1200	1179
	LPG Customers (No. Million)	**22.24**	21.32	19.43	16.99	15.28	13.80	11.40	9.11	8.03
9.	**Manpower (Nos.)**	**13876**	12029	12434	12494	12586	12670	12638	12264	12094
10.	**Sales and Earnings (Figures in Rs. Million)**									
	i) Sales and Other Income *	**829345**	633430	529828	475844	425597	471532	358911	258299	209187
	ii) Gross Profit before Depreciation, Interest & Tax	**14226**	20922	33016	27204	21144	20332	17377	15568	12143
	iii) Depreciation	**7680**	5960	5612	4809	4810	6645	6154	4040	3824
	iv) Interest	**2474**	1398	1050	2459	3066	2556	1854	1745	1122
	v) Profit before Tax	**4072**	13563	26355	19935	13268	11131	9369	9783	7197
	vi) Tax	**1166**	4271	9284	7281	4911	2930	2330	2770	1870
	vii) Excess/(Short) provision for Taxation in earlier years written back/provided for	**10**	366	(125)	(154)	141	126	(22)	48	(113)
	viii) Profit after Tax #	**2916**	9658	16946	12500	8498	8327	7017	7061	5214

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

	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
	1486	1110	1891	2610	2685	2062	1397	1008	623	1204	105	67	175	1268	3596
	6108	6240	5491	4596	4550	4900	5514	6024	5535	5352	5467	6311	5279	3603	159
	7594	7350	7382	7206	7235	6962	6911	7032	6158	6556	5572	6378	5454	4871	3755
	8986	8816	8788	8644	8653	8372	8329	8525	7367	7858	6667	7574	6619	5769	4312
	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
	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
	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
	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
	81533	60575	57511	22037	56612	69564	68426	56499	59624	45928	18603	20112	-	-	-
	20689	13182	13437	7047	11070	9048	10877	8843	7494	8414	4948	4455	-	-	-
	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
	69164	67876	66681	74154	82911	95091	87459	94672	92725	84691	74763	72414	69425	60813	40939
	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
	16	16	16	16	14	12	10	10	10	9	9	8	8	7	5
	131	122	118	117	98	94	83	78	69	69	65	62	60	57	61
	16	16	16	14	14	13	13	13	12	11	9	8	8	3	2
	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
	4373	4312	4214	4090	4040	4005	3965	3894	3822	3741	3663	3567	3486	3311	3183
	19	18	16	16	15	15	15	15	14	8	4	2	2	-	-
	1146	1062	948	866	816	793	767	740	704	651	616	518	409	154	90
	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
	11704	11499	11207	11299	11167	11158	11029	10616	10578	10203	9397	8321	7894	5808	4847
	181564	150234	133863	115203	102349	88828	73951	60816	54762	50797	44878	31650	26642	15124	6728
	9775	9101	7618	5456	4735	4028	3488	3010	2424	1903	1843	1772	930	394	103
	2258	2179	2603	1365	1431	1031	961	1030	789	635	816	776	533	125	24
	821	394	437	467	383	442	372	314	334	338	342	307	189	38	19
	6696	6528	4578	3624	2921	2555	2155	1666	1301	930	685	689	208	231	60
	2370	2670	1690	1470	1220	1070	877	440	258	150	82	76	70	127	43
	(250)	-	33	21	-	-	-	-	-	-	-	-	-	-	-
	4076	3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17

PERFORMANCE PROFILE (Contd.)

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
11. What the Company Owned (Rs. Million)									
i) Gross Fixed Assets (including Capital Work-in-Progress)	**185450**	140174	125657	109351	97222	88235	76295	62228	50463
ii) Net Fixed Assets (including Capital Work-in-Progress)	**110855**	83487	74535	63662	56016	51663	45916	37886	30050
iii) Net Current Assets (including Investments)	**77834**	28904	19083	24136	29434	30712	14958	9004	9832
Total Assets Net (ii + iii)	**188689**	112391	93618	87798	85450	82375	60874	46890	39882
12. What the Company Owed (Rs. Million)									
i) Share Capital	**3615**	3000	3000	3000	3000	3000	1500	1500	1500
ii) Reserves and Surplus	**87779**	60884	55497	44474	36974	37794	33447	28718	23738
iii) Net Worth (i +ii)	**91394**	63884	58497	47474	39974	40794	34947	30218	25238
iv) Borrowings	**83736**	38817	26897	32859	38487	41581	25927	16672	14644
v) Deferred Tax Liability (net)	**13559**	9690	8224	7465	6989	-	-	-	-
Total Funds Employed (iii + iv + v)	**188689**	112391	93618	87798	85450	82375	60874	46890	39882
13. Internal Generation (Rs. Million)	**10614**	12820	17399	12763	10998	12306	10894	8990	8227
14. Value Added (Rs. Million)	**47808**	48766	57743	52031	43716	41448	36925	30018	24447
15. Earnings in Foreign Exchange (Rs. Million)	**42867**	19446	13204	11913	6554	8700	5730	2993	3567
16. Ratios									
i) Gross Profit before Depreciation, Interest & Tax as % age of Sales and Other Income	**1.7**	3.3	6.1	5.6	5.3	4.4	5.2	7.1	10.1
ii) Profit after Tax as % age of average Net Worth	**3.2**	15.8	32.0	28.6	21.0	22.0	21.5	25.5	22.6
iii) Profit after Tax as % age of Share Capital	**80.7**	321.9	564.9	416.7	283.3	277.5	467.8	470.7	347.6
iv) Average Net Worth as % age of Share Capital	**2527.8**	2039.7	1766.2	1457.5	1346.1	1262.4	2172.2	1848.5	1536.2
v) Gross Profit before Depreciation, Interest & Tax as % age of Capital Employed	**8.0**	21.2	41.5	34.8	26.1	26.7	31.1	38.5	34.0
vi) Profit before Tax as % age of Capital Employed	**2.3**	13.7	33.1	25.5	16.4	14.6	16.8	24.2	20.1
vii) Profit After Tax as % age of Capital Employed (ROCE)	**1.6**	9.8	21.3	16.0	10.5	10.9	12.5	17.4	14.6
viii) Debt Equity Ratio	**0.92**	0.61	0.46	0.69	0.96	1.02	0.7	0.6	0.6
17. Earnings per Share (Rupees)#	**8.07**	32.19	56.49	41.67	28.33	27.76*	46.78	47.07	34.76
18. Book Value per Share (Rupees)	**252.79**	212.95	194.99	158.25	133.25	135.98@	232.98	201.45	168.25

After adjusting prior period tax.

* Issue of Bonus Shares in the ratio 1:1

** Issue of Bonus Shares in the ratio 2:1

@ On Post-Bonus Capital.

Note: Previous years' figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

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
39491	32502	27907	23685	20566	17525	15234	13246	11224	9549	7518	6005	4947	963	461
22762	17940	15455	13741	11928	10237	8940	7873	6832	5991	4276	3596	3292	471	226
11695	4622	2578	1838	839	1238	1139	802	314	142	908	1093	583	869	259
34457	22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
1500	1500	1500	500	500	500	500	500	279	279	279	279	166	145	145
19349	15818	12455	11021	9010	7475	6140	4962	4057	3070	2062	1496	1035	498	190
20849	17318	13955	11521	9510	7975	6640	5462	4336	3349	2341	1775	1201	643	335
13608	5244	4078	4058	3257	3500	3439	3213	2810	2784	2843	2914	2674	697	150
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34457	22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
5782	5544	5032	3376	2967	2366	2139	2154	1855	1358	1425	1350	650	212	26
20769	19555	15622	9261	8886	7863	6820	4813	4994	3873	3405	2922	2235	1008	281
4172	3610	2724	2362	2042	1600	1971	1361	1199	1100	1156	1030	877	1	22
9.1	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
21.4	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
271.7	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
1272.2	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
33.0	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
22.6	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
13.8	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
0.7	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
27.17	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
139.00	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

SOURCES AND APPLICATION OF FUNDS

	2005-06	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 *	**2,916**	9658	16946	12500	8498	8326	7017	7061	5214	4076
Capital Grants received (Net of amortisation)	**31**	—	—	—	—	—	—	—	—	—
Depreciation	**7,706**	5966	5618	4785	4829	6459	6165	4011	3838	2251
Investment	—	2998	1292	2332	—	—	231	5139	—	—
Shareholders' Investment	—	—	—	—	—	—	—	—		
Deferred Tax Provision	**1,025**	1466	758	477	971	—	—	—	—	—
BORROWINGS										
Loans (net)	**37,147**	11919	—	—	—	15655	9254	2029	1036	8364
LPG Deposits	**1,502**	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.	**73**	170	34	63	59	141	28	17	25	18
	50,400	33879	28409	23123	24956	34428	26144	19940	20332	15914
APPLICATION OF FUNDS										
Capital Expenditure	**20,091**	15087	16525	12494	9241	12347	14223	11865	11151	7091
Dividend	**904**	3750	5250	4500	3300	2250	1875	1875	750	495
Tax on distributed profits	**127**	520	673	500	—	230	413	206	75	49
Repayment of Loans (net)	—	—	5961	5629	3094	—	—	—	—	—
Investment	**27,882**	—	—	—	9321	8638	—	—	8356	790
Increase in Working Capital	**1,396**	14522	—	—	—	10963	9633	5994	—	7489
	50,400	33879	28409	23123	24956	34428	26144	19940	20332	15914

* After adjusting prior period tax.

Note: Previous years' figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

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 (Rs. Million)
3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17
—	—	—	—	—	—	—	—	—	—	—	—	—	—
2181	2605	1366	1431	1031	961	1028	868	634	861	776	535	128	24
765	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	171
—	—	—	—	—	—	—	—	—	—	—	—	—	—
1166	20	802	—	62	226	403	25	—	—	240	746	620	115
971	788	520	254	373	176	285	214	222	276	328	260	12	11
—	—	—	539	—	—	—	—	546	—	—	—	—	—
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
4718	4348	3187	3162	2340	2030	2095	1728	2071	1538	1107	1544	231	26
495	495	165	165	150	100	100	56	56	39	39	23	20	15
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	245	—	—	—	—	60	71	—	—	—	—
—	922	722	394	67	275	21	10	—	—	—	6	—	1
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

SALES VOLUME ('000 MT)

	2005-06 Sales	2005-06 Market Share (%)	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 (%)
Light Distillates :										
Naphtha	**1307**	**25.5**	1047	16.0	1373	19.4	1263	17.2	1379	17.2
LPG (Bulk & Packed)	**2586**	**26.1**	2593	26.1	2329	25.6	2030	24.9	1788	24.5
Motor Spirit	**2475**	**29.9**	2460	30.0	2453	30.9	2384	31.3	2192	31.2
Special Boiling Point Spirit/Hexane	**36**	**25.6**	24	16.9	30	19.0	34	38.2	36	37.2
Benzene	**59**	**100.0**	48	53.2	46	52.9	66	55.0	59	60.8
Toluene	**44**	**91.4**	11	20.3	8	20.7	19	30.2	17	31.5
Polypropylene Feedstock	**38**		49		17		5		3	
Regasified - LNG	**479**		250		-		-		-	
Others	**122**		79		51		26		11	
Sub Total	**7146**		6561		6307		5827		5485	
Middle Distillates :										
Aviation Turbine Fuel	**680**	**20.6**	587	20.6	566	22.5	517	22.4	506	22.3
Superior Kerosene Oil	**1626**	**17.0**	1619	16.8	1614	16.7	1656	16.6	1653	15.9
High Speed Diesel	**8551**	**23.5**	9112	23.9	9023	24.3	8853	24.1	8743	23.9
Light Diesel Oil	**156**	**18.7**	158	14.5	146	12.3	181	12.6	132	10.9
Mineral Turpentine Oil	**124**	**61.2**	85	36.8	93	41.7	101	42.1	94	44.8
Others			7		21		17		5	
Sub Total	**11137**		11568		11463		11325		11133	
Others :										
Furnace Oil	**1944**	**23.7**	1671	20.7	1366	19.1	1331	19.6	1281	18.5
Low Sulphur Heavy Stock	**753**	**18.1**	708	16.2	741	16.1	801	17.0	711	15.3
Bitumen	**480**	**13.8**	387	11.7	371	10.9	444	15.8	421	17.4
Lubricants	**116**	**13.2**	117	14.1	111	12.6	117	12.3	105	12.8
Others	**54**		14		10		11		14	
Sub Total	**3347**		2897		2599		2704		2532	
Grand Total	**21630**	**23.07**	21026	21.92	20369	22.07	19856	22.0	19150	21.5

Note 1 : Market Share is based on Sales Volumes of Public Sector Oil Companies.

Note 2 : Previous years' figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

PRODUCTION ('000 MT)

	2005-06	2004-05	2003-04	2002-03	2001-02
Light Distillates :					
Naphtha	**1957**	1125	1106	1072	1085
LPG	**739**	359	367	377	353
Motor Spirit	**1632**	929	878	901	877
Special Boiling Point Spirit/Hexane	**44**	24	30	31	35
Benzene	**61**	44	43	70	56
Toluene	**43**	10	13	20	17
Polypropylene Feedstock	**38**	48	16	7	4
Others	**3**	0	5	7	0
Sub Total	**4517**	2539	2458	2485	2427
Middle Distillates :					
Aviation Turbine Fuel	**536**	329	336	298	279
Superior Kerosene Oil	**1551**	772	762	807	811
High Speed Diesel	**5785**	2828	2746	2824	2938
Light Diesel Oil	**165**	164	132	199	112
Mineral Turpentine Oil	**128**	85	92	105	94
Sub Total	**8165**	4178	4068	4233	4234
Heavy Ends :					
Furnace Oil	**2209**	1041	990	608	649
Low Sulphur Heavy Stock	**706**	518	455	522	601
Sulphur	**48**	15	10	12	14
Bitumen	**439**	307	278	361	354
Sub Total	**3402**	1881	1733	1503	1618
Grand Total	**16084**	8598	8259	8221	8279

Lubricants Production (MT)

2005-06	2004-05	2003-04	2002-03	2001-02
100461	106287	101245	112730	99875

Quantity of LPG Filled in Cylinders (MT)

2005-06	2004-05	2003-04	2002-03	2001-02
2322096	2330185	2111173	1871631	1708370

Note: Previous years' figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

HOW VALUE IS GENERATED

Rs. Million

	2005-06	2004-05
Value of Production (Refinery)	**360813**	152180
Less : Direct Materials Consumed	**323189**	135098
Added Value	**37624**	17082
Marketing Operations	**33652**	31684
Value added by Manufacturing & Trading Operations	**71276**	48766
Add : Other Income (including P.Y.A)	**4819**	4486
Total Value Generated	**76095**	53252

HOW VALUE IS DISTRIBUTED

Rs. Million

			2005-06		2004-05
1.	OPERATIONS				
	Operating & Service Costs		**29585**		24401
2.	EMPLOYEES' BENEFITS				
	Salaries, Wages & Bonus	**6529**		5878	
	Other Benefits	**2287**	**8816**	2053	7931
3.	PROVIDERS OF CAPITAL				
	Interest on Borrowings	**2474**		1398	
	Dividend	**1031**	**3505**	4270	5668
4.	INCOME TAX		**130**		2439
5.	RE-INVESTMENT IN BUSINESS				
	Depreciation	**7680**		5960	
	Deferred Tax	**1025**		1466	
	Retained Profit	**25354**	**34059**	5387	12813
Total Value Distributed			**76095**		53252

Note: Previous years' figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

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, 2006 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 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, 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 Branch Auditor's report on the accounts of Kochi Refinery Unit, (the erstwhile subsidiary, Kochi Refineries Ltd., that has been amalgamated with the Company), has been forwarded to us and appropriately dealt with while preparing our report.

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

   (v) 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;

   (vi) On the basis of written representations received from the Directors, other than Government nominee Directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 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;

   (vii) 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, 2006;

      (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 : September 26, 2006

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.

In respect of Kochi Refinery unit, the Branch Auditor's have reported that in respect of certain assets that were acquired on turnkey basis under Refinery Construction Contract, quantitative particulars and cost of individual assets are not available, though, the total cost of such assets is available and further they have reported that these assets have almost been fully depreciated.

(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, the differences observed on physical verification as compared to book records, which were not material, are under reconciliation.

In respect of Kochi Refinery Unit, the Branch Auditor's have reported that there is a regular programme of verification of fixed assets in a cycle of 5 years which, in their opinion, is reasonable having regard to the size of the unit and the nature of assets and further they have reported that no material discrepancies were noticed on such verification.

(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, in transit and lying with third parties, have been physically verified during the year by the management. In respect of inventories lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of physical verification is reasonable.

The Branch Auditor's have reported that the stock of stores and spare parts at Kochi Refinery Unit are physically verified so as to complete the verification of all items over a period of 3 years, which frequency of physical verification in their opinion 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. Therefore, the provisions of sub-clauses (b), (c) (d), (e), (f) and (g) of sub-para (iii) of para 4 of the Order are not applicable to the Company.

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. (a) 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, there were no transactions that needed to be entered in the Register maintained in pursuance of section 301 of the Companies Act, 1956.

(b) Sub-clause (b) of sub-para (v) of para 4 of the Order regarding reasonability of prices at which such transactions have been entered into is not applicable, as there are no such transactions that needed to be entered in the Register maintained pursuant to section 301 of the Companies Act, 1956.

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 except for delay in filing the return of deposits as of 31st March, 2006 with the authorities.

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 on the Company.

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.

(b) 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, 2006, for a period of more than six months from the date they became payable.

(c) 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	Board of Revenue	
Customs Act, 1962 (Customs Duty including Penalty & Interest, wherever applicable)	1995 to 2000	7.64	-	216.76	42.31	-	-	-	266.71
	2000 to 2005	-	-	11.10	109.63	-	-	-	120.73
	2005 to 2006	-	-	-	1.44	-	-	-	1.44
Customs Duty Total		**7.64**	**-**	**227.86**	**153.38**	**-**	**-**	**-**	**388.88**
Excise Act, 1944 (Excise Duty Including Penalty & Interest, wherever applicable)	1985 to 1990	-	-	0.66	0.71	-	-	-	1.37
	1990 to 1995	-	-	3.38	4.20	18.59	0.47	-	26.64
	1995 to 2000	7.38	-	429.27	4.16	-	15.78	-	456.59
	2000 to 2005	-	-	2,925.69	364.09	-	58.76	-	3,348.54
	2005 to 2006	-	-	0.21	-	-	-	-	0.21
Excise Duty Total		**7.38**	**-**	**3,359.21**	**373.16**	**18.59**	**75.01**	**-**	**3,833.35**
Sales Tax Legislations (Sales Tax including Penalty & Interest, wherever applicable)	1980 to 1985	-	0.37	0.92	-	-	-	-	1.29
	1985 to 1990	-	9.71	57.20	2.04	2.03	-	0.19	71.17
	1990 to 1995	-	19.47	94.38	94.98	361.41	-	-	570.24
	1995 to 2000	-	3.18	2,882.85	642.09	757.64	-	-	4,285.76
	2000 to 2005	-	384.44	4.23	4,580.04	483.99	-	-	5,452.70
	2005 to 2006	-	-	-	5.81	-	-	-	5.81
Sales Tax Total		**-**	**417.17**	**3,039.58**	**5,324.96**	**1,605.07**	**-**	**0.19**	**10,386.97**
Sales Tax Legislations (Works Contract Tax Including Penalty & Interest, wherever applicable)	1990 to 1995	-	-	-	0.74	-	-	-	0.74
Works Contract Tax Total		**-**	**-**	**-**	**0.74**	**-**	**-**	**-**	**0.74**
Income Tax Act, 1961 (Income Tax Including Penalty & Interest, wherever applicable)	2000 to 2005	-	4.47	-	12.22	-	-	-	16.69
	2005 to 2006	-	1.14	-	-	-	-	-	1.14
Income Tax Total		**-**	**5.61**	**-**	**12.22**	**-**	**-**	**-**	**17.83**
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
	2005 to 2006	-	2.71	-	-	-	-	-	2.71
Land Revenue Total		**-**	**26.28**	**-**	**-**	**-**	**-**	**-**	**26.28**
Grand Total		**15.02**	**449.06**	**6.626.65**	**5,864.46**	**1,623.66**	**75.01**	**0.19**	**14,654.05**

** 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. Concessional Sales Tax Forms received from a customer against products sold in the year 2002-03 on which sales tax was not charged, were rejected by the Sales Tax authorities, since the original year reference 2001-02 had been struck off and substituted with the year reference 2002-03 without proper endorsement. The aggregate amount of sales tax recovered by the Sales Tax authorities from the Corporation in respect of such altered / defective forms reported during the year is Rs.12.74 Crores. The Company has initiated appropriate legal action against the customer.

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

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

Place : Mumbai
Dated : September 26, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE	Rs. Million	31/03/2005 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,000.00**	3,000.00
Share Capital Suspense Account	AA	**615.42**	—
Share Application Money Suspense Account		**0.02**	—
		3,615.44	3,000.00
Reserves and Surplus	B	**87,778.83**	60,884.26
		91,394.27	63,884.26
2. Loan funds :	C		
Secured Loans		**30,713.17**	11,734.17
Unsecured Loans		**53,022.79**	27,081.95
		83,735.96	38,816.12
3. Deferred tax liability (net)		**13,558.41**	9,690.29
TOTAL		**188,688.64**	112,390.67
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**173,768.44**	126,688.37
Less : Depreciation and amortisation		**74,594.79**	56,687.16
Net block		**99,173.65**	70,001.21
Capital work-in-progress	E	**11,681.08**	13,485.53
		110,854.73	83,486.74
2. Investments	F	**38,774.20**	16,771.38
3. Current assets, loans and advances :			
Inventories	G	**90,447.73**	62,585.56
Sundry debtors	H	**13,158.88**	8,545.84
Cash and bank balances	I	**4,920.96**	3,523.89
Other current assets	J	**7,735.90**	96.78
Loans and advances	K	**16,865.91**	29,060.46
		133,129.38	103,812.53
Less : Current liabilities and provisions :			
Liabilities	L	**88,944.81**	88,209.93
Provisions	M	**5,124.86**	3,470.05
		94,069.67	91,679.98
Net current assets		**39,059.71**	12,132.55
TOTAL		**188,688.64**	112,390.67
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

Sd/-
S. K. JOSHI
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Place : Mumbai
Dated : 26th September, 2006

As per our attached report of even date

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

Sd/-
S. VENKATRAMAN
Partner
Membership No. 34319

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	Rs. Million	2004-05 Rs. Million
INCOME			
Sale of products & related income	N	**851,496.22**	638,570.03
Less : Excise Duty paid		**(81,136.98)**	(48,870.10)
		770,359.24	589,699.93
Miscellaneous income	O	**4,653.19**	4,513.65
Increase/(Decrease) in Inventory	P	**7,543.98**	15,862.49
TOTAL		**782,556.41**	610,076.07
EXPENDITURE			
Purchase of products for resale		**389,844.37**	407,426.24
Raw materials consumed	Q	**323,659.84**	137,529.47
Packages consumed		**669.87**	553.08
Excise Duty on Inventory differential		**2,207.07**	(3,008.00)
Other Duties, taxes etc. and other charges applicable to products		**12,819.18**	13,933.94
Transportation		**16,355.48**	14,919.34
Consumption of stores, spares and materials	R	**439.82**	207.80
Power and Fuel	S	**477.15**	196.88
Employees' remuneration and other benefits	T	**8,816.09**	7,930.87
Interest	U	**2,474.14**	1,398.03
Other operating and administration expenses	V	**13,207.33**	9,367.20
Depreciation and amortisation		**7,680.06**	5,960.39
TOTAL		**778,650.40**	596,415.24
Profit		**3,906.01**	13,660.83
Prior period income/(expenses) net	W	**165.94**	(97.35)
Profit before tax		**4,071.95**	13,563.48
Provision for Taxation			
- Current Tax		**246.40**	2,805.10
- Less: MAT Credit (refer note 3 of Schedule 'X' B)		**(240.00)**	—
- Fringe Benefit Tax		**133.82**	—
- Deferred Tax (Net)		**1,025.34**	1,466.34
Excess/(Short) provision for Taxation in earlier years written back/provided for		**10.07**	365.92
Profit after tax		**2,916.46**	9,657.96
Transfer from / (to) Debenture Redemption Reserve		**(1,890.00)**	1,860.00
Balance brought forward		**6,281.74**	0.01
Amount Transferred on Amalgamation:			
(a) Balance of Profit & Loss Account as on 1st April 2004		**14,145.27**	—
(b) Profit After Tax for Financial Year 2004-05		**8,421.17**	—
(c) Interim Dividend		**(775.43)**	—
(d) Corporate Dividend Tax		**(105.71)**	—
(e) Transfer to General Reserve		**(842.12)**	—
		20,843.18	—
Disposable Profit		**28,151.38**	11,517.97
Appropriations:			
Interim dividend paid		—	1,500.00
Second interim dividend		—	2,250.00
Proposed dividend		**903.86**	—
Corporate Dividend Tax on interim and proposed dividend		**126.77**	520.43
		1,030.63	4,270.43
Transfer to General Reserve		**291.65**	965.80
Balance Carried to Balance Sheet		**26,829.10**	6,281.74
Earnings per Share			
- Basic		**8.07**	32.19
- Diluted		**8.07**	32.19
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

Sd/-
S. K. JOSHI
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Place : Mumbai
Dated : 26th September, 2006

As per our attached report of even date

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

Sd/-
S. VENKATRAMAN
Partner
Membership No. 34319

SCHEDULE 'A' — SHARE CAPITAL

	Rs. Million	31/03/2005 Rs. Million
Authorised		
450 million equity shares of Rs.10 each [refer note 1 (e) of Schedule 'X'-B]	**4,500.00**	3,000.00
	4,500.00	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 'AA' - SHARE CAPITAL SUSPENSE ACCOUNT

	Rs. Million	31/03/2005 Rs. Million
61,542,124 equity shares of Rs. 10 each to be issued as fully paid-up to the Shareholders of erstwhile Kochi Refineries Limited as per the Scheme of Amalgamation [refer note 1 (d) of Schedule 'X'-B]	**615.42**	—
Total	**615.42**	—

SCHEDULE 'B' — RESERVES AND SURPLUS

	Rs. Million	31/03/2005 Rs. Million
Capital Reserve		
As per last Balance Sheet	**7.72**	8.22
Add : Grant received during the year	**31.18**	—
Less : Amortisation of Capital Grant	**(0.42)**	(0.50)
Add : Transferred on Amalgamation	**123.32**	—
[refer note 1 (d) of Schedule 'X'-B]		
	161.80	7.72
Debenture Redemption Reserve		
As per last Balance Sheet	**2,560.00**	4,420.00
Less: Transfer to Profit & Loss Account	**—**	(2,500.00)
Add : Transfer from Profit & Loss Account	**1,890.00**	640.00
	4,450.00	2,560.00
General Reserve		
As per last Balance Sheet	**52,034.80**	51,069.00
Add : Transferred on Amalgamation:		
(i) Balance as at 1st April 2004	**2,400.08**	—
(ii) Surplus on Amalgamation	**769.28**	—
[refer note 1 (d) of Schedule 'X'-B]	**3,169.36**	—
(iii) Transfer from Profit & Loss Account in 2004-05	**842.12**	—
	4,011.48	—
Add : Transfer from Profit & Loss Account	**291.65**	965.80
	56,337.93	52,034.80
Surplus as per Profit & Loss Account	**26,829.10**	6,281.74
Total	**87,778.83**	60,884.26

SCHEDULE 'C' — LOAN FUNDS

	Rs. Million	31/03/2005 Rs. Million
Secured Loans		
Bonds		
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)	**17,573.53**	7,258.13
Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Ltd.	**8,650.00**	—
(Secured by Oil Marketing Companies GOI Special Bonds of **Rs. 14,440.60 million**)		
Interest accrued and due	**39.64**	26.04
	30,713.17	11,734.17
Unsecured Loans		
Syndicated Loans from various banks (repayable in foreign currency) [Due for repayment within one year **Rs. Nil** (previous year Rs. Nil)]	**4,539.44**	4,703.13
Public deposits [Due for repayment within one year **Rs. 351.63 million** (previous year Rs. 1,553.20 million)]	**970.34**	2,231.35
Short Term (From Banks)		
Rupee Loans	**22,740.00**	11,500.00
Foreign Currency Loans	**18,242.61**	7,342.87
OIDB [Due for repayment within one year **Rs. 1,149.00 million** (previous year Rs. 326.15 million)]	**6,530.40**	1,304.60
	53,022.79	27,081.95
Total	**83,735.96**	38,816.12

* Call option exercised.

** 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 01.04.2005	ASSETS TRANSFERRED ON AMALGAMATION	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	**AS AT 31.03.2006**	UPTO 31.03.2005	DEPRECIATION TRANSFERRED ON AMALGAMATION	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	**UPTO 31.03.2006**	**AS AT 31.03.2006**	AS AT 31.03.2005
(1)	(2)	(3)	(4)	(5)	**(6)**	(7)	(8)	(9)	(10)	**(11)**	**12**	13
1. LAND												
(a) Freehold	2,470.22	738.81	234.13	6.22	**3,436.94**	—	—	—	—	—	**3,436.94**	2,470.22
(b) Leasehold	787.47	—	49.38	0.06	**836.79**	100.75	—	15.76	0.05	**116.46**	**720.33**	686.72
2. BUILDINGS	22,521.15	1,337.10	4,907.29	42.96	**28,722.58**	2,386.31	248.09	551.13	19.03	**3,166.50**	**25,556.08**	20,134.84
3. RAILWAY SIDINGS	1,823.08	73.39	146.70	7.91	**2,035.26**	645.83	54.24	105.36	3.36	**802.07**	**1,233.19**	1,177.25
4. PLANT and MACHINERY	28,758.02	17,939.13	12,092.92	261.04	**58,529.03**	9,701.04	7,649.03	2,671.19	169.02	**19,852.24**	**38,676.79**	19,056.98
5. TANKS and PIPELINES	22,672.13	2,508.61	1,001.49	93.12	**26,089.11**	8,297.30	1,762.62	1,306.12	44.17	**11,321.87**	**14,767.24**	14,374.83
6. FURNITURE and FITTINGS	882.84	80.21	111.55	(25.96)	**1,100.56**	330.48	47.36	92.98	2.03	**468.79**	**631.77**	552.36
7. VEHICLES	880.61	72.77	178.65	28.27	**1,103.76**	491.26	30.40	80.25	25.41	**576.50**	**527.26**	389.35
8. OTHER ASSETS												
(a) Dispensing Pumps	6,742.35	—	2,058.33	4.92	**8,795.76**	1,534.12	—	349.06	4.83	**1,878.35**	**6,917.41**	5,208.23
(b) LPG Cylinders and Allied Equipment	29,507.45	—	1,435.36	60.12	**30,882.69**	29,507.45	—	1,435.36	60.12	**30,882.69**	**—**	—
(c) Sundries	9,492.42	1,492.93	1,032.94	193.78	**11,824.51**	3,678.70	858.57	1,031.80	176.57	**5,392.50**	**6,432.01**	5,813.72
9. INTANGIBLE ASSETS (refer note 18 of Schedule 'X' B]	150.63	81.53	179.29	—	**411.45**	13.92	51.53	71.37	—	**136.82**	**274.63**	136.71
TOTAL	**126,688.37**	**24,324.48**	**23,428.03**	**672.44**	**173,768.44**	**56,687.16**	**10,701.84**	**7,710.38**	**504.59**	**74,594.79**	**99,173.65**	**70,001.21**
PREVIOUS YEAR	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

NOTES:-

1) Land :-
   a) Freehold land includes **Rs. 381.71 million** (previous year Rs. 322.62 million) with more than 99 years lease period.
   b) Freehold land includes **Rs. 767.56 million** (previous year Rs. 72.52 million) capitalised at various locations for which conveyance deeds are yet to be executed.
   c) Includes the following which though in the possession of Corporation, the lease deeds are yet to be registered:
      i) Land acquired on lease for a period exceeding 99 years **Rs. 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. 5.03 million** (previous year Rs. 5.11 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. 50.33 million** (previous year Rs. 139.86 million) in respect of which mutation is pending.
2) Buildings include :-
   a) Ownership flats of **Rs. 137.76 million** (previous year Rs. 137.76 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. 324.79 million), Net Block **Rs. 315.43 million** (previous year Rs. 320.65 million).
3) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned in varying extent with other Oil Companies / Railways :- Gross Block **Rs. 1,699.08 million** (previous year Rs. 1,699.45 million), Cumulative Depreciation **Rs. 502.33 million** (previous year Rs. 428.92 million), Net Block **Rs. 1,196.75 million** (previous year Rs. 1,270.53 million).
4) Buildings, Plant & Machinery and Sundries includes **Rs. 128.25 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. 10.46 million** (previous year Rs. 1.04 million).
5) Deduction from Gross Block (column 5) includes :-
   a) Write back of excess capitalisation of **Rs. 99.48 million** (previous year Rs. 67.46 million).
   b) Deletions during the year **Rs. 572.96 million** (previous year Rs. 570.99 million).
6) Depreciation for the year (column 9) includes :-
   a) Charged to Profit & Loss account **Rs. 7,680.06 million** (previous year Rs. 5,960.39 million).
   b) Charged to Previous year expenses **Rs. 26.97 million** (previous year Rs. 7.72 million).
   c) Charged to Capital Work-in-Progress **Rs. 3.35 million** (previous year Rs. NIL).
7) Deductions from depreciation (column 10) includes withdrawal of depreciation :-
   a) On excess capitalisation **Rs. 4.82 million** (previous year Rs. 2.42 million).
   b) On deletion during the year **Rs. 499.77 million** (previous year Rs. 401.22 million).
8) Gross Block includes **Rs. 104.63 million** (previous year Rs. 7.32 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. 47.24 million** (previous year Rs. 3.73 million).
9) Column no. 3 and 8 includes balances of 1st April 2004 transferred on amalgamation and adjustment for the year 2004-05 of erstwhile Kochi Refineries Limited.

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS

			Rs. Million	31/03/2005 Rs. Million
Capital work-in-progress (at Cost)				
Work-in-progress			**7,837.80**	10,840.66
Capital Advances (Unsecured, Considered good)			**290.96**	492.54
Capital stores including lying with contractors			**2,295.61**	1,208.78
Capital goods in transit			**864.49**	95.93
Intangible assets pending amortisation (refer note 18 of Schedule 'X'-B)			**43.23**	69.63
Construction period expenses		31/03/2005		
Opening balance	**777.99**	738.27		
Add : Transferred on Amalgamation	**118.06**	—		
	896.05	738.27		
Add : **Expenditure during the year**				
Establishment charges	**137.96**	139.38		
Interest	**142.85**	321.38		
Depreciation	**3.35**	—		
Others	**102.04**	95.49		
	1,282.25	1,294.52		
Less : Allocated to assets during the year	**(933.26)**	(516.53)		
Balance pending allocation at the end of the year			**348.99**	777.99
Total			**11,681.08**	13,485.53

SCHEDULE 'F' — INVESTMENTS

	No.	Face Value Rs. Million	Book Value Rs. Million	Book Value 31/03/2005 Rs. Million
CURRENT				
IN GOVERNMENT SECURITIES				
NON TRADE - QUOTED				
1. 6.96% Oil Marketing Companies GOI Special Bonds 2009 (Transferred on Amalgamation - Rs. 370 million)		**370.00**	**370.00**	2,580.00
2. 7.00% Oil Marketing Companies GOI Special Bonds 2012		**13,083.90**	**13,083.90**	—
3. 7.47% Oil Marketing Companies GOI Special Bonds 2012		**4,000.00**	**4,000.00**	—
4. 7.61% Oil Marketing Companies GOI Special Bonds 2015		**3,008.10**	**3,008.10**	—
5. 7.07% Oil Marketing Companies GOI Special Bonds 2009		**4,000.00**	**4,000.00**	—
6. 7.44% Oil Marketing Companies GOI Special Bonds 2012		**4,000.00**	**4,000.00**	—
7. 7.59% Oil Markeitng Companies GOI Special Bonds 2015		**2,623.10**	**2,623.10**	—
			31,085.10	2,580.00
Less : Provision for diminution in value of investment				
in 6.96% Oil Marketing Companies GOI Special Bonds 2009			**2.37**	—
in 7.00% Oil Marketing Companies GOI Special Bonds 2012			**257.75**	—
			30,824.98	2,580.00
LONG TERM				
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
			0.38	0.38

SCHEDULE 'F' — INVESTMENTS (Contd.)

	No.	Face Value Rs. Million	Book Value Rs. Million	Book Value 31/03/2005 Rs. Million
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) of Indraprastha Gas Limited #	**31,500,080** (31,500,080)	**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) of 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 (Transferred on Amalgamation - Rs. 230.00 million)	**49,000,000** (26,000,000)	**490.00**	**490.00**	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) of 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
			3,085.51	2,855.51
Less : Provision for diminution in value of investment				
in Petroleum Infrastructure Limited			**75.00**	75.00
in Petronet CI Limited			**4.51**	4.51
			3,006.00	2,776.00

@ 37,500,000 no. of shares has lock in period till 30.04.2007.

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	Book Value 31/03/2005 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 (Irredeemable - Fully Paid up) - 5% debentures of East India Clinic Limited	**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
3	Shares of Kochi Refineries Employees Consumer Co-operative Society Limited (Fully paid up) (500 units Transferred on Amalgamation)	**500**		*	—
				0.08	0.08
	IN SUBSIDIARY COMPANIES				
	QUOTED				
1.	Equity Shares of Rs. 10 each (fully paid up) of erstwhile Kochi Refineries Limited	— (75,889,660)	—	—	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
				4,631.89	11,222.91
	IN ASSOCIATION OF PERSONS				
	NON TRADE - UNQUOTED				
	Capital Contribution in Petroleum India International (Transferred on Amalgamation Rs. 0.50 million)			**1.00**	0.50
	Share in accumulated surplus of Petroleum India International as at 31st March 2005 (31st March 2004) (Transferred on Amalgamation Rs. 108.06 million)			**221.12**	102.76
				222.12	103.26
	Member Companies ##				
	Bharat Petroleum Corporation Limited				
	Bongaigaon Refinery & Petrochemicals Limited				
	Engineers India Limited				
	Hindustan Petroleum Corporation Limited				
	IBP Company Limited				
	Indian Petrochemicals Corporation Limited				
	Chennai Petroleum Corporation Limited				
	Total			**38,774.20**	16,771.38

* Value Rs. 5000

\## The total capital of AOP is **Rs. 5.00 million** of which share of the corporation consequent to the merger of erstwhile Kochi Refineries Limited with the corporation is **Rs. 1.00 million** and other members have equal share.

Aggregate value of Unquoted Securities **Rs. 6,557.59 million** (Rs. 6,208.73 million).

Aggregate value of Quoted Securities **Rs. 32,216.61 million** (Rs. 10,562.65 million).

Market value of Quoted Securities **Rs. 40,735.04 million** (Rs. 21,542.51 million).

SCHEDULE 'G' — INVENTORIES

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

	Rs. Million	31/03/2005 Rs. Million
Stores and spares	**1,385.74**	520.07
Stores and spares in Transit	**89.62**	6.25
Raw materials	**20,116.55**	8,287.67
Stock-in-process	**4,634.23**	1,324.53
Finished products	**64,163.25**	52,393.26
Packages	**58.34**	53.78
Total	**90,447.73**	62,585.56

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

SCHEDULE 'H' — SUNDRY DEBTORS

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2005 Rs. Million
Debts outstanding for over six months :		
Considered good *	**1,017.72**	930.37
Considered doubtful	**1,688.32**	1,293.49
	2,706.04	2,223.86
Other debts	**12,141.16**	7,615.47
	14,847.20	9,839.33
Less : Provision for doubtful debts	**(1,688.32)**	(1,293.49)
Total	**13,158.88**	8,545.84

* Includes **Rs. 68.29 million** (previous year Rs. 9.06 million) which are secured.

SCHEDULE 'I' — CASH AND BANK BALANCES

	Rs. Million	31/03/2005 Rs. Million
Cash on Hand	**2,309.54**	1,550.89
[Includes drafts and cheques of **Rs. 2,158.67 million** (previous year Rs. 1,451.75 million) on hand]		
With Scheduled banks :		
In current accounts	**2,456.28**	1,903.94
In deposit accounts*	**9.09**	8.90
Remittances in transit	**146.05**	60.16
Total	**4,920.96**	3,523.89

* Includes deposit of

(a) **Rs. 0.04 million** in the joint names with contractors towards Sales tax on works contract.

(b) **Rs. 8.01 million** (previous year Rs. 8.01 million) that have been pledged / deposited with local authorities.

SCHEDULE 'J' — OTHER CURRENT ASSETS

	Rs. Million	31/03/2005 Rs. Million
Interest accrued on investments	**110.48**	2.41
Interest accrued on bank deposits	**0.53**	0.25
Deferred premium (foreign exchange forward contract)	**1,033.87**	94.12
Others [refer note 1(h) of Schedule 'X'-B]	**6,591.02**	—
Total	**7,735.90**	96.78

SCHEDULE 'K' — LOANS AND ADVANCES

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2005 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less : Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**6,215.49**	5,215.34
Loans:		
To companies		
Considered doubtful	**28.08**	28.08
Less : Provision for doubtful loans	**(28.08)**	(28.08)
To others	**249.44**	139.73
Advances:		
Share Application money pending allotment/Advance towards equity shares		
Considered good	**119.48**	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	**2,655.92**	1,341.48
Advances considered doubtful	**15.85**	14.57
Less : Provision for doubtful advances	**(15.85)**	(14.57)
	9,240.33	6,696.80
Material given on Loan (Secured)	**4.64**	5.83
Less : Deposits Received	**(4.64)**	(5.83)
Dues from Petroleum Planning & Analysis Cell - Government of India	**321.88**	11,075.55
Due from Subsidiaries	**—**	5,841.78
Claims :		
Considered good	**2,953.31**	1,238.40
Considered doubtful	**211.99**	251.32
Less : Provision for doubtful claims	**(211.99)**	(251.32)
	2,953.31	1,238.40
Advance Income Tax (Net of provision for taxation)	**3,303.23**	2,018.57
MAT Credit Entitlement (refer note 3 of Schedule 'X' B)	**240.00**	—
Deposits :		
With Customs/Excise/Port Trust etc.	**401.70**	1,843.56
Others**	**405.46**	345.80
	807.16	2,189.36
Considered doubtful	**0.19**	0.19
Less: Provision for doubtful deposits	**(0.19)**	(0.19)
	807.16	2,189.36
Total	**16,865.91**	29,060.46

* Includes :

Dues from Officers : **Rs. 34.62 million** (previous year Rs. 30.63 million)

Maximum balances : **Rs. 40.69 million** (previous year Rs. 33.66 million)

Dues from Directors : **Rs. 0.41 million** (previous year Rs. 1.16 million)

Maximum balances : **Rs. 1.25 million** (previous year Rs. 1.22 million)

** Includes **Rs. 78.98 million** (previous year Rs. 77.40 million) alongwith interest of **Rs. 81.98 million** (previous year Rs. 80.85 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES

			Rs. Million	31/03/2005 Rs. Million
Current Liabilities :				
Sundry creditors		31/03/2005		
Total outstanding dues to Small Scale Industries (SSI's)	**159.43**	150.84		
Total outstanding dues to creditors other than SSI's	**40,443.15**	40,478.44	**40,602.58**	40,629.28
Due to Subsidiaries			**2,146.78**	7,186.15
Materials taken on loan	**0.05**	0.05		
Less : Deposits given	**(0.05)**	(0.05)	—	—
Deposits from Customers			**68.29**	12.88
Deposits for Containers			**27,199.98**	25,697.93
Investors Education & Protection Fund shall be credited by the following amount*				
Unclaimed Dividend			**31.60**	9.19
Unclaimed Deposits			**13.00**	22.54
Unclaimed Interest on Deposits			**1.82**	2.11
Second interim dividend			—	2,250.00
Corporate dividend tax on interim dividend			—	315.56
Other liabilities			**18,438.24**	11,598.69
Interest on loans (accrued but not due)			**442.52**	485.60
Total			**88,944.81**	88,209.93

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

SCHEDULE 'M' — PROVISIONS

	Rs. Million	31/03/2005 Rs. Million
Provision for Taxation (Net of Tax paid)	**967.48**	951.06
Proposed dividend	**903.86**	—
Corporate Dividend Tax on proposed dividend	**126.77**	—
Provision for retirement benefits	**3,126.75**	2,518.99
Total	**5,124.86**	3,470.05

SCHEDULE 'N' — SALE OF PRODUCTS

	Rs. Million	2004-05 Rs. Million
Sales	**824,691.91**	628,916.46
Subsidy on LPG (Domestic) & SKO (PDS)	**5,151.67**	5,248.40
Receipt of Oil Marketing Companies GOI Special Bonds (refer note 5 of Schedule 'X'-B)	**21,631.20**	—
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**21.44**	4,405.17
Total	**851,496.22**	638,570.03

SCHEDULE 'O' — MISCELLANEOUS INCOME

	Rs. Million	2004-05 Rs. Million
Interest on bank deposits and others *	**333.16**	508.55
Tax deducted at source - **Rs. 13.48 million** (previous year Rs. 3.38 million)		
Income from Investments		
Current		
Interest on Oil Marketing Companies GOI Special Bonds	**645.12**	333.46
Long Term		
Interest	**0.55**	6.42
Dividend		
Tax deducted at source - **Rs. Nil** (previous year Rs. Nil)		
from subsidiaries	**1,037.86**	1,492.83
from others	**80.61**	54.85
From AOP (Petroleum India International)	**20.58**	6.69
Profit on sales/maturity of Investments (net)	—	45.93
Write back (net)	**2.05**	46.69
Profit on sale / write off of fixed assets (net)	**35.07**	38.36
Other income #	**2,498.19**	1,979.87
Tax deducted at source - **Rs. 31.03 million** (previous year Rs. 25.66 million)		
Total	**4,653.19**	4,513.65

* Includes interest received from Income tax authorities **Rs. 18.82 million** (previous year Rs. 271.79 million).

\# Includes amortisation of capital grants **Rs 0.42 million** (previous year Rs 0.04 million).

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

		31/03/2005	Rs. Million	2004-05 Rs. Million
Value of closing stock of				
Finished goods	**64,163.25**	52,393.26		
Stock in process	**4,634.23**	1,324.53	**68,797.48**	53,717.79
			68,797.48	53,717.79
Less :				
Value of opening stock of				
Finished goods	**52,393.26**	37,037.83		
Add: Transferred on Amalgamation	**5,014.97**	—		
	57,408.23	37,037.83		
Stock in process	**1,324.53**	817.47		
Add: Transferred on Amalgamation	**2,520.74**	—		
	3,845.27	817.47	**61,253.50**	37,855.30
Total			**7,543.98**	15,862.49

SCHEDULE 'Q' — RAW MATERIALS CONSUMED

	Rs. Million	2004-05 Rs. Million
Opening Stock	**8,287.67**	4,448.04
Add: Transferred on Amalgamation	**5,682.22**	—
Add : Purchases	**329,806.50**	141,369.10
Less: Closing Stock	**(20,116.55)**	(8,287.67)
Total	**323,659.84**	137,529.47

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

	Rs. Million	2004-05 Rs. Million
Stores, spares and materials	**1,286.19**	808.20
Less : Charged to other revenue accounts	**(846.37)**	(600.40)
Total	**439.82**	207.80

SCHEDULE 'S' — POWER AND FUEL

	Rs. Million	2004-05 Rs. Million
Power and Fuel	**16,722.85**	5,300.36
Less : Consumption of fuel out of own production	**(16,245.70)**	(5,103.48)
Total	**477.15**	196.88

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS

	Rs. Million	2004-05 Rs. Million
Salaries and wages*	**6,529.27**	5,878.41
Contribution to provident fund and other funds	**562.63**	530.12
Contribution to gratuity fund	**161.45**	117.52
Welfare expenses	**1,562.74**	1,404.82
Total	**8,816.09**	7,930.87

* includes payment towards VRS compensation **Rs. 2.64 million** (previous year Rs. 407.97)

SCHEDULE 'U' — INTEREST

	Rs. Million	2004-05 Rs. Million
On Bonds	**442.28**	377.91
On Fixed Loans	**633.70**	159.01
Others	**1,398.16**	861.11
Total	**2,474.14**	1,398.03

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES

	Rs. Million	2004-05 Rs. Million
Repairs and maintenance :		
Machinery	**2,052.68**	1,415.42
Building	**166.32**	139.14
Others	**847.42**	749.37
	3,066.42	2,303.93
Insurance	**345.32**	199.72
Rent	**1,123.71**	974.03
Rates and taxes	**377.36**	161.77
Charities and donations	**5.66**	77.10
Remuneration to auditors	**2.76**	1.93
Utilities	**755.09**	673.50
Write off :		
Bad debts and Claims	**19.48**	647.16
Less : Provision made earlier	**(2.65)**	(542.03)
Others	**6.59**	30.77
Provision for :		
Doubtful debts and advances	**353.35**	(564.26)
Diminution in value of investments	**260.12**	—
Charges paid to other oil companies	**778.19**	621.45
Travelling and conveyance	**868.52**	703.76
Telephone, Telex, Cables, Postage etc.	**237.61**	293.04
Loss on sale/maturity of Investments (net)	**4.70**	—
Brokerage on Public Deposit	**2.09**	3.09
Other expenses	**5,003.01**	3,782.24
Total	**13,207.33**	9,367.20

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

	Rs. Million	2004-05 Rs. Million
Sale of products	**(65.46)**	(11.82)
Miscellaneous Income	**65.39**	7.50
Purchase of product for resale	**106.69**	24.10
Raw Materials Consumed	**5.67**	(2.64)
Duties taxes etc. and other product charges	**74.09**	(112.32)
Transportation	**(2.30)**	1.19
Consumption of stores spares and materials	**2.85**	—
Rent, Rates & Taxes	**0.31**	6.48
Employees' remuneration and other benefits	**(3.70)**	—
Other operating and administration expenses	**23.26**	(4.55)
Interest	**(18.38)**	—
Depreciation	**(22.48)**	(5.29)
	165.94	(97.35)

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

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 and 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 Computer equipments and peripherals, and mobile phones are depreciated over a period of 4 years. Furniture provided at the residence of management staff is depreciated over a period of seven years.

6.5 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 is 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.

16.2 Monetary items denominated 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 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. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

18.1 Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

18.2 Disclosure for a contingent liability is made when there is a possible obligation that may, but probably will not, require an outflow of resources.

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

18.4 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 substantially 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. Scheme of Amalgamation of Kochi Refineries Limited with the Corporation

(a) In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile subsidiary Kochi Refineries Limited (hereinafter referred to as KRL) with the Corporation as approved by the members at a meeting held on 16th January 2006 and subsequently sanctioned by the Ministry of Company Affairs vide its Order dated 18th August 2006, copies of which were filed with the respective Registrar of Companies on 21st August 2006, the Undertaking of erstwhile KRL being all its assets and properties, and all its debts, liabilities, duties and obligations has been transferred to and vested in the Corporation with effect from 1st April 2004 (the Appointed Date). The Scheme has accordingly been given effect to in these accounts. However one shareholder of the erstwhile KRL has challenged the amalgamation before the Delhi High Court, that is pending adjudication.

(b) KRL was engaged primarily in the refining of crude oil to produce various petroleum products.

(c) The amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS) 14 - "Accounting for Amalgamations" issued by The Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of erstwhile KRL as at 1st April 2004 have been taken over at their book values.

(d) As stipulated in the Scheme of Amalgamation, all reserves of erstwhile KRL have been transferred to the corresponding Reserves account except for balance lying in the Profit and Loss Account as on 31st March 2004 that has been credited net of tax adjustments to the Profit and Loss Account of the merged entity i.e. BPCL.

Accordingly, the amalgamation has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following summarized values:

		Rs. Million
Fixed Assets (Net)		13,992.31
Investments		705.58
Current Assets	24,263.99	
Less: Current Liabilities and Provisions	12,024.68	12,239.31
Total Assets		26,937.20
Less :		
Loans	5,804.26	
Deferred Tax Liability	3,079.55	8,883.81
Net Assets transferred		**18,053.39**
Consideration for Amalgamation:		
Issue of shares pending allotment #		615.42
61,542,124 Equity Shares in the ratio of 4 Equity Shares of Bharat Petroleum Corporation Ltd., for every 9 Equity Shares of KRL		
Net Balance		**17,437.97**
Less :		
Transfer of Capital Reserves of KRL to Capital Reserve Account	123.32	
Transfer of Profit and Loss Account of KRL to Profit and Loss Account	14,145.27	
Transfer of Share Application Money to Share Application Money Suspense Account	0.02	14,268.61
Balance transferred to General Reserves		**3,169.36**

Pending allotment, an amount of Rs. 615.42 million has been shown under the Share Capital Suspense Account as at 31st March 2006 (Schedule 'AA')

(e) In terms of the scheme, the Authorised Share Capital of the Corporation has been increased from Rs. 3,000.00 million to Rs.4,500.00 million as on 31.03.2006.

(f) In terms of the scheme, the Equity Shares when issued and allotted by the Corporation shall rank for dividend, voting rights and in all respects pari-passu with the existing Equity Shares of the Corporation. Accordingly, the appropriation for the proposed dividend includes dividend on 61,542,124 Equity Shares, which would be allotted to the shareholders of erstwhile KRL (referred to in note (d) above.)

(g) The income accruing and expenses incurred by erstwhile KRL during the period 1st April 2004 to 31st March 2005 have also been incorporated in these accounts. During the period between the Appointed Date and the Effective Date as erstwhile KRL carried on the existing business in "trust" on behalf of the company, all vouchers, documents, etc., for the period are in the name of erstwhile KRL. The title deeds for landed properties, licenses, agreements, loan documents, etc., are being transferred in the name of the Corporation. However, credit has not been taken for claims in respect of levies/taxes arising as a consequence of the amalgamation pending settlement.

(h) In terms of the scheme of amalgamation, the equity shares held by the Corporation in the erstwhile KRL will be transferred to a proposed trust for the benefit of the Corporation. Accordingly, the equity shares to be allotted, in the ratio of 4 equity shares for every 9 equity shares of the erstwhile KRL, aggregating to 33,728,738 equity shares are reflected as 'Others' (being the acquisition cost of Rs. 6,591.02 million) in Schedule 'J ' - Other Current Assets as on 31st March 2006.

(i) The erstwhile KRL had made Rights Issue of shares in March 1988 and in March 1989 totalling to Rs. 646.89 million of which Rs. 27.54 million were unsubscribed. However, there are three cases pending before the Courts/State Commission for 3,300 shares of Rs.10 each of erstwhile KRL. Against this, application money of Rs. 0.02 million has been received for 2,100 shares of Rs.10 each that was appearing as Share Application Money in the books of erstwhile KRL has been transferred to Share Application Money Suspense Account, as the matter is subjudice. The balance un-subscribed portion has not been considered in the merged accounts.

(j) Previous year's figures do not include the figures of erstwhile KRL and hence are not comparable to those of the current year.

2. 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. 1,025.34 million** (previous year Rs. 1,466.34 million). The year end position of Deferred Tax Liability and Asset is given below:

		Rs. Million
	31-3-2006	31-3-2005
DEFERRED TAX LIABILITY		
Depreciation	**15,702.37**	10,984.09
Other Timing differences	**16.42**	3.26
Total	**15,718.79**	10,987.35
DEFERRED TAX ASSET		
Provisions for doubtful debts/ claims/ investments	**799.18**	565.34
Disallowed u/s 43B of Income Tax Act, 1961	**813.65**	517.22
Expenditure on Voluntary Retirement Scheme	**82.39**	109.86
Unabsorbed Depreciation *	**445.55**	-
Other Timing differences	**19.61**	104.64
Total	**2,160.38**	1,297.06
Net Deferred Tax Liability	**13,558.41#**	9,690.29

* In view of the arrangements evolved by Government for compensating the oil marketing companies towards subsidy losses suffered, Management is of the view that there is virtual certainty that future taxable income will be sufficient to adjust the unabsorbed depreciation.

Includes Rs. 2,842.78 million in respect of the erstwhile Kochi Refineries Ltd. transferred on amalgamation.

3. Provision for income tax has been made in accordance with Section 115JB of the Income Tax Act, 1961. However, management is confident that it would be in a position to pay normal tax within the period specified under the Income Tax Act, 1961 and hence MAT credit has been recognised.

4. In respect of sharing of under-recoveries on sensitive petroleum products viz. MS, HSD, 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. 30,209.22 million** (previous year Rs. 5,759.50 million) discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) **Rs. 5,609.73 million** (previous year Rs. 6,259.13 million) discounts received on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

5. In lieu of the under-recoveries on sale of LPG (Domestic) and SKO (PDS) during 2005-06, the Corporation has received Oil Marketing Companies GOI Special Bonds amounting to **Rs. 21,631.20 million** (previous year Nil) from the Government of India during March 2006 that has been treated as income.

6. Impairment of Assets

Determination as to whether and how much an asset is impaired involve Management estimates of highly uncertain matters such as international prices of crude oil and products, duty structure and Government policies. On account of the communication received from the Government about the modalities for compensating the marketing oil companies towards the subsidy losses for the year 2006-07, future cash flows have been worked out based on the desired margins for deciding on impairment of related Cash Generating Units. No impairment is therefore considered as at 31st March 2006. In view of the peculiar nature of the environment, in which the industry operates and the assumptions being technical and dependent on Government policies, the auditors have relied on the same.

7. Provision for taxation in the Profit and loss Account includes **Rs. 6.40 million** (previous year Rs. 5.10 million) towards wealth tax.

8. During the year 2005-06, based on the Management's review of the estimated useful lives of certain assets such as computer equipments and peripherals, mobile phones, furniture provided at the residence of management, etc. the Corporation has increased the rate of depreciation on these assets. This has resulted in additional depreciation of Rs. 321.21 million during the year of which Rs. 249.30 million is for the period upto March 2005.

9. The erstwhile KRL had written back excess Income Tax provision of Rs. 155.00 million in the year 2000-01 towards accumulated losses and unabsorbed depreciation of erstwhile Cochin Refineries Balmer Lawrie Ltd., which was amalgamated with KRL. Based on the application by the erstwhile KRL, the Central Government has declared that the amalgamation fulfils the conditions mentioned under the then Section 72A of the Income Tax Act. The disposal of the matter is now pending with the Ministry of Commerce and Industry for enabling the company to get relief from the Income Tax Department. Hence, no adjustment is considered necessary in the accounts for the year.

10. 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 therefrom are not likely to be material.

11. 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.

12. 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 Special Leave Petitions filed by the customer in the Supreme Court challenging the division bench order have been admitted. 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.

13. Earnings per share

		2005-06	2004-05
Profit after Tax	Rs. Million	**2,916.46**	9,657.96
Weighted average shares outstanding during the year			
(a) Number of Shares	million nos.	**300.00**	300.00
(b) Number of Shares to be issued to the shareholders of erstwhile KRL	million nos.	**61.54**	-
Total number of shares	million nos.	**361.54**	300.00
Basic earnings per share	Rs.	**8.07**	32.19
Diluted earnings per share	Rs.	**8.07**	32.19

14. 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:

Rs. Million

	Year ended 31st March 2006			Year ended 31st March 2005		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue	**772,894.55**	—	**772,894.55**	591,764.83	—	591,764.83
Inter Segment Revenue	—	—	—	—	—	—
Total Revenue	**772,894.55**	—	**772,894.55**	591,764.83	—	591,764.83
Result						
Segment Results	**4,838.41**	**(145.38)**	**4,693.03**	12,515.65	(2.87)	12,512.78
Unallocated Corporate Expenses	—	—	—	—	—	—
Operating profit	**4,838.41**	**(145.38)**	**4,693.03**	12,515.65	(2.87)	12,512.78
Add:						
Interest/Dividend Income			**2,117.88**			2,402.80
Profit on sale/maturity of Investments			—			45.93
Less:						
Interest Expenditure			**2,474.14**			1,398.03
Loss on sale/maturity of Investments			**4.70**			—
Diminution in value of Investments			**260.12**			—
Income Tax (including Deferred Tax)			**1,155.49**			3,905.52
Profit after Tax			**2,916.46**			9,657.96
Other Information						
Segment Assets	**233,849.86**	—	**233,849.86**	185,280.70	—	185,280.70
Unallocated Corporate Assets			**48,908.45**			18,789.95
Total Assets			**282,758.31**			204,070.65
Segment Liabilities	**88,883.43**	**61.38**	**88,944.81**	85,641.50	2.87	85,644.37
Unallocated Corporate Liabilities			**102,419.23**			54,542.02
Total Liabilities			**191,364.04**			140,186.39
Capital Expenditure	**20,190.84**	—	**20,190.84**	15,087.40	—	15,087.40
Depreciation/Amortisation	**7,680.06**	—	**7,680.06**	5,960.39	—	5,960.39
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 of Hydrocarbons (E&P)

   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 from/(surrender to) PPAC
   d) Other income (excluding dividend income, interest income and investment income)
3) There are no geographical segments.

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

A.K. Engineers & Contractors, Abasi Engineering Works, Acoustics India Pvt Ltd, Advance Cooling Towers Pvt Ltd, Advance Petrochemicals Ltd., Airox Nigen Equipments Pvt. Ltd., Amarsingh & Sons Pvt. Ltd., Amit Mechanicals & Equipments, Apex Forgings & Fittings, Aqua Chemicals & Systems (Mfg.) Ltd, Associated Uniforms, Balaji Electrical Engg Works, Bangalore Spemach Pvt. Ltd., Bhuta Enterprise, BSJ Shau Manufacturers (India), C.S. Diesel Engg. Pvt. Ltd., Chandawat Udyog Cyls. Ltd., Chandra Engg. & Mech. Pvt Ltd., Chemisol Adhesives Pvt. Ltd., Chemtrols Engg. Ltd., Chennai Valves, Chhabi Electricals Pvt. Ltd., Commercial Supplying Agency, Cylinvalve Industries, Daya Lubricants Pvt. Ltd., Deepthi Ads, Del Pd Pumps And Gears (P) Ltd., Delta Corporation, Dembla Valves Pvt Ltd., Dencil Pumps & Systems Pvt. Ltd, De'S Technico, Dessma Engg Pvt Ltd., Detection Instruments (I) P. Ltd., Devraj V.R., Divya Constructions, Eby Fastners, Elgin Process Equipment Pvt. Ltd., Emerson Process Management, Encon (India), Evergreen Engg. Co.Ltd., Explotech (India), FCG Power Industries P. Ltd., Fivebros Corporation, Flameproof Equipments Pvt. Ltd., Flow Chem Industries, Francis Leslie & Co., G.D.R. Cylinders (P) Ltd., Gamzen Plast P Ltd., Gannon Norton Engineering Pvt. Ltd, Garg Gas Appliances (Pvt.) Ltd., Global Gas Cylinders Ltd., Goel Power Systems, Gokul Distributors, Grand Prix Fab (P) Ltd., Gratex Industries Ltd., Gujarat Gas Equips. Pvt Ltd., Gujarat Infrapipes Pvt Ltd., Gurunanak Engineering Works, Hyderabad Cylinders Pvt Ltd, ICP (India) Private Limited, IGP Engineers Pvt. Ltd., Indcon Projects & Equipment Limited, Industrial Control & Appliance Ltd., Industrial Engrs. & Fabricators, Inmarco Industries Private Limited, Intech Engineering & Services, International Cylinders Pvt Ltd., J.Venkateswara Rao, Jesmajo Indtl. Fabrications - Karnat, Jindal Forging Pvt. Ltd., Joseph Leslie Drager Manufacturing, Kanyaka Parameshwari Engg. Pvt Ltd., Kartik Steels Limited, Kiran Rubber Industries Pvt. Ltd., Konark Cylinders & Containers (P) Ltd, Krishna Die Casting, Kunj Forgings, Kurnool Cylinders Private Ltd., Liquid Controls (India) Pvt. Ltd., Lunar Engineering Work, M Techno Engg (India) Pvt Ltd, M.Veeraiah, Madras Industrial Product, Madras Metal Components Private Ltd, Mahaveer Cylinders Ltd., Mas Sealing Systems (P) Ltd., Megatech Power Equipments Pvt. Ltd., Mercantile & Industrial, Mercury Enterprises, Metcraft Engg Corporation, Mikroflo Filters (P) Ltd., Minar Prefab Pvt. Ltd., Minco India Pvt Ltd, Mipa Electronic & Electrical Co, Multitex Filteration Engineers, Nagardas Kanji Shah, Nagman Instruments & Electronics, New Age Hose Manufacturing Co., Newage Industries, Nirma Pipes & Fittings Industries, Nitin Fire Protection Industries, North Bengal Refrigeration, Nucon Industries (P) Ltd., Nucon Zander (India) Pvt Ltd, Om Containers, Om D Signs, Orson Holdings Co Ltd, P.Obul Reddy & Sons, P.Venkateswarlu, Padavi Engineers & Pressure Vessels, Pall India Private Limited, Paramount Forge, Parmar Technoforge, Paws Pest Aways, PCP Chemicals Pvt. Ltd, Peedee Tiles, Pipe Supports India Private Limited, Piping & Energy Products Pvt. Ltd., Placka Instruments India Pvt. Ltd, Plastools, Polycab Industries, Prabha Electronics Ltd., Premier Grinders & Packers Pvt. Ltd., Presidency Rubber Mills Pvt. Ltd., R.K. Metal & Plastic Pvt. Ltd., R.M. Cylinders (P) Ltd, R.V.Narayana Murthy, S.S. Industrial Corporation, Safess Quality Management Pvt Ltd, Safety Services, Salico Trading Corporation, Samrat Cylinders & Heavy Engg Co., Sanghvi Cylinders Ltd., Sapthagiri Contractors, Sarathi Engineering Enterprises, Shanti Metal Works, Shri Sainath Enterprises, Shweta Enterprises, Siepmann's Card Systems Pvt. Ltd., Sign And Display Systems, Southern Cylinders Pvt Ltd., Spanpak Systems, Spec Engineering, Special Steel Components Corp, Spiraseal Gaskets Private Limited, Sridhar Constructions, Sridhar Engineering And Rubber, Standard Castings Pvt. Ltd., Starflex Sealing India Pvt. Ltd., Steelage Industries Limited, Sunrays Engineers Pvt Ltd., Super Fire Engineering Pvt. Ltd., Super Gasket Industries, Super Precast & Granites, Supreme Electroplast Industries, Swastik Oil Product Mfg. Co. Pvt. Ltd., Swelore Engg Pvt. Ltd, Syndicate Engineering Industries, T&D Galiakot Containers Pvt. Ltd., Tee Kay Metals Private Limited, Teekay Tubes Pvt. Ltd., Texel India, The Punjab Steel Works, Tip Top Packaging, Toto Packaging Pvt. Ltd., Triangle Simulation P. Ltd., Tribotech, Tube Bend (Calcutta) Pvt. Ltd., Unique Ceramic Industries, Vasu Chemicals, Venus Enterprises, Verny Containers Private Limited, Victory Signarts, Vidarbha Gas Vessels Pvt Ltd, Vidhya Cyls Pvt. Ltd., Vijay Sabre Safety Ltd., Vimal Fire Controls Pvt. Ltd., Vishnu Engineering, Vishvakarma Forging Ind. Pvt. Ltd, Vitco Tiles, Voltamp Transformers Pvt. Ltd., Vyara Tiles Pvt. Ltd ., Vyasarpadi Valves, Waaree Instruments Ltd., Wadia Body Builders, Zenith Fire Services (India) Pvt. Ltd. Cresent Valves Mfg. Co. Pvt. Ltd., Castwell Industries, Dil Udyog Electronics Pvt. Ltd., Flash Forge Pvt. Ltd., Gaskets (India) Pvt. Ltd., Goodrich Gasket Pvt. Ltd., Georgeson Industrial Works, H.D. Fire Protect Company, H. Guru Instruments (S.I.) P. Ltd., Hyd-Air Engineering Works, IGA Tech Industrial Electronics, Metal Forge (India), M.S. Flange Manufacturing Company, PEC Valves Pvt. Ltd., Pennant Engg. (P) Ltd., Procon Engineers, Sark Cables (P) Ltd., St. Francis Press, Shemil Laboratories, Shreyas Instruments Pvt. Ltd., The Coimbatore Combustion Equipment, Union Power Solutions (P) Ltd., Varall Engineers, Supreme Technology

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

16. 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**	
	31.03.2006	31.03.2005
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 31/03/2006**	Percentage of ownership interest as on 31/03/2005
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**	22.50
Maharashtra Natural 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)

	31.03.2006	31.03.2005
(i) Assets		
– Long Term Assets	**5,813.78**	5,093.83
– Investments	**444.33**	312.13
– Current Assets	**1,581.42**	1,461.87
(ii) Liabilities		
– Loans (Secured & Unsecured)	**3,165.25**	2,635.67
– Current Liabilities and Provisions	**724.77**	968.16
– Deferred Tax	**141.48**	57.80
(iii) Income	**7,886.25**	4,990.25
(iv) Expenses	**7,403.88**	4,815.77
(v) Contingent Liabilities	**228.75**	203.60
(vi) Capital Commitments	**2,875.66**	792.31

17. 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, Maharashtra Natural Gas Limited, Central UP Gas Limited.

Key Management Personnel : M/s. Ashok Sinha (Chairman & Managing Director), S. A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), M. Rohatgi (Director Refineries) upto 30-09-2005, S. K. Joshi (Director Finance - w.e.f 08-03-2006), R. K. Singh (Director Refineries - w.e.f 08-03-2006)

Nature of Transactions

Rs. Million

		2005-06	2004-05
Joint Venture Companies (JVC)			
a.	Purchase of goods	**4,060.86**	2,142.53
b.	Sale of goods	**4.00**	3.79
c.	Rendering of Services	**4.48**	0.46
d.	Receiving of Services	**338.01**	372.84
e.	Interest Income	**16.51**	9.12
f.	Dividend Received	**68.25**	51.45
g.	Equity contribution	**119.23**	0.25
h.	Loans and advances	**297.60**	55.77
i.	Outstandings as on 31.3.2006		
	- Receivables	**421.69**	164.45
	- Payables	**60.15**	8.33
j.	Management Contracts		
	(Employees on deputation to JVC)	**24.94**	22.65
k.	Guarantees given	—	—
l.	Rental Income	**1.99**	1.81

Key Management Personnel (Whole time directors)

Details of remuneration to directors are given in note 21 of Notes to Accounts.

SCHEDULE 'X' — (Contd.)

18. 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 01-04-2005	ASSETS TRANS-FERRED ON AMAL-GAMATION	ADDITIONS	DELETIONS RE-CLASSI-FICATION	AS AT 31-03-2006	AMORTISATION UPTO 31-03-2005	AMORTI-SATION TRANS-FERRED ON AMAL-GAMATION	THIS YEAR	UPTO 31-03-2006	NET AMOUNT AS AT 31-03-2006	AS AT 31-03-2005
(1)	(2)	(3)	(4)	(5)	(6)	**(7)**	(8)	(9)	(10)	**(11)**	**(12)**	(13)
1. RIGHT OF WAY	PERENNIAL	100.03	—	—	—	100.03	—	—	—	—	**100.03**	100.03
2. SOFTWARE	36	30.34	81.53	—	—	**111.87**	13.08	51.53	40.11	**104.72**	**7.15**	17.26
3. SOFTWARE	60	—	—	48.34	—	**48.34**	—	—	9.67	**9.67**	**38.67**	—
4. DEVELOPMENT RIGHTS	60	14.97	—	—	—	**14.97**	0.75	—	2.99	**3.74**	**11.23**	14.22
5. PROCESS LICENSE	60	5.29	—	130.95	—	**136.24**	0.09	—	18.60	**18.69**	**117.55**	5.20
TOTAL		**150.63**	**81.53**	**179.29**	—	**411.45**	**13.92**	**51.53**	**71.37**	**136.82**	**274.63**	**136.71**
PREVIOUS YEAR		128.96	—	21.67	—	**150.63**	2.97	—	10.95	**13.92**	**136.71**	125.99

(b) Intangible assets pending amortisation*

Rs. Million

PARTICULARS	USEFUL LIFE (NO. OF MONTHS)	GROSS AMOUNT AS AT 01-04-2005	ASSETS TRANS-FERRED ON AMAL-GAMATION	ADDITIONS	CAPITALI-SATIONS	AS AT 31-03-2006	AMORTISATION UPTO 31-03-2005	AMORTI-SATION TRANS-FERRED ON AMAL-GAMATION	THIS YEAR	UPTO 31-03-2006	NET AMOUNT AS AT 31-03-2006	AS AT 31-03-2005
(1)	(2)	(3)	(4)	(5)	(6)	**(7)**	(8)	(9)	(10)	**(11)**	**(12)**	(13)
1. PROCESS LICENSE		43.23	—	—	—	**43.23**	—	—	—	—	**43.23**	43.23
2. SOFTWARE		26.40	—	—	26.40	—	—	—	—	—	—	26.40
TOTAL		**69.63**	—	—	**26.40**	**43.23**	—	—	—	—	**43.23**	**69.63**
PREVIOUS YEAR		1.34	—	73.58	5.29	**69.63**	—	—	—	—	**69.63**	1.34

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

Note:

(a) There are no internally generated Intangible Assets.

(b) Column no. 4 and 9 includes balances of 1st April 2004 transferred on amalgamation and adjustment for the year 2004-05 of erstwhile Kochi Refineries Limited.

19. Capital Commitments and Contingent Liabilities :

		Rs. Million	31/03/2005 Rs. Million
19.1	**Capital Commitments :**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for	**7,227.51**	5,829.66
19.2	**Contingent Liabilities :**		
	(a) In respect of taxation matters of prior years	**268.46**	108.80
	(b) Other Matters :		
	(i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,317.45**	1,275.75
	(ii) Claims against the Corporation not acknowledged as debts :		
	(a) Excise and customs matters	**1,834.79**	4,254.81
	(b) Sales tax matters	**10,886.53**	7,347.78
	(c) Others	**5,980.83**	4,684.71

These include **Rs. 4,114.34 million** (previous year Rs. 3,709.18 million) against which the Corporation has a recourse for recovery and **Rs. 1,122.94 million** (previous year Rs. 1,559.82 million) on capital account.

20. 20.1 The net amount of exchange difference debited to the Profit and Loss Account is **Rs. 1,337.08 million** (previous year debited Rs. 8.67 million).

20.2 The amount of exchange difference credited to the carrying cost of fixed assets is **Rs. 3.06 million** (previous year credited Rs. 16.74 million).

20.3 The exchange difference amounting to **Rs. 1,033.88 million** (previous year Rs. 94.11 million) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more subsequent accounting periods.

20.4 The Corporation has on the Balance Sheet date, outstanding forward contracts amounting to USD 132.23 million (including USD 25 million in respect of long term loans) to hedge its foreign currency exposure towards loans. The Corporation does not generally hedge the risks on account of foreign currency exposure for the payment of crude oil. Following are the unhedged foreign currency exposure as on 31.03.2006:

Exposure Type	**USD Million**
Import of Crude oil	451.60
Buyers Credit Loan (Short Term)	254.78
ECB (Long Term)	82.50

20.5 The Corporation has on the Balance Sheet date the following outstanding commodity derivatives:

Instrument	Description	Purpose	Quantity
OTC Swap	Spread between Petroleum Products and Crude Oil	Hedging	0.45 miilion barrels

21. Managerial Remuneration :

	Rs. Million	2004-05 Rs. Million
Salary and allowances	**2.29**	2.97
Contributions to Provident Fund and other funds	**0.50**	0.35
Other benefits	**2.33**	2.26
	5.12	5.58

22. Remuneration to Auditors :

	Rs. Million	2004-05 Rs. Million
(a) Audit Fees		
– Statutory Auditor	**1.00**	1.00
– Branch Auditor	**0.35**	—
(b) Fees for other services-certification		
– Statutory Auditor	**1.18**	0.87
– Branch Auditor	**0.15**	—
(c) Reimbursement of out of pocket expenses		
– Statutory Auditor	**0.06**	0.06
– Branch Auditor	**0.02**	—
	2.76	1.93

23. 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.	NA (NA)	**19.50 #** (6.90)	**17.24** (9.14)
(ii) Production in kilolitres (KL)			
Light distillates	—	—	**6,328,377** (3,233,377)
Middle distillates	—	—	**9,983,289** (5,145,572)
Others	—	—	**3,483,674** (1,935,370)

SCHEDULE 'X' — (Contd.)

		Licensed Capacity	Installed Capacity	Actual Production
(b)	Aromatics (in MT)			
	(i) Benzene	**185,500**	**192,900**	**61,335**
		(98,300)	(105,700)	(44,243)
	(ii) Toluene	**67,600**	**35,100**	**43,051**
		(17,600)	(23,100)	(10,042)
	(iii) Mixed Aromatic Solvent	**15,000**	**15,000**	—
		—	—	—
	(iv) Petroleum Hydrocarbon Solvent	**10,000**	**8,820**	**7,461**
		—	—	—
	(v) Polybutene Feedstock	**6,300**	**6,300**	—
		—	—	—
	(vi) Poly Isobutene	**5,000**	**5,000**	**2,534**
		—	—	—
	(vii) Cable Jelly (Single Shift)	**6,500**	**2,500**	—
		—	—	—
	(viii) Others (Poly Isobutene Unit)	**14,000**	**1,000**	—
		—	—	—
(c)	MTBE in M.T. **	**NA**	**30,000**	**23,837**
		(NA)	(30,000)	(26,877)
(d)	New Solvent Unit			
	(i) Solvent (SBP 55-115) in M.T.	**NA**	**40,000**	**5,378**
		(NA)	(40,000)	(5,624)
	(ii) Solvent (Food Grade Hexane) in M.T.	**NA**	**25,000**	**30,462**
		(NA)	(25,000)	(17,793)
(e)	Poly Propylene Feedstock in M.T.	**NA**	**60,000**	**38,120**
		(NA)	(60,000)	(48,482)
(f)	Lubricants in M.T.	**NA**	**181,000**	**100,461**
		(NA)	(181,000)	(106,287)
(g)	Sulphur in M.T.	**NA**	**30,000**	**27,800**
		(NA)	(30,000)	(15,000)
(h)	Natural Rubber Modified Bitumen in M.T.	**NA**	**65,000**	—
		(NA)	—	—
(i)	Bitumen Emulsion (Single Shift) in M.T.	**50,000**	**27,600**	—
		—	—	—
(j)	Diesel Additive (Single Shift) in M.T.	**5,000**	**1,500**	—
		—	—	—

The installed capacity of Mumbai Refinery has increased from 6.90 MMTPA to 12.00 MMTPA on account of commissioning of the new facilities including Hydrocracker Unit under Refinery Modernisation Project in August 2005.

** MTBE is used for own manufacture of Motor Spirit.

24. Raw materials consumed :

	Quantity KL	Quantity MT	Value Rs. Million
Crude Oil	—	**17,221,007**	**319,646.42**
		(9,142,601)	(133,170.48)
Others	—	**23,478**	**714.88**
		(41,762)	(1,142.64)
Base oil	**97,316**	—	**2,638.08**
	(100,889)		(2,423.60)
Additive		**8,454**	**660.46**
		(11,866)	(792.75)
			323,659.84
			(137,529.47)

25. Finished goods purchased, sold and stocked :

Petroleum Products	Opening Stock Quantity MT	Opening Stock Value Rs. Million	Purchases Quantity MT	Purchases Value Rs. Million
Light Distillates	**610,272**	**19,032.01**	**4,448,049**	**132,217.02**
	(400,969)	(10,341.63)	(5,179,089)	(130,270.81)
Middle Distillates	**1,397,994**	**34,847.83**	**7,806,625**	**249,427.28**
	(1,276,847)	(23,749.48)	(11,363,497)	(262,869.56)
Others	**212,744**	**2,491.85**	**290,415**	**5,035.10**
	(206,770)	(2,077.76)	(942,511)	(11,013.97)
Aromatics				
(a) Benzene	**1,551**	**55.11**	**—**	**—**
	(2,469)	(63.02)	(2,030)	(97.03)
(b) Toluene	**2,603**	**86.71**	**8**	**0.38**
	(476)	(11.37)	(21)	(1.05)
(c) Petroleum Hydrocarbon Solvent	**396**	**13.30**	**—**	**—**
	—	—	—	—
(d) Polyisobutene, Slop Cut & Others	**45**	**1.99**	**—**	**—**
	—	—	—	—
Lubricants	**16,592**	**877.91**	**9,552**	**380.64**
	(16,149)	(792.08)	(7,192)	(290.23)
Crude Oil	**—**	**—**	**156,480**	**2,881.52**
	—	—	(207,603)	(2,841.59)
Others (Grocery)	**—**	**1.52**	**—**	**11.06**
	—	(2.49)	—	(31.42)
		57,408.23		**389,953.00**
		(37,037.83)		(407,415.66)

Petroleum Products	Sales Quantity MT	Sales Value Rs. Million	Closing Stock Quantity MT	Closing Stock Value Rs. Million
Light Distillates	**8,855,785**	**283,893.31**	**704,469**	**22,013.78**
	(7,571,540)	(216,211.71)	(525,906)	(16,810.96)
Middle Distillates	**16,143,082**	**473,939.33**	**1,337,455**	**36,105.12**
	(15,502,776)	(375,014.96)	(1,296,199)	(32,658.46)
Others	**3,624,348**	**57,075.20**	**281,065**	**4,839.05**
	(2,874,290)	(34,610.05)	(168,116)	(2,029.51)
Aromatics				
(a) Benzene	**58,366**	**2,357.95**	**4,521**	**170.19**
	(48,325)	(2,196.20)	(380)	(13.72)
(b) Toluene	**43,602**	**1,733.27**	**2,011**	**76.01**
	(10,470)	(393.55)	(47)	(1.18)
(c) Petroleum Hydrocarbon Solvent	**7,029**	**356.62**	**828**	**35.18**
	—	—	—	—
(d) Polyisobutene, Slop Cut & Others	**112**	**9.70**	**270**	**17.53**
	—	—	—	—
Lubricants	**115,717**	**7,609.52**	**15,803**	**904.65**
	(116,871)	(7,265.47)	(16,592)	(877.91)
Crude Oil	**156,480**	**2,881.52**	**—**	**—**
	(207,603)	(2,841.59)	—	—
Others (Grocery)	**—**	**8.61**	**—**	**1.75**
	—	(36.50)	—	(1.52)
		829,865.02		**64,163.25**
		(638,570.03)		(52,393.26)

(a) Purchases excludes inter product transfers.

(b) Purchases of petroleum products exclude payments to third parties for processing fees **Rs. 229.63 million** (previous year Rs. 141.96 million) but include own consumption and samples **Rs. 338.26 million** (previous year Rs.131.38 million).

(c) Sales exclude Oil Marketing Companies GOI Special Bonds worth Rs. 21,631.20 million (previous year Rs.Nil) issued by Government of India.

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

	Rs. Million	2004-05 Rs. Million
(a) Raw Materials (including crude oil)	**222,368.44**	68,195.59
(b) Capital goods	**1,151.75**	858.54
(c) Components and spare parts (including packages, chemicals and catalysts)	**266.53**	165.56

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

	Rs. Million	2004-05 Rs. Million
(a) Purchase of products	**11,208.20**	4,679.91
(b) Know-how	**26.95**	52.82
(c) Professional Consultancy Fees	**51.81**	47.46
(d) Royalty	**141.44**	36.61
(e) Interest	**157.44**	163.67
(f) Other matters	**2,006.86**	54.01

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

	Imported		Indigenous		Total
	Rs. Million	%	Rs. Million	%	Rs. Million
Crude Oil	**231,123.10**	**72.31**	**88,523.32**	**27.69**	**319,646.42**
	(75,261.79)	(56.52)	(57,908.69)	(43.48)	(133,170.48)
Others	**81.12**	**11.35**	**633.76**	**88.65**	**714.88**
	(41.78)	(3.66)	(1,100.86)	(96.34)	(1,142.64)
Base Oil	**239.70**	**9.09**	**2,398.38**	**90.91**	**2,638.08**
	(522.25)	(21.55)	(1,901.35)	(78.45)	(2,423.60)
Additive	**49.89**	**7.55**	**610.58**	**92.45**	**660.46**
	(67.10)	(8.46)	(725.65)	(91.54)	(792.75)
Stores/Spare parts and Components (including packages, chemicals & catalysts)	**266.92**	**14.45**	**1,580.85**	**85.55**	**1,847.78**
	(205.59)	(15.10)	(1,155.68)	(84.90)	(1,361.27)

29. Earnings in foreign exchange :

	Rs. Million	2004-05 Rs. Million
Exports at F.O.B. value on own account #	**42,856.39**	19,434.12
Management contract	**10.33**	11.50

Includes receipt of **Rs. 5516.66 million** (previous year Rs. 7,605.75 million) in Indian currency out of the repatriable funds of foreign airline customers. and **Rs. 81.44 million** (previous year Nil) of INR exports to Nepal and Bhutan

30. Expenditure on social overheads :

	Rs. Million	2004-05 Rs. Million
(a) Expenditure on township [net of recovery **Rs. 6.59 million** (previous year Rs. 9.50 million)]	**14.84**	6.83
(b) Medical facilities over and above statutory requirements	**9.76**	3.32
(c) Social and cultural activities	**33.36**	62.49
(d) Depreciation on capital assets	**12.76**	7.90

31. Profit and Loss Account includes expenditure on :

	Rs. Million	2004-05 Rs. Million
(a) Entertainment	**5.75**	5.04
(b) Public relations and publicity	**45.58**	35.62
(c) Remuneration to staff employed for public relations work	**13.47**	9.62

32. Research and development :

	Rs. Million	2004-05 Rs. Million
(a) Revenue expenditure	**121.68**	154.87
(b) Capital expenditure	**67.07**	119.66

	Rs. Million	2004-05 Rs. Million
33. Value Added	**47,807.86**	48,765.66

34. 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) 2006 (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
	282758.31	282758.31
Sources of Funds (excluding deferred tax liability)	Paid-up Capital	Reserves & Surplus
	3615.44 #	87778.83
	Secured Loans	Unsecured Loans
	30713.17	53022.79

Including Share Capital Suspense Account Rs. 615.42 million and Share Application Money Suspense Rs. 0.02 million

Application of Funds:	Net Fixed Assets	Investments
	110854.73 *	38774.20
	Net Current Assets	Misc. Expenditure
	39059.71	NIL
	Accumulated Losses	
	NIL	

*Includes Capital work-in-progress

IV. Performance of Company (Rs. million)

Turnover	Total Expenditure
856149.41 *	852077.46
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
+ 4071.95	+ 2916.46
Earning per Share in Rs.	Dividend rate %
8.07	25

* 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.

35. 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

Sd/-
S. K. JOSHI
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Place : Mumbai
Dated : 26th September, 2006

CASH FLOW STATEMENT

	For the year ended 31st March Notes	**2006** **Rs. Million**	2005 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		**3,906.01**	13,660.83
Adjustments for :			
Depreciation		**7,680.06**	5,960.39
Interest paid		**2,474.14**	1,398.03
Foreign Exchange Fluctuations	Note 3	**490.21**	14.73
(Profit)/Loss on Sale of fixed assets		**(35.07)**	(38.36)
(Profit)/Loss on Sale of investments		**4.70**	(45.93)
Income from Investments		**(666.25)**	(392.50)
Dividend Received		**(1,118.47)**	(1,547.68)
Other Non-Cash items	Note 4	**636.47**	(428.85)
Operating Profit before Working Capital Changes		**13,371.80**	18,580.66
Invested in :			
Trade Receivables		**6,099.56**	128.79
Other receivables		**18,179.17**	(2,839.24)
Inventory		**(14,037.92)**	(19,756.10)
Current Liabilities & Payables		**(8,663.46)**	10,678.64
Cash generated from Operations		**14,949.15**	6,792.75
Direct Taxes paid		**(1,638.39)**	(4,360.33)
Cash flow before prior period items		**13,310.76**	2,432.42
Prior Period Items		**165.94**	(97.35)
Non-Cash items		**22.48**	5.29
Net Cash from Operating Activities		**13,499.18**	2,340.36

CASH FLOW STATEMENT — (Contd.)

For the year ended 31st March	Notes	2006 Rs. Million	2005 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets	Note 5	**(19,945.49)**	(14,766.02)
Sale of fixed assets		**108.26**	208.13
Capital Grant Received		**31.18**	—
Investment in Joint Venture Companies			
Petroleum India International		**(6.60)**	(1.68)
Purchase of Investments		**(34,715.10)**	—
Sale of Investments		**6,575.30**	3,045.94
Income from Investment		**666.25**	392.50
Dividend Received		**1,118.47**	1,547.68
		(46,167.73)	(9,573.45)
C Net Cash Flow on Financing Activities			
Long term Borrowings		**1,649.34**	5,091.69
Repayment of loans		**(2,105.78)**	(3,488.90)
Interest Paid		**(2,646.76)**	(1,825.38)
Interim Dividend Paid		—	(1,500.00)
Dividend Paid		**(2,684.54)**	(3,450.32)
Corporate Dividend Tax		**(379.65)**	(646.90)
Realised gains of exchange differences on foreign currency loans		**(93.83)**	(160.78)
Net Cash Flow on Financing Activities		**(6,261.22)**	(5,980.59)
D Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)		**(38,929.77)**	(13,213.68)

CASH FLOW STATEMENT — (Contd.)

Cash and Cash equivalents as at 31st March	**2005**	2004
	Rs. Million	Rs. Million
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)
CBLOs	**—**	—
Unsecured loans from scheduled banks/ICDs/CPs	**(18,842.87)**	(2,867.68)
	(22,577.11)	(9,363.43)
Cash and Cash equivalents as at 31st March of erstwhile KRL consequent to amalgamation	**(778.30)**	—
	(23,355.41)	(9,363.43)
Cash and Cash equivalents as at 31st March	**2006**	2005
Cash in Hand	**2,309.54**	1,550.89
Cash at Bank	**2,465.37**	1,912.84
Cash in transit	**146.05**	60.16
Cash Credit from scheduled banks	**(17,573.53)**	(7,258.13)
CBLOs	**(8,650.00)**	—
Unsecured loans from scheduled banks/ICDs/CPs	**(40,982.61)**	(18,842.87)
	(62,285.18)	(22,577.11)
Net change in Cash and Cash equivalents	**(38,929.77)**	(13,213.68)

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 issued 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. 3.06 million** (2004-05 reduction in liability of Rs. 16.74 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

As per our attached report of even date

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

Sd/-
S. VENKATRAMAN
Partner
Membersiip No. 34319

Place : Mumbai
Dated : 26th September, 2006

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, 2006 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 the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our examination.

2. We did not audit the financials statements of the Company's Subsidiary and seven joint ventures, whose financial statements in the aggregate, reflect total assets of Rs.38,713.15 million (net) as at 31st March, 2006 and total revenues of Rs.61,983.32 million for the year ended on that date. The financial statements and other information of the subsidiary company 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 Company 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 subsidiary 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 the Company, its subsidiary 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 subsidiary and its interests in joint ventures as at 31st March, 2006;

(ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Bharat Petroleum Corporation Limited, its subsidiary 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 subsidiary 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: New Delhi
Date: October 31, 2006.

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE	Rs. Million	31/03/2005 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	**A**	**3,000.00**	3,000.00
Share Capital Suspense Account	**AA**	**615.42**	—
Share Application Money Suspense Account		**0.02**	—
		3,615.44	3,000.00
Reserves and Surplus	**B**	**95,575.25**	73,559.57
		99,190.69	76,559.57
2. Minority Interest :			
Share Capital		**2,724.43**	3,350.25
Reserves and Surplus		**3,539.79**	13,407.16
		6,264.22	16,757.41
3. Loan funds :	**C**		
Secured Loans		**38,088.36**	18,346.37
Unsecured Loans		**54,593.86**	37,131.87
		92,682.22	55,478.24
4. Deferred tax liability (net)		**17,655.18**	16,697.37
TOTAL		**215,792.31**	165,492.59
II. APPLICATION OF FUNDS			
1. Fixed Assets :	**D**		
Gross block		**206,421.67**	182,213.25
Less : Depreciation and amortisation		**83,150.57**	74,118.97
Net block		**123,271.10**	108,094.28
Capital work-in-progress	**E**	**15,736.64**	17,304.71
		139,007.74	125,398.99
2. Investments	**F**	**32,207.41**	3,780.53
3. Current assets, loans and advances :			
Inventories	**G**	**98,958.66**	83,557.70
Sundry debtors	**H**	**14,060.17**	14,500.80
Cash and bank balances	**I**	**5,623.02**	7,101.98
Other current assets	**J**	**7,743.51**	111.29
Loans and advances	**K**	**17,643.98**	30,648.46
		144,029.34	135,920.23
Less : Current liabilities and provisions :			
Liabilities	**L**	**93,506.67**	94,957.34
Provisions	**M**	**5,953.17**	4,657.91
		99,459.84	99,615.25
Net current assets		**44,569.50**	36,304.98
4. Miscellaneous Expenditure to the extent not written off or adjusted		**7.66**	8.09
TOTAL		**215,792.31**	165,492.59
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

As per our attached report of even date
For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants
Sd/-
S. VENKATRAMAN
Partner
Membership No. 34319

Place : New Delhi
Dated : 31st October, 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	Rs. Million	2004-05 Rs. Million
INCOME			
Sale of products & related income	N	**862,229.01**	720,366.03
Less: Excise Duty Paid		**(87,068.28)**	(76,117.60)
		775,160.73	644,248.43
Miscellaneous income	O	**3,994.42**	3,504.58
Increase/(Decrease) in Inventory	P	**8,517.68**	20,198.32
TOTAL		**787,672.83**	667,951.33
EXPENDITURE			
Purchase of products for resale		**334,948.52**	286,849.55
Raw materials consumed	Q	**371,703.39**	286,855.85
Packages consumed		**784.97**	777.44
Excise Duty on Inventory differential		**2,257.81**	(2,492.70)
Other Duties, taxes etc. and other charges applicable to products		**14,395.04**	16,822.27
Transportation		**17,577.76**	16,075.10
Consumption of stores, spares and materials	R	**727.39**	546.98
Power and Fuel	S	**563.87**	507.72
Employees' remuneration and other benefits	T	**9,351.64**	9,551.10
Interest	U	**3,052.22**	2,468.94
Other operating and administration expenses	V	**14,326.23**	11,191.31
Depreciation and amortisation		**9,457.92**	8,809.71
Miscellaneous Expenditure Written off		**0.79**	3.07
TOTAL		**779,147.55**	637,966.34
Profit		**8,525.28**	29,984.99
Prior period income/(expenses) net	W	**191.33**	(230.71)
Profit before tax		**8,716.61**	29,754.28
Provision for Taxation			
- Current Tax		**815.83**	7,823.91
- MAT Credit		**(240.00)**	—
- Fringe Benefit Tax		**157.22**	—
- Deferred Tax (Net)		**957.81**	2,255.65
Excess/(Short) provision for Taxation in earlier years written back/provided for		**10.07**	1,065.93
Profit after tax		**7,035.82**	20,740.65
Minority Interest		**1,662.85**	5,321.03
Net Income of the Group		**5,372.97**	15,419.62
Transfer from / (to) Debenture Redemption Reserve		**(1,890.00)**	1,860.00
Balance brought forward		**7,340.23**	9,123.03
Amount Transferred on Amalgamation:			
(a) Balance of Profit & Loss Account as on 1st April 2004		**14,145.27**	—
(b) Profit After Tax for Financial Year 2004-05		**8,421.17**	—
(c) Interim Dividend		**(775.43)**	—
(d) Corporate Dividend Tax		**(105.71)**	—
(e) Transfer to General Reserve		**(842.12)**	—
Disposable Profit		**33,329.23**	31,723.68
Appropriations:			
Interim dividend paid		—	1,643.92
Second interim dividend		—	2,456.50
Proposed dividend		**1,421.57**	463.21
Corporate Dividend Tax on interim and proposed dividend		**333.84**	812.15
		1,755.41	5,375.78
Transfer to General Reserve		**3,211.14**	4,487.46
Balance Carried to Balance Sheet		**28,362.68**	21,860.44
Earnings per Share			
- Basic		14.86	51.40
- Diluted		14.86	51.40
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

As per our attached report of even date

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

Sd/-

S. VENKATRAMAN
Partner
Membership No. 34319

Place : New Delhi
Dated : 31st October, 2006

SCHEDULE 'A' — SHARE CAPITAL (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
Authorised		
450 million equity shares of Rs.10 each	**4,500.00**	3,000.00
	4,500.00	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 'AA' — SHARE CAPITAL SUSPENSE ACCOUNT (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
61,542,124 equity shares of Rs. 10 each to be issued as fully paid-up to the Shareholders of erstwhile Kochi Refineries Limited as per the Scheme of Amalgamation [refer note 1 (d) of Schedule 'X' - B]	**615.42**	—
Total	**615.42**	—

SCHEDULE 'B' — RESERVES AND SURPLUS (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
Capital Reserve		
As per last Balance Sheet		
[refer note 1 (j) (ii) of Schedule 'X' - B]	**378.02**	433.97
Add: Grant received during the year	**31.18**	—
Less : Amortisation of Capital Grant	**(0.42)**	(0.50)
Add : Transferred on Amalgamation	**123.32**	—
	532.10	433.47
Capital Reserve on acquisition of subsidiaries	**678.64**	1,729.88
Debenture Redemption Reserve		
As per last Balance Sheet	**2,560.00**	4,420.00
Less: Transfer to Profit & Loss Account	**—**	(2,500.00)
Add : Transfer from Profit & Loss Account	**1,890.00**	640.00
	4,450.00	2,560.00
General Reserve		
As per last Balance Sheet		
[refer note 1 (j) (ii) of Schedule 'X' - B]	**57,696.05**	55,738.16
Add : Transferred on Amalgamation:		
(i) Balance as at 1st April 2004	**2,400.08**	—
(ii) Surplus on Amalgamation	**769.28**	—
	3,169.36	—
(iii) Transfer from Profit & Loss Account in 2004-05	**842.12**	—
	4,011.48	—
Add : Transfer from Profit & Loss Account	**3,187.26**	4,471.82
	64,894.79	60,209.98
Surplus as per Profit & Loss Account	**27,658.64**	21,478.07
	98,214.17	86,411.40
Less: Minority Interest		
[refer note 1 (j) (i) of Schedule 'X' - B]	**3,539.79**	13,407.16
	94,674.38	73,004.24
Share of interest in Joint Ventures		
General Reserve	**48.76**	24.89
Surplus as per Profit & Loss Account	**704.04**	382.37
Special Reserve	**3.73**	3.73
Securities Premium	**144.34**	144.34
	900.87	555.33
Total	**95,575.25**	73,559.57

SCHEDULE 'C' — LOAN FUNDS (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
Secured Loans		
Bonds		
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	**3,075.00**	—
(Secured in favour of participating banks ranking pari-passu inter-alia by hypothecation of Plant & Machinery, Office Equipments, Electrical fittings and other Fixed Assets) [Due for repayment within one year **Rs 1,800 million** (previous year Rs Nil)]		
Working Capital Loans/Cash Credit	**19,205.42**	11,513.24
(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)		
Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Ltd. (Secured by Oil Marketing Companies GOI Special Bonds of **Rs. 14,440.06 million**)	**8,650.00**	—
Interest accrued and due	**56.34**	26.04
	35,436.76	15,989.28
Share of interest in Joint Ventures	**2,651.60**	2,357.09
	38,088.36	18,346.37

* Call option exercised.

** 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.)

		31/03/2005
	Rs. Million	Rs. Million
Unsecured Loans		
Syndicated Loans from various banks (repayable in foreign currency)	**4,539.44**	4,703.13
[Due for repayment within one year **Rs. Nil** (previous year Rs. Nil)]		
Public deposits	**970.34**	2,231.35
[Due for repayment within one year **Rs. 351.63 million** (previous year Rs. 1,553.20 million)]		
Short Term (From Banks)		
Rupee Loans	**22,751.86**	12,181.18
Foreign Currency Loans	**18,242.61**	7,342.87
Packing Credit	—	830.21
OIDB	**7,768.70**	9,629.26
[Due for repayment within one year **Rs. 1,349.00 million** (previous year Rs. 2,092.23 million)]		
	54,272.95	36,918.00
Share of interest in Joint Ventures	**320.91**	213.87
	54,593.86	37,131.87
Total	**92,682.22**	55,478.24

Bharat Petroleum Corporation Limited

SCHEDULE 'D' — FIXED ASSETS (CONSOLIDATED)

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	AS AT 01-04-2005	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFICATIONS	**AS AT 31-03-2006**	UPTO 31-03-2005	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFICATIONS	**UPTO 31-03-2006**	**AS AT 31-03-2006**	AS AT 31-03-2005
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	3,372.37	242.35	6.22	**3,608.50**	-	-	-	**-**	**3,608.50**	3,372.37
(b) Leasehold	787.47	49.38	0.06	**836.79**	100.75	15.76	0.05	**116.46**	**720.33**	686.72
2. BUILDINGS	26,322.52	5,111.84	45.75	**31,388.61**	2,830.78	599.68	19.79	**3,410.67**	**27,977.94**	23,491.74
3. RAILWAY SIDINGS	2,190.30	146.70	(4.00)	**2,341.00**	762.75	119.74	0.67	**881.82**	**1,459.18**	1,427.55
4. PLANT and MACHINERY	68,015.53	12,091.86	576.84	**79,530.55**	22,600.11	3,830.37	311.64	**26,118.84**	**53,411.71**	45,415.42
5. TANKS and PIPELINES	26,798.57	1,001.49	(89.64)	**27,889.70**	10,404.51	1,390.83	3.54	**11,791.80**	**16,097.90**	16,394.06
6. FURNITURE and FITTINGS	1,008.86	114.90	(25.83)	**1,149.59**	392.42	107.26	2.06	**497.62**	**651.97**	616.44
7. VEHICLES	967.39	179.02	(117.37)	**1,263.78**	526.79	94.16	(72.74)	**693.69**	**570.09**	440.60
8. OTHER ASSETS										
(a) Dispensing Pumps	6,742.35	2,127.80	(11.46)	**8,881.61**	1,534.12	350.14	4.57	**1,879.69**	**7,001.92**	5,208.23
(b) LPG Cylinders and Allied Equipment	29,507.45	1,435.36	60.12	**30,882.69**	29,507.45	1,435.36	60.12	**30,882.69**	**-**	-
(c) Sundries	11,388.11	1,112.43	246.42	**12,254.12**	4,669.04	1,071.52	182.36	**5,558.20**	**6,695.92**	6,719.07
9. INTANGIBLE ASSETS (refer note 15 (a) of Schedule 'X' B)	235.57	259.80	-	**495.37**	65.79	82.77	-	**148.56**	**346.81**	169.78
TOTAL	**177,336.49**	**23,872.93**	**687.11**	**200,522.31**	**73,394.51**	**9,097.59**	**512.06**	**81,980.04**	**118,542.27**	**103,941.98**
Share of interest in Joint Ventures	**5,678.46**	**250.31**	**29.41**	**5,899.36**	**823.25**	**372.63**	**25.35**	**1,170.53**	**4,728.83**	**4,855.21**
Grand Total	**183,014.95**	**24,123.24**	**716.52**	**206,421.67**	**74,217.76**	**9,470.22**	**537.41**	**83,150.57**	**123,271.10**	**108,797.19**
Total 2004-05	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 2004-05	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

NOTES

1) Land:-

a) Freehold land of the group includes **Rs. 798.94 million** (previous year Rs. 778.14 million) for which conveyance deed / registration / execution of title deeds are pending.

b) Leasehold land of the group includes gross block **Rs. 16.16 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. 50.33 million** (previous year Rs.139.86 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. 137.76 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. 324.79 million), Net Block **Rs. 315.43 million** (previous year Rs. 320.65 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. 1,699.08 million** (previous year Rs. 1,699.45 million), Cumulative Depreciation **Rs. 502.33 million** (previous year Rs. 428.92 million), Net Block **Rs. 1,196.75 million** (previous year Rs.1,270.53 million).

4) Buildings, Plant & Machinery and Sundries includes **Rs. 180.40 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. 10.47 million** (previous year Rs. 10.95 million).

5) Gross Block of the group includes **Rs. 104.63 million** (previous year Rs. 12.47 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. 47.24 million** (previous year Rs. 6.57 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	31/03/2005 Rs. Million
Capital work-in-progress (at Cost)		
Work-in-progress	**9,770.57**	12,995.29
Capital Advances (Unsecured, Considered good)	**664.45**	935.74
Capital Stores including lying with contractors	**2,780.51**	1,208.78
Capital goods in transit	**864.49**	183.65
Intangible assets pending amortisation (refer note 15 (b) of Schedule 'X' - B)	**43.23**	69.63
Construction period expenses		
Opening balance	**971.08**	1,157.48
Add : Expenditure during the year		
Establishment charges	**173.22**	201.73
Interest	**205.81**	350.76
Depreciation	**3.35**	3.86
Others	**114.09**	116.13
	1,467.55	1,829.96
Less : Allocated to assets during the year	**(939.11)**	(858.88)
Balance pending allocation at the end of the year	**528.44**	971.08
Share of interest in Joint Ventures	**1,084.95**	940.54
Total	**15,736.64**	17,304.71

SCHEDULE 'F' — INVESTMENTS (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
CURRENT		
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**31,085.10**	2,950.00
Less : Provision for dimiuntion in value of investment	**260.12**	—
	30,824.98	2,950.00
LONG TERM		
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**643.47**	0.38
IN SHARES, DEBENTURES AND BONDS		
TRADE - UNQUOTED	**132.01**	362.01
Less : Provision for dimiuntion in value of investment	**79.51**	79.51
	52.50	282.50
IN OTHER SECURITIES		
NON TRADE - QUOTED	**88.75**	88.75
	88.75	88.75
NON TRADE - UNQUOTED	**0.08**	0.08
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 2005 (31st March 2004)	**221.12**	214.52
	31,831.90	3,537.23
Share of interest in Joint Ventures - UNQUOTED	**375.51**	243.30
Total	**32,207.41**	3,780.53

Aggregate value of Unquoted Securities **Rs. 650.21 million** (previous year Rs. 741.40 million).
Aggregate value of Quoted Securities **Rs. 31,557.20 million** (previous year Rs. 3,039.13 million).
Market value of Quoted Securities **Rs. 31,633.75 million** (previous year Rs. 3,068.41 million).

SCHEDULE 'G' — INVENTORIES (CONSOLIDATED)

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

		31/03/2005
	Rs. Million	Rs. Million
Stores and spares	**1,812.67**	1,584.74
Stores and spares in Transit	**150.32**	229.87
Raw materials	**21,066.28**	14,857.77
Stock in process	**5,424.44**	4,823.76
Finished products	**69,915.10**	61,487.85
Packages	**58.34**	59.12
	98,427.15	83,043.11
Share of interest in Joint Ventures	**531.51**	514.59
Total	**98,958.66**	83,557.70

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

SCHEDULE 'H' — SUNDRY DEBTORS (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

		31/03/2005
	Rs. Million	Rs. Million
Debts outstanding for over six months :		
Considered good *	**1,020.61**	939.72
Considered doubtful	**1,688.32**	1,297.16
	2,708.93	2,236.88
Other debts	**12,667.81**	13,230.53
	15,376.74	15,467.41
Less : Provision for doubtful debts	**(1,688.32)**	(1,297.16)
	13,688.42	14,170.25
Share of interest in Joint Ventures	**371.75**	330.55
Total	**14,060.17**	14,500.80

* Includes **Rs. 68.29 million** (previous year Rs. 9.06 million) which are secured

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

	Rs. Million	31/03/2005 Rs. Million
Cash on Hand	**2,309.73**	1,552.56
[Includes drafts and cheques of **Rs. 2,158.67 million** (previous year Rs. 1,451.99 million) on hand]		
With Scheduled banks :		
In current accounts	**2,465.11**	1,970.47
In deposit accounts *	**309.09**	3,069.04
Remittances in transit	**146.05**	65.42
	5,229.98	6,657.49
Share of interest in Joint Ventures	**393.04**	444.49
Total	**5,623.02**	7,101.98

* Includes deposit of
(a) **Rs. 0.04 million** in the joint names with contractors towards Sales tax on works contract.
(b) **Rs. 8.01 million** (previous year Rs. 8.01 million) that have been pledged / deposited with local authorities.

SCHEDULE 'J' — OTHER CURRENT ASSETS (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
Interest accrued on investments	**113.13**	15.24
Interest accrued on bank deposits	**0.64**	0.25
Deferred premium (foreign exchange forward contract)	**1,033.87**	94.12
Others [refer Note 1 (h) of Schedule 'X' - B]	**6,591.02**	—
	7,738.66	109.61
Share of interest in Joint Ventures	**4.85**	1.68
Total	**7,743.51**	111.29

SCHEDULE 'K' — LOANS AND ADVANCES (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2005 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less: Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**6,393.47**	6,095.47
Loans:		
To companies		
Considered doubtful	**28.08**	28.08
Less: Provision for doubtful loans	**(28.08)**	(28.08)
To Staff	**—**	64.78
To others	**249.44**	141.52
Advances:		
Share Application money pending allotment/Advance towards equity shares		
Considered good	**82.97**	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	**2,483.05**	2,807.44
Advances considered doubtful	**15.85**	14.57
Less : Provision for doubtful advances	**(15.85)**	(14.57)
	9,208.93	9,109.46
Material given on Loan (Secured)	**4.64**	5.83
Less : Deposits Received	**(4.64)**	(5.83)
Dues from Petroleum Planning & Analysis Cell - Government of India	**321.88**	13,718.86
Claims :		
Considered good	**3,064.37**	2,754.08
Considered doubtful	**230.18**	1,800.00
Less : Provision for doubtful claims	**(230.18)**	(1,800.00)
	3,064.37	2,754.08
Advance Income Tax (Net of provision for taxation)	**3,275.75**	2,333.51
MAT Credit Entitlement	**240.00**	—
Deposits :		
With Customs/Excise/Port Trust etc.	**401.70**	2,105.97
Others**	**809.34**	389.69
	1,211.04	2,495.66
Considered doubtful	**0.19**	0.19
Less: Provision for doubtful deposits	**(0.19)**	(0.19)
	1,211.04	2,495.66
	17,321.97	30,411.57
Share of interest in Joint Ventures	**322.01**	236.89
Total	**17,643.98**	30,648.46

* Include :
Due from Officers : **Rs. 167.51 million** (previous year Rs. 149.13 million)
Maximum balances : **Rs 179.45 million** (previous year Rs. 154.58 million)
Due from Directors : **Rs 1.16 million** (previous year Rs. 2.68 million)
Maximum balances : **Rs 2.80 million** (previous year Rs. 3.16 million)

** Includes an amount of **Rs. 78.98 million** (previous year Rs. 77.40 million) alongwith interest of **Rs. 81.98 million** (previous year Rs. 80.85 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
Current Liabilities :		
Sundry creditors		
Total outstanding dues to Small Scale Industries (SSI's)	**159.43**	151.71
Total outstanding dues to creditors other than SSI's	**45,371.36**	50,271.01
Materials taken on loan	**0.05**	0.05
Less : Deposits given	**(0.05)**	(0.05)
Deposits from Customers	**68.29**	12.88
Deposits for Containers	**27,199.98**	25,697.93
Investors Education & Protection Fund shall be credited by the following amount*		
Unclaimed Dividend	**31.60**	48.36
Unclaimed Deposits	**13.00**	22.54
Unclaimed Interest on Deposits	**1.82**	2.11
Second interim dividend	—	2,456.50
Corporate dividend tax on interim dividend	—	379.65
Other liabilities	**19,629.73**	14,552.35
Interest on loans (accrued but not due)	**442.52**	488.43
	92,917.73	94,083.47
Share of interest in Joint Ventures	**588.94**	873.87
Total	**93,506.67**	94,957.34

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

SCHEDULE 'M' — PROVISIONS (CONSOLIDATED)

	Rs. Million	31/03/2005 Rs. Million
Provision for Taxation (Net of Tax paid)	**967.48**	1,213.88
Proposed dividend	**1,421.57**	463.21
Corporate Dividend Tax on proposed dividend	**322.80**	175.39
Provision for retirement benefits	**3,192.31**	2,789.79
	5,904.16	4,642.27
Share of interest in Joint Ventures	**49.01**	15.64
Total	**5,953.17**	4,657.91

SCHEDULE 'N' — SALE OF PRODUCTS (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
Sales	**827,856.60**	705,838.02
Subsidy on LPG (Domestic) & SKO (PDS)	**5,151.67**	5,248.40
Receipt of Oil Marketing Companies GOI Special Bonds	**21,631.20**	—
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**64.95**	4,375.76
	854,704.42	715,462.18
Share of interest in Joint Ventures	**7,524.59**	4,903.85
Total	**862,229.01**	720,366.03

SCHEDULE 'O' — MISCELLANEOUS INCOME (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
Interest on bank deposits and others *	**339.22**	1,011.29
Tax deducted at source - **Rs. 13.48 million** (previous year Rs. 24.31 million)		
Income from Investments		
Current		
Interest on Oil Marketing Companies GOI Special Bonds	**645.12**	359.21
Long Term		
Interest	**25.71**	6.42
Dividend	**268.05**	15.25
From AOP (Petroleum India International)	**20.58**	13.38
Profit on Sales/Maturity	**—**	51.40
Excess provision for expenses written back	**32.47**	—
Write back (net)	**2.05**	46.69
Profit on sale / write off of fixed assets (net)	**28.48**	38.36
Other income #	**2,557.96**	1,900.10
	3,919.64	3,442.10
Share of interest in Joint Ventures	**74.78**	62.48
Total	**3,994.42**	3,504.58

* Includes interest received from Income tax authorities **Rs. 18.82 million** (previous year Rs. 589.31 million)

Includes amortisation of capital grants **Rs. 0.42 million** (previous year Rs. 0.04 million)

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

	Rs. Million	2004-05 Rs. Million
Value of closing stock of		
Finished goods	**69,915.10**	61,487.85
Stock in process	**5,424.44**	4,823.76
	75,339.54	66,311.61
Less :		
Value of opening stock of		
[refer note 1 (j) (ii) of Schedule 'X' - B]		
Finished goods	**62,033.95**	43,561.52
Stock in process	**4,823.76**	2,584.75
	66,857.71	46,146.27
	8,481.83	20,165.34
Share of interest in Joint Ventures	**35.85**	32.98
Total	**8,517.68**	20,198.32

SCHEDULE 'Q' — RAW MATERIALS CONSUMED (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
Opening Stock	**14,857.77**	9,062.36
Add : Purchases	**372,474.50**	289,426.35
Less: Closing Stock	**(21,066.28)**	(14,857.77)
	366,265.99	283,630.94
Share of interest in Joint Ventures	**5,437.40**	3,224.91
Total	**371,703.39**	286,855.85

SCHEDULE 'R' — CONSUMPTION OF STORES, SPARES AND MATERIALS (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
Stores, spares and materials	**1593.28**	1,376.06
Less : Charged to other revenue accounts	**(899.99)**	(852.08)
	693.29	523.98
Share of interest in Joint Ventures	**34.10**	23.00
Total	**727.39**	546.98

SCHEDULE 'S' — POWER AND FUEL (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
Power and Fuel	**18,809.12**	11,820.29
Less: Consumption of fuel out of own production	**(18,319.71)**	(11,372.80)
	489.41	447.49
Share of interest in Joint Ventures	**74.46**	60.23
Total	**563.87**	507.72

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
Salaries and wages*	**6,810.81**	6,855.24
Contribution to provident fund and other funds	**585.50**	617.43
Contribution to gratuity fund	**164.15**	140.98
Welfare expenses	**1,629.76**	1,801.61
	9,190.22	9,415.26
Share of interest in Joint Ventures	**161.42**	135.84
Total	**9,351.64**	9,551.10

*includes payment towards VRS compensation **Rs. 2.64 million** (previous year Rs. 407.97 million)

SCHEDULE 'U' — INTEREST (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
On Bonds	**442.28**	377.91
On Fixed Loans	**843.68**	943.04
Others	**1,535.29**	956.04
	2,821.25	2,276.99
Share of interest in Joint Ventures	**230.97**	191.95
Total	**3,052.22**	2,468.94

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES (CONSOLIDATED)

	Rs. Million	2004-05 Rs. Million
Repairs and maintenance :		
Machinery	**2,189.17**	1,998.82
Building	**175.78**	180.68
Others	**1,059.69**	796.39
	3,424.64	2,975.89
Insurance	**413.95**	377.25
Rent	**1,138.95**	1,130.33
Rates and taxes	**375.04**	170.93
Charities and donations	**20.61**	112.59
Remuneration to auditors	**3.02**	2.59
Utilities	**758.90**	687.69
Write off :		
Bad debts and Claims	**19.48**	647.16
Less : Provision made earlier	**(2.65)**	(542.03)
Others	**6.59**	30.77
Provision for :		
Doubtful debts and advances	**353.35**	(564.26)
Diminution in value of investments	**260.12**	—
Charges paid to other oil companies	**778.19**	772.19
Travelling and conveyance	**934.77**	869.32
Telephone, Telex, Cables, Postage etc.	**245.30**	313.04
Loss on sale / maturity of Investments (net)	**4.70**	—
Loss on sale / write off of Fixed Assets(net)	**—**	0.17
Brokerage on Public Deposit	**2.09**	3.09
Other expenses	**5,170.12**	3,783.25
	13,907.17	10,769.97
Share of interest in Joint Ventures	**419.06**	421.34
Total	**14,326.23**	11,191.31

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

	Rs. Million	2004-05 Rs. Million
Sale of products	**(65.46)**	(9.32)
Miscellaneous Income	**65.39**	7.50
Purchase of product for resale	**106.69**	24.10
Raw Materials Consumed	**5.67**	1.53
Duties taxes etc. and other product charges	**74.09**	(112.32)
Transportation	**(2.30)**	1.19
Consumption of stores spares and materials	**(1.01)**	(25.39)
Rent, Rates & Taxes	**0.31**	6.48
Employees' remuneration and other benefits	**(3.70)**	—
Other operating and administration expenses	**36.36**	(3.91)
Excise Duty Refund	**—**	1.86
Interest	**(18.38)**	—
Depreciation	**(3.67)**	(123.57)
	193.99	(231.85)
Share of interest in Joint Ventures	**(2.66)**	1.14
Total	**191.33**	(230.71)

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006 (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, 2006.

(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 2006 are as under :

	Percentage of ownership interest as on		Country of Incorporation
	31/03/2006	31/03/2005	
Subsidiaries			
Kochi Refineries Limited (KRL)*	**—**	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	**49.00**	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 Limited	**22.50**	22.50	India
Maharashtra Natural Gas Limited#	**22.50**	—	India

* Consequent to merger of KRL with Bharat Petroleum Corporation Limited (BPCL), KRL ceases to exist as a subsidiary on 31.03.2006.

JV incorporated on 13.01.2006 and since the first financial result would be for period ending 31.03.2007, no effect to the Consolidated Financial Statement for the year ended 31.03.2006 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 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.

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 Computer equipments and peripherals, and mobile phones are depreciated over a period of 4 years. Furniture provided at the residence of management staff is depreciated over a period of seven years.

8.5 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

8.6 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

(e) Furniture – 6.67 years

(f) Equipment – 6.67 years

8.7 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.

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 are 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., VI eTrans Private Ltd. and Central UP Gas 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., VI eTrans Private Ltd. and Central UP Gas 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., VI eTrans Private Ltd. and Central UP Gas 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, Bharat Shell Ltd., Petronet India Ltd., Petronet LNG Ltd., Petronet CCK Ltd., VI eTrans Private Ltd. and Central UP Gas 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.

18.2 Monetary items denominated 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 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 there from 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. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

20.1 Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

20.2 Disclosure for a contingent liability is made when there is a possible obligation that may, but probably will not, require an outflow of resources.

20.3 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., VI eTrans Private Ltd. the same are disclosed in full.

20.4 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. Scheme of Amalgamation of Kochi Refineries Limited with BPCL

(a) In accordance with the Scheme of Amalgamation (the Scheme) of the erstwhile subsidiary Kochi Refineries Limited (hereinafter referred to as KRL) with Bharat Petroleum Corporation Limited (BPCL) as approved by the members at a meeting held on 16th January 2006 and subsequently sanctioned by the Ministry of Company Affairs vide its Order dated 18th August 2006, copies of which were filed with the respective Registrar of Companies on 21st August 2006, the Undertaking of erstwhile KRL being all its assets and properties, and all its debts, liabilities, duties and obligations has been transferred to and vested in BPCL with effect from 1st April 2004 (the Appointed Date). The Scheme has accordingly been given effect to in these accounts. However one shareholder of the erstwhile KRL has challenged the amalgamation before the Delhi High Court, that is pending adjudication.

(b) KRL was engaged primarily in the refining of crude oil to produce various petroleum products.

(c) The amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS) 14 - "Accounting for Amalgamations" issued by The Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of erstwhile KRL as at 1st April 2004 have been taken over at their book values.

(d) As stipulated in the Scheme of Amalgamation, all reserves of erstwhile KRL have been transferred to the corresponding Reserves account except for balance lying in the Profit and Loss Account as on 31st March 2004 that has been credited net of tax adjustments to the Profit and Loss Account of the merged entity i.e. BPCL.

Accordingly, the amalgamation has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the scheme at the following summarized values:

		Rs. Million
Fixed Assets (Net)		13,992.31
Investments		705.58
Current Assets	24,263.99	
Less: Current Liabilities and Provisions	12,024.68	12,239.31
Total Assets		26,937.20
Less :		
Loans	5,804.26	
Deferred Tax Liability	3,079.55	8,883.81
Net Assets transferred		**18,053.39**

		Rs. Million
Consideration for Amalgamation:		
Issue of shares pending allotment #		615.42
61,542,124 Equity Shares in the ratio of 4 Equity Shares of Bharat Petroleum Corporation Ltd., for every 9 Equity Shares of KRL		
Net Balance		**17,437.97**
Less :		
Transfer of Capital Reserves of KRL to Capital Reserve Account	123.32	
Transfer of Profit and Loss Account of KRL to Profit and Loss Account	14,145.27	
Transfer of Share Application Money to Share Application Money Suspense Account	0.02	14,268.61
Balance transferred to General Reserves		**3,169.36**

Pending allotment, an amount of Rs. 615.42 million has been shown under the Share Capital Suspense Account as at 31st March 2006 (Schedule 'AA')

(e) In terms of the scheme, the Authorised Share Capital of BPCL has been increased from Rs. 3,000.00 million to Rs.4,500.00 million as on 31.03.2006.

(f) In terms of the scheme, the Equity Shares when issued and allotted by BPCL shall rank for dividend, voting rights and in all respects pari-passu with the existing Equity Shares of BPCL. Accordingly, the appropriation for the proposed dividend includes dividend on 61,542,124 Equity Shares, which would be allotted to the shareholders of erstwhile KRL (referred to in note (d) above.)

(g) The income accruing and expenses incurred by erstwhile KRL during the period 1st April 2004 to March 31, 2005 have also been incorporated in these accounts. During the period between the Appointed Date and the Effective Date as erstwhile KRL carried on the existing business in "trust" on behalf of the company, all vouchers, documents, etc., for the period are in the name of erstwhile KRL. The title deeds for landed properties, licenses, agreements, loan documents, etc., are being transferred in the name of BPCL. However, credit has not been taken for claims in respect of levies/taxes arising as a consequence of the amalgamation pending settlement.

(h) In terms of the scheme of amalgamation, the equity shares held by BPCL in the erstwhile KRL will be transferred to a proposed trust for the benefit of BPCL. Accordingly, the equity shares to be allotted, in the ratio of 4 equity shares for every 9 equity shares of the erstwhile KRL, aggregating to 33,728,738 equity shares are reflected as 'Others' (being the acquisition cost of Rs. 6,591.02 million) in Schedule 'J ' - Other Current Assets as on 31st March 2006.

(i) The erstwhile KRL had made Rights Issue of shares in March 1988 and in March 1989 totalling to Rs. 646.89 million of which Rs. 27.54 million were unsubscribed. However, there are three cases pending before the Courts/State Commission for 3,300 shares of Rs. 10 each of erstwhile KRL. Against this, application money of Rs. 0.02 million has been received for 2,100 shares of Rs. 10 each that was appearing as Share Application Money in the books of erstwhile KRL has been transferred to Share Application Money Suspense Account, as the matter is subjudice. The balance un-subscribed portion has not been considered in the merged accounts.

(j) The merger has been given effect to in the accounts of BPCL for the year 2005-06 and, therefore:

i) The Minority Interest as on 31st March 2006 will not be comparable with previous year.

ii) Opening balance of current year may not match with previous year's figures.

2. **Deferred Tax Liability**

As per the requirement of the Accounting Standard 22 - "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. 957.81 million** (previous year Rs. 2,255.65 million). The year end position of Deferred Tax Liability and Assets is given below :

	Rs. Million	31/03/2005 Rs. Million
DEFERRED TAX LIABILITY		
Depreciation	**19,666.63**	17,992.53
Other Timing Differences	**16.42**	13.36
Share of Interest in Joint Ventures	**306.92**	379.54
Total	**19,989.97**	18,385.43
DEFERRED TAX ASSETS		
Provisions for doubtful debts / claims / investments	**805.30**	593.58
Provisions for medical benefits	**—**	—
Disallowances u/s 43B of Income Tax Act,1961	**816.50**	522.16
Expenditure on Voluntary Retirement Scheme	**82.39**	109.86
Unabsorbed Depreciation*	**445.55**	—
Other Timing Differences	**19.61**	140.72
Share of Interest in Joint Ventures	**165.45**	321.74
Total	**2,334.80**	1,688.06
Net Deferred Tax Liability	**17,655.18**	16,697.37

* In view of the arrangements evolved by Government for compensating the oil marketing companies towards subsidy losses suffered, Management of BPCL is of the view that there is virtual certainty that future taxable income will be sufficient to adjust the unabsorbed depreciation.

3. Provision for income tax has been made in accordance with Section 115JB of the Income Tax Act, 1961. However, management of BPCL is confident that it would be in a position to pay normal tax within the period specified under the Income Tax Act, 1961 and hence MAT credit has been recognised.

4. Provision for current taxation includes **Rs. 240.00 million** (previous year Rs. NIL) in respect of BPCL, **Rs. 406.30 million** (previous year Rs. 439.68 million) in respect of NRL, **Rs. 3.97 million** (previous year Rs. 1.91 million) (proportionate share) in respect of Bharat Shell Limited and **Rs. 31.25 million** (previous year Rs. NIL) (proportionate share) in respect of Petronet LNG Limited towards Minimum Alternate Tax (MAT), as per the requirements of the provisions of Section 115 JB of the Income Tax Act, 1961.

5. In respect of sharing of under-recoveries on sensitive petroleum products viz. MS, HSD, 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, BPCL has accounted the discount received as follows:

   a) **Rs. 30,209.22 million** (previous year Rs. 5,759.50 million) discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

   b) **Rs. 5,609.73 million** (previous year Rs. 6,259.13 million) discounts received on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

6. In lieu of the under-recoveries on sale of LPG (Domestic) and SKO (PDS) during 2005-06, BPCL has received Oil Marketing Companies GOI Special Bonds amounting to **Rs. 21,631.20 million** (previous year Nil) from the Government of India during March 2006 that has been treated as income.

7. Impairment of Assets

Determination as to whether and how much an asset is impaired involve Management estimates of highly uncertain matters such as international prices of crude oil and products, duty structure and Government policies. On account of the communication received from the Government about the modalities for compensating the marketing oil companies towards the subsidy losses for the year 2006-07, future cash flows have been worked out based on the desired margins for deciding on impairment of related Cash Generating Units. No impairment is therefore considered as at 31st March 2006. In view of the peculiar nature of the environment, in which the industry operates and the assumptions being technical and dependant on Government policies, the auditors have relied on the same.

8. Provision for taxation in the Profit and Loss Account of the group includes **Rs. 7.48 million** (previous year Rs. 6.41 million) towards wealth tax.

9. Change in Depreciation / Amortisation Policy:

a) During the year 2005-06, based on the Management's review of the estimated useful lives of certain assets such as computer equipments and peripherals, mobile phones, furniture provided at the residence of management, etc. BPCL has increased the rate of depreciation on these assets. This has resulted in additional depreciation of Rs. 321.21 million during the year of which Rs. 249.30 million is for the period upto March 2005.

b) During the year 2005-06, the Management of Bharat Shell Limited has re-estimated the useful life of Equipments and Furniture & fittings to be 6.67 years against the earlier policy of providing depreciation at the rates in Schedule XIV of Companies Act, 1956 and has provided depreciation prospectively over the balance useful life of the asset. Had the previous rates been followed, the profit for the year would have been higher by Rs. 17.56 million.

c) As a result of reduction in amortization period of intangible assets from 10 years to 5 years, the profit for the year of NRL is lower by Rs. 5.70 million with corresponding reduction in intangible assets.

10. 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 therefrom are not likely to be material.

11. 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.

12. Earnings per share

		2005-06	2004-05
Profit after Tax	Rs. Million	**5,372.97**	15,419.62
Weighted average shares outstanding during the year			
(a) Number of Shares	million nos.	**300.00**	300.00
(b) Number of Shares to be issued to shareholders of the erstwhile KRL	million nos.	**61.54**	—
Total number of shares	million nos.	**361.54**	300.00
Basic earnings per share	Rs.	**14.86**	51.40
Diluted earnings per share	Rs.	**14.86**	51.40

13. 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 :

Rs. Million

	Year ended 31st March 2006			Year ended 31st March 2005		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue	**777,856.47**	**—**	**777,856.47**	646,296.06	—	646,296.06
Inter Segment Revenue	**—**	**—**	**—**	—	—	—
Total Revenue	**777,856.47**	**—**	**777,856.47**	646,296.06	—	646,296.06
Result						
Segment Results	**10,880,35**	**(145.38)**	**10,734.97**	30,769.14	(2.87)	30,766.27
Unallocated Corporate Expenses			**—**			—
Operating profit	**10,888.35**	**(145.38)**	**10,734.97**	30,769.14	(2.87)	30,766.27
Add:						
Interest / Dividend income			**1,298.68**			1,405.55
Profit on sale / maturity of investments			**—**			51.40
Less:						
Interest Expenditure			**3,052.22**			2,468.94
Loss on sale / maturity of Investments			**4.70**			—
Diminution in value of investments			**260.12**			—
Income Tax (including Deferred Tax)			**1,680.79**			9,013.63
Profit after Tax			**7,035.82**			20,740.65
Other Information						
Segment Assets	**2,72,930.31**	**—**	**272,930.31**	258,985.71	—	258,985.71
Unallocated Corporate Assets			**42,321.84**			6,122.13
Total Assets			**315,252.15**			265,107,84
Setment Liabilities	**93,445.29**	**61.38**	**93,506.67**	92,118.32	2.87	92,121.19
Unallocated Corporate Liabilities			**116,290.57**			79,669.67
Total Liabilities			**209,797.24**			171,790.86
Capital Expenditure	**22,555.19**	**—**	**22,555.19**	19,240.43	—	19,240.43
Depreciation / Amortisation	**9,457.92**	**—**	**9,457.92**	8,809.71	—	8,809.71
Non-cash expenses other than depreciation			**0.79**			3.07

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 (E&P)

   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 from / (surrender to) PPAC
   d) Other income (excluding dividend income interest income and investment income).

3) There are no geographical segments.

14. Related Party Disclosures as per Accounting Standard 18

i) **Key Management Personnel** (Whole Time Directors) — M/s. Ashok Sinha (Chairman & Managing Director), S. A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), M. Rohatgi (Director Refineries) upto 30-09-2005, S.K. Joshi (Director Finance - w.e.f 08-03-2006), R. K. Singh (Director Refineries - w.e.f 08-03-2006).

ii) Remuneration to key management personnel: **Rs. 5.25 million** (previous year Rs. 5.73 million)

15. 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 01-04-05	Additions	Dele-tions/ Reclassi-fication	As at 31-03-06	AMORTISATION Upto 31-03-05	This year	Upto 31-03-06	NET AMOUNT As at 31-03-06	As at 31-03-05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Right of Way	Perennial	100.03	—	—	100.03	—	—	—	100.03	100.03
2. Software	36	111.87	—	—	111.87	64.61	40.11	104.72	7.15	47.26
3. Software	60	—	128.85	—	128.85	—	20.39	20.39	108.46	—
4. Development Rights	60	14.97	—	—	14.97	0.75	2.99	3.74	11.23	14.22
5. Process License	60	8.70	130.95	—	139.65	0.43	19.28	19.71	119.94	8.27
Total		235.57	259.80	—	495.37	65.79	82.77	148.56	346.81	169.78
Share Of Interest In Joint Venture		87.00	—	0.28	86.72	0.59	1.42	2.00	84.72	86.41
Grand Total		322.57	259.80	0.28	582.09	66.38	84.19	150.56	431.53	256.19
Previous Year		193.56	40.06	—	233.62	24.50	40.31	64.81	168.81	169.06
Share Of Interest In Joint Venture 2004-05		43.89	4.27	—	48.16	—	0.59	0.59	47.57	43.89
Grand Total 2004-05		237.45	44.33	—	281.78	24.50	40.90	65.40	216.38	212.95

b) Intangible Assets- Pending Amortisation*

Rs. Million

Particulars	USEFUL LIFE (No. of Months)	GROSS AMOUNT As At 01-04-05	Additions	Capitali-sations	As at 31-03-06	AMORTISATION Upto 31-03-05	This year	Upto 31-03-06	NET AMOUNT As at 31-03-06	As at 31-03-05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Process License		43.23	—	—	43.23	—	—	—	43.23	43.23
2. Software		26.40	—	26.40	—	—	—	—	—	26.40
Total		69.63	—	26.40	43.23	—	—	—	43.23	69.63
Previous Year		1.34	73.58	5.29	69.63	—	—	—	69.63	1.34

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

Note: There are no internally generated Intangible Assets

16. 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.

17. Raw material consumption is after adjustment of the following in respect of NRL:

a) The additional transportation cost of crude oil supplied from Ravva Oil Field to Bongaigaon Refinery and Petrochemicals Limited. This 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.

b) Based on the revised billing by BRPL on account of sharing of Ravva crude transportation cost, entry tax and other incidentals thereof, for financial years 2003-04 and 2004-05, a credit amounting to Rs.1051.16 millions has been taken in the accounts for the year and adjusted in the crude price.

18. In case of Petronet CCK Limited, income has been accounted based on traiff rates for usage of pipeline facilities by Oil Companies that are provisional and are under consideration with the Oil companies.

19. Petronet India Limted (PIL) has invested Rs. 260.00 million (proportionate share Rs. 41.60 million) in the equity of Petronet VK Limited (PVKL) and Rs. 3.30 million (proportionate share Rs. 0.53 million) in the equity shares of Petronet MHB Limited. Though the auditors of PIL have qualified their audit report towards non-provision for diminution in the value of investment in PVKL and Petronet MHB Limited (amount not ascertained), no adjustments are considered necessary in view of the options being explored for usage of the pipeline facilities of PVKL and Petronet MHB Limited.

20. Petronet LNG has raised Rs. 3,914.70 million through public issue of shares in the year 2003-04 and till 31.3.2006 had utilised **Rs. 2,364.70 million** (previous year Rs. 2,178.80 million) for project payments and balance of Rs. 1,550.00 million deposited in debt based mutual funds (previous year Rs.1,735.90 million in short term deposits with a scheduled bank).

21. 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.

22. The accounts of Central UP Gas Limited have been drawn for the period 13 months and 4 days i.e. from the date of incorporation 25.02.2005 to 31.03.2006.

23. 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 (%)**	
	31.03.2006	31.03.2005
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

24. Interests in Joint Ventures

The Group's interest in Joint Ventures, accounted for using proportionate consolidation are:

(Rs. in Million)

				As at 31/03/2006	As at 31/03/2005
I	**ASSETS**				
	1.	Fixed Assets			
		- Gross Block		**5,899.35**	4,878.71
		- Less: Depreciation		**1,170.54**	725.43
		- Net Block		**4,728.81**	4,153.28
	2.	Capital work-in-progress		**1,084.95**	940.54
	3.	Investments		**375.51**	243.30
	4.	Current Assets, Loans and Advances			
		a)	Inventories	**531.51**	514.59
		b)	Sundry Debtors	**371.75**	330.55
		c)	Cash and Bank Balances	**393.04**	444.49
		d)	Other Current Assets	**4.85**	1.68
		e)	Loans & Advances	**322.01**	236.89
	5.	Miscellaneous Expenditure to the extent not written off or adjusted		**7.66**	8.09
II	**LIABILITIES**				
	1.	Shareholders Funds – Reserves & Surplus		**900.87**	555.33
	2.	Loan Fund			
		a)	Secured Funds	**2,651.60**	2,357.09
		b)	Unsecured Funds	**320.91**	213.87
	3.	Deferred Tax – Liability		**141.48**	57.80
	4.	Current Liabilities & Provisions			
		a)	Liabilities	**588.94**	873.87
		b)	Provisions	**49.01**	15.64

(Rs. in Million)

			2005-06	2004-05
III	**INCOME**			
	1.	Sales and related income	**7,524.59**	4,903.85
		Excise Duty	**(408.04)**	(372.29)
			7,116.55	4,531.56
	2.	Miscellaneous Income	**74.78**	62.48
	3.	Increase/(Decrease) in Inventory	**35.85**	32.98

(Rs. in Million)

			2005-06	2004-05
IV	**EXPENSES**			
	1.	Purchase of Products for Resale	**225.41**	176.72
	2.	Raw Material Consumed	**5,437.40**	3,224.91
	3.	Packages Consumed	**115.10**	100.10
	4.	Excise Duty on Inventory differential	**11.32**	4.08
	5.	Transportation	**91.32**	82.10
	6.	Consumption of stores, spares and materials	**34.10**	23.00
	7.	Power and Fuel	**74.46**	60.23
	8.	Employees' remuneration and other benefits	**161.42**	135.84
	9.	Interest	**230.97**	191.95
	10.	Other operating and administration expenses	**419.06**	421.34
	11.	Depreciation / Amortisation	**371.84**	302.83
	12.	Miscellaneous Expenditure Written off	**0.79**	3.07
	13.	Prior period income/(expenses) net	**(2.66)**	1.14
	14.	Profit before Taxation	**51.34**	(98.01)
	15.	Provision for Taxation		
		a) Current Tax	**163.13**	107.83
		b) Fringe Benefit Tax	**11.49**	—
		c) Deferred Tax (Net)	**83.68**	(14.02)
	16.	Excess/(Short) provision for Taxation in earlier years written back/provided for	**0.00**	0.01
	17.	Profit after Taxation	**(206.96)**	(191.81)

(Rs. in Million)

			As at 31/03/2006	As at 31/03/2005
V	**OTHER MATTERS**			
	1.	Contingent Liabilities	**225.79**	203.60
	2.	Capital Commitments	**2,875.66**	792.31

	Rs. Million	31/03/2005 Rs. Million
25. Capital Commitments and Contingent Liabilities :		
25.1 Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**8,207.29**	8,496.10
Share of interest in Joint Ventures	**2,875.66**	792.31
Total	**11,082.95**	9,288.41

	Rs. Million	31/03/2005 Rs. Million
25.2 Contingent Liabilities :		
(a) In respect of taxation matters of prior years	**1,799.25**	263.80
(b) Other Matters :		
(i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,317.45**	1,275.75
(ii) Claims against the Corporation not acknowledged as debts :		
(a) Excise and customs matters	**1,834.79**	4,273.31
(b) Sales tax matters	**10,886.53**	7,687.57
(c) Others These include **Rs. 4,111.34 million** (previous year Rs. 3,727.68 million) against which the Corporation has a recourse for recovery and **Rs. 1,122.94 million** (previous year Rs. 1,559.82 million) on capital account.	**7,430.24**	6,953.37
(c) Share of interest in Joint Ventures	**225.79**	203.60

26. **26.1** The net amount of exchange difference debited to the Profit and Loss Account is **Rs. 1,337.67 million including Rs. Nil pertaining to share of interest in joint ventures** (previous year credited Rs. 39.85 million including Rs. NIL pertaing to share of interest in joint venture)

26.2 The amount of exchange difference credited to the carrying cost of fixed assets is **Rs. 3.06 million** (previous year debit Rs. 16.77 million)

26.3 The exchange difference amounting to **Rs. 1,033.88 million including Rs. Nil pertaining to share of interest in joint ventures** (previous year Rs. 94.11 million including Rs. Nil 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.

27. Managerial Remuneration :

	Rs. Million	2004-05 Rs. Million
Salary and allowances	**4.67**	8.17
Contributions to Provident Fund and other funds	**0.71**	0.86
Other benefits	**3.64**	4.10
Share of interest in Joint Ventures	**6.73**	5.65
	15.75	18.78

28. Remuneration to Auditors :

	Rs. Million	2004-05 Rs. Million
(a) Audit fees		
— Statutory Auditor	**1.08**	1.38
— Branch Auditor	**0.35**	—
(b) Fees for other services-certification.		
— Statutory Auditor	**1.24**	1.04
— Branch Auditor	**0.15**	—
(c) Reimbursement of out of pocket expenses		
— Statutory Auditor	**0.12**	0.17
— Branch Auditor	**0.02**	—
(d) Share of Interest in Joint Ventures	**0.84**	0.89
	3.80	3.48

29. Research and development :

	Rs. Million	2004-05 Rs. Million
(a) Revenue Expenditure	**121.68**	169.36
(b) Capital Expenditure	**67.07**	123.13
	188.75	292.49

30. Figures have been regrouped wherever necessary

CASH FLOW STATEMENT (CONSOLIDATED)

For the year ended 31st March	Notes	2006 Rs. Million	2005 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		**8,525.28**	29,984.99
Adjustments for :			
Depreciation		**9,457.92**	8,809.71
Interest paid		**3,052.22**	2,468.94
Foreign Exchange Fluctuations	Note 3	**490.12**	(28.68)
(Profit) / Loss on Sale of fixed assets		**(28.12)**	(38.86)
(Profit) / Loss on Sale of investments		**4.70**	—
Income from Investments		**(721.41)**	(952.32)
Dividend Received		**(268.05)**	(15.25)
Other Non-Cash items		**701.56**	(352.79)
Interest Income		**(5.31)**	—
Operating Profit before Working Capital Changes		**21,208.91**	39,875.73
Invested in :			
Trade Receivables		**7,265.66**	679.10
Other receivables		**19,149.43**	(3,764.96)
Inventory		**(15,439.45)**	(26,166.46)
Current Liabilities & Payables		**(10,958.44)**	11,668.96
Cash generated from Operations		**21,226.11**	22,292.37
Direct Taxes paid		**(2,181.26)**	(8,863.19)
Cash flow before prior period items		**19,044.85**	13,429.17
Prior Period Items		**191.33**	(108.28)
Net Cash from Operating Activities		**19,236.18**	13,320.89

	For the year ended 31st March	Notes	2006 Rs. Million	2005 Rs. Million
B	**Net Cash Flow on Investing Activities**			
	Purchase of fixed assets		**(22,120.41)**	(19,208.99)
	Adjustment for retirement/reclassification of Fixed Assets		**(68.57)**	(2.13)
	Sale of fixed assets		**111.70**	210.64
	Capital Grant Received		**31.18**	—
	Adjustments to Pre Operating Expenses		**(77.03)**	280.03
	Investment in Petroleum India International (AOP)		**(6.60)**	(8.36)
	Purchase of Investment		**(35,506.75)**	(22.36)
	Sale of Investments		**6,574.02**	3,000.01
	Income from Investment		**721.41**	921.27
	Interest Received		**5.31**	—
	Dividend Received		**268.05**	15.25
	Net Cash Flow on Investing Activities		**(50,067.69)**	(14,814.64)
C	**Net Cash Flow on Financing Activities**			
	Increase in Share Capital		**11.31**	—
	Long term Borrowings		**6,361.04**	6,639.10
	Repayment of loans		**(6,767.39)**	(11,265.82)
	Interest paid		**(3,480.23)**	(2,893.24)
	Interim Dividend Paid		—	(1,500.00)
	Dividend Paid		**(3,156.53)**	(4,567.80)
	Corporate Dividend Tax		**(555.04)**	(986.02)
	Exchange difference on forward contracts		**(93.82)**	(160.78)
	Net Cash Flow on Financing Activities		**(7,680.66)**	(14,734.56)
D	**Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)**		**(38,512.17)**	(16,228.31)

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Cash and Cash equivalents as at 31st March	Rs. Million 2005	Rs. Million 2004
Cash in Hand	**1,551.23**	4,265.34
Cash at Bank	**5,631.58**	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)
	(24,619.05)	(8,400.00)

Cash and Cash equivalents as at 31st March	2006	2005
Cash in Hand	**2,309.80**	1,551.23
Cash at Bank	**3,262.82**	5,622.31
Cash in transit	**146.05**	65.64
Cash Credit from scheduled banks	**(19,205.42)**	(11,513.24)
Unsecured loans from scheduled banks / ICDs / CPs	**(40,994.47)**	(20,354.26)
CBLOs	**(8,650.00)**	
	(63,131.22)	(24,628.31)
Net change in Cash and Cash equivalents	**(38,512.17)**	(16,228.31)

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 issued 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. 3.06 million** (2004-05 - additional liability Rs. 16.74 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.
7. Opening balance of the current year may not match with previous year’s figures on account of merger of erstwhile KRL with BPCL

For and on behalf of the Board of Directors
Sd/-
ASHIK SINHA
Chairman and Managing Director

Place : New Delhi
Dated : 31st October, 2006

As per our attached report of even date
For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants
Sd/-
S. VENKATRAMAN
Partner
Membership No. 34319

ANNEXURE E

DETAILS OF SUBSIDIARY COMPANY
NUMALIGARH REFINERY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2006

	Rs. Million
I. SOURCES OF FUNDS	
1. Shareholders' funds :	
Share Capital	7,356.32
Reserves and Surplus	9,556.96
	16,913.28
2. Loan funds :	
Secured Loans	4,723.59
Unsecured Loans	1,238.30
	5,961.89
3. Deferred tax liability (net)	3,955.29
TOTAL	26,830.46
II. APPLICATION OF FUNDS	
1. Fixed Assets :	
Gross block	26,753.87
Less : Depreciation and amortisation	7,385.25
Net block	19,368.62
Capital work-in-progress	2,970.61
	22,339.23
2. Investments	643.09
3. Current assets, loans and advances :	
Inventories	7,980.93
Sundry debtors	2,680.03
Cash and bank balances	309.02
Other current assets	2.76
Loans and advances	1,846.23
	12,818.97
Less : Current liabilities and provisions :	
Liabilities	6,163.64
Provisions	2,807.19
	8,970.83
Net current assets	3,848.14
TOTAL	26,830.46

DETAILS OF SUBSIDIARY COMPANY
NUMALIGARH REFINERY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Rs. Million
INCOME	
Sale of products & related income	58,203.67
Less : Excise Duty Paid	(5,523.25)
	52,680.42
Miscellaneous income	187.78
Increase/(Decrease) in Inventory	938.68
TOTAL	53,806.88
EXPENDITURE	
Purchase of products for resale	395.00
Raw materials consumed	42,606.15
Excise Duty on Inventory differential	39.42
Other Duties, taxes etc. and other charges applicable to products	1,575.86
Transportation	1,296.09
Consumption of stores, spares and materials	260.81
Power and Fuel	12.26
Employees' remuneration and other benefits	384.26
Interest	347.11
Other operating and administration expenses	767.01
Depreciation	1,394.62
TOTAL	49,078.59
Profit	4,728.29
Prior period income/(expenses) net	28.05
Profit before tax	4,756.34
Provision for Taxation	
- Current Tax	406.30
- Fringe Benefit Tax	11.91
- Deferred Tax (Net)	(151.21)
Profit after tax	4,489.34
Balance brought forward	0.10
Disposable Profit	4,489.44
Appropriations:	
Proposed dividend	1,397.70
Corporate Dividend Tax on proposed dividend	196.03
	1,593.73
Transfer to General Reserve	2,895.61
Balance Carried to Balance Sheet	0.10
Earnings per Share	
- Basic & Diluted	6.10

STATEMENT REGARDING SUBSIDIARY COMPANY 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 31.3.2006**	**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 31.3.2006 (Rs. In Million)	For the previous financial years since it became a Subsidiary Company (Rs. In Million)	For the financial year ended on 31.3.2006 (Rs. In Million)	For the previous financial years since it became a Subsidiary Company. (Rs. In Million)
Numaligarh Refinery Limited (with effect from 31.3.2001)	31.3.2006	463188856 shares of Rs.10/- each fully paid up	62.96%	2826.49	3997.02	787.42	1019.02

For and on behalf of the Board of Directors

Sd/-
Ashok Sinha
Chairman & Managing Director

Sd/-
S.K. Joshi
Director(Finance)

Sd/-
N. Viswakumar
Company Secretary

Place : Mumbai
Date : 17th November, 2006

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 shareholder/s 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 attend and vote for me/us on my/our behalf at the 53rd Annual General Meeting of the Company to be held on Monday, 18th December, 2006 and at any adjournments thereof.

Signed this ____________________ day of ____________________ 2006

Affix
15 Paise
Revenue
Stamp

(Shareholder)

Note : Proxy must be deposited at the Registered Office of the Corporation 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 MONDAY, 18TH DECEMBER, 2006 AT 10.30 A.M. IN THE Y.B. CHAVAN AUDITORIUM AT YESHWANTRAO CHAVAN PRATISHTHAN, GENERAL JAGANNATH BHOSALE MARG, MUMBAI 400 021.

Name of the Shareholder : ______________________________

Folio /Client ID No. : ______________________________

No. of Shares held : ______________________________

Name of the Proxy : ______________________________

I/We hereby record my/our presence at the **53RD ANNUAL GENERAL MEETING** of the Company on Monday, 18th December, 2006 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 Shareholder/Proxy

Name :

(Shareholder/Representative of Body Corporate/Proxy attending the Meeting must bring the above Admission Card/Attendance Slip to the Meeting and handover at the entrance, after duly signing)

IN CASE SHAREHOLDER IS A BODY CORPORATE/INSTITUTION

Name of the Body Corporate (Shareholder) ______________________

Name of the Representative ______________________

Folio / Client ID No. ______________________

Designation ______________________

I hereby record my presence at the 53rd Annual General Meeting of the Company on Monday, 18th December 2006, 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 representative of the Body Corporate Shareholder

In case the Shareholder 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.

(Shareholder/Representative of Body Corporate/Proxy attending the Meeting must bring the above Admission Card/Attendance Slip to the Meeting and handover 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 SEPTEMBER 2006

Sr. No.	Particulars	Unaudited				Audited	Consolidated results for		
		Three Months ended 30-09-2006	Three Months ended 30-09-2005	**Half Year ended 30-09-2006**	Half Year ended 30-09-2005	Accounting Year ended 31-03-2006	**Half Year ended 30-09-2006 (Unaudited)**	Half Year ended 30-09-2005 (Unaudited)	Accounting Year ended 31-03-2006 (Audited)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
A	**Physical Performance**								
1.	Crude Throughput (Million tonnes)	**5.00**	4.03	**9.85**	7.40	17.24	**11.14**	8.30	19.37
2.	Market Sales (Million tonnes)	**5.42**	4.99	**11.20**	10.39	21.63	**11.29**	10.43	21.79
3.	Sales Growth (%)	**8.62**	(0.60)	**7.80**	(1.23)	(0.09)	**8.25**	(1.14)	(0.05)
4.	Export Sales (Million tonnes)	**0.66**	0.21	**1.05**	0.36	1.39	**1.05**	0.37	1.39
B	**Financial Performance**								**(Rs. in Million)**
1.	Sales/Income from Operations	**288,323**	189,565	**542,661**	376,108	851,496	**550,235**	381,142	862,229
	Less: Excise Duty paid	**23,149**	19,167	**50,380**	34,719	81,137	**53,945**	36,811	87,068
	Net Sales/Income from Operations	**265,174**	170,398	**492,281**	341,389	770,359	**496,290**	344,331	775,161
2.	Other Income	**2,207**	1,503	**3,298**	2,393	4,653	**2,412**	1,388	3,994
3.	Total Expenditure	**248,036**	169,176	**477,752**	341,293	760,786	**477,285**	340,867	757,928
	a) (Increase)/Decrease in stock in trade	**(4,609)**	(20,400)	**(447)**	(14,395)	(7,544)	**(2,169)**	(15,790)	(8,518)
	b) Consumption of raw materials	**120,207**	76,843	**226,186**	131,481	323,660	**261,353**	151,805	371,703
	c) Staff cost	**2,087**	1,864	**4,501**	3,942	8,816	**4,796**	4,193	9,352
	d) Purchase of products for resale	**118,179**	98,057	**223,980**	196,864	389,844	**187,259**	175,086	334,949
	e) Other expenditure	**12,172**	12,812	**23,532**	23,401	46,010	**26,046**	25,573	50,442
4.	Interest	**920**	461	**1,828**	931	2,474	**2,029**	1,224	3,052
5.	Depreciation and Amortisation	**1,964**	1,798	**3,778**	3,627	7,680	**4,668**	4,482	9,458
6.	Profit/(Loss) before Tax (1+2-3-4-5)	**16,461**	466	**12,221**	(2,069)	4,072	**14,720**	(854)	8,717
7.	Provision for Taxation - Current including Fringe Benefit Tax	**3,127**	38	**3,152**	62	141	**3,584**	1,811	733
8.	Profit/(Loss) after Current tax (6-7)	**13,334**	428	**9,069**	(2,131)	3,931	**11,136**	(2,665)	7,984
9.	Provision for Taxation - Deferred	**749**	240	**749**	484	1,025	**835**	(82)	958
10.	Excess / (Short) provision for Taxation in earlier years written back / provided for	—	—	—	10	10	—	10	10
11.	Net Profit / (Loss) (8-9+10)	**12,585**	188	**8,320**	(2,605)	2,916	**10,301**	(2,573)	7,036
12.	Minority interest						**992**	584	1,663
13.	Net Profit / (Loss) for the group (11-12)						**9,309**	(3,157)	5,373
14.	Paid-up Equity Share Capital** (face value of Rs. 10 per share)	**3,615**	3,615	**3,615**	3,615	3,615	**3,615**	3,615	3,615
15.	Reserves excluding revaluation reserves (as per balance sheet)					87,779			95,575
16.	Earnings per share (Rs.) - Basic & Diluted	**34.81**	**0.52**	**23.01**	(7.21)	8.07	**25.75**	**(8.73)**	**14.86**
17.	Aggregate of Public Shareholding								
	- Number of Shares	**129,213,326**	129,213,326	**129,213,326**	129,213,326	129,213,326	**129,213,326**	**129,213,326**	**129,213,326**
	- Percentage of Shareholding	**35.74**	35.74	**35.74**	35.74	35.74	**35.74**	**35.74**	**35.74**

**(Includes 61.54 million shares issued on 13-10-06 to shareholders of erstwhile Kochi Refineries Ltd.)

Notes:

1 The amalgamation of Kochi Refineries Limited (KRL) with BPCL with effect from 1st April 2004 (the Appointed Date) has been approved by the Ministry of Company Affairs (MCA) on 18th August 2006. The effect of merger has been given in the financial statements for the year ended 31.03.2006. The accounts for the quarter/ half year ended 30th September 2006 have been compiled on merged basis. The figures for the corresponding period of the previous year have been suitably recasted to make them comparable.

One of the shareholders has filed a petition challenging the MCA's order, in the Delhi High Court, that is pending adjudication.

2 The market sales during the half year ended 30th September 2006 have increased to 11.20 MMT from 10.39 MMT achieved during the corresponding period of the previous year. The increase is mainly in ATF (37.53%), LPG (4.79%), MS Retail (5.50%), HSD Retail (15.45%), SKO Retail (0.15%), HSD Direct (17.63%), Furnace Oil (5.90%), Lubricants (11.79%) and LNG (22.20%) offset by reduction in LSHS (-31.44%) and Naphtha (-19.78%).

3 During the half year ended 30th September 2006, 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.

4 Financial results of the half year have been affected due to impact on account of high crude oil 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.27,187 million has been accounted towards discount received for purchase of Crude Oil, LPG and SKO from ONGC and GAIL.

Further, under arrangement for sharing of under recovery on SKO (PDS) and LPG (Domestic) by Refineries Rs.299.16 million (net) has been provisionally accounted during the period as discount on purchase from the refineries and an amount of Rs.32,120.50 million has been accounted for in the current period under Sales/ Income from operations as per approval received from the Government of India for issuance of Special Oil bonds in lieu of the under realisation suffered by the Company.

5 The Gross Refining Margin (GRM) during the half year ended 30th September 2006 (net of discounts) was USD 2.94 per barrel (April-September 2005 USD 3.77 per barrel) for Mumbai Refinery and USD 2.37 per barrel (April-September 2005 USD 6.34 per barrel) for Kochi Refinery.

6 Depreciation includes Rs. 589.63 million on account of LPG cylinders as compared to Rs. 833.64 million during the previous year. LPG cylinders continued to be depreciated at 100%.

7 During the quarter ended 30th September 2006, there was no complaint received from any investor through SEBI/ Stock Exchanges. No complaint was pending at the beginning or end of the quarter

8 In view of amalgamation of Kochi Refineries Limited (KRL) with BPCL, the allotment of 61.54 million shares of BPCL in the swap ratio of 4 fully paid up equity shares of BPCL for every 9 fully paid up equity shares of KRL, as per the Scheme of Amalgamation, was approved on 13-10-2006 and necessary action for listing of the shares are being taken by the company.

9 The Auditors have completed limited review of the stand alone financial results of the Corporation for the quarter ended 30th September 2006. Further, the Accounts were reviewed by the Audit Committee on 31st October, 2006 before submission to the Board.

10 The accounts for the year ended 31st March 2006 are subject to review by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956.

Notes on un-audited Consolidated Financial Results:

1 The Consolidated Financial Results for the half year ended 30th September 2006 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'.

SEGMENT-WISE REVENUE, RESULTS AND CAPITAL EMPLOYED

Sr. No.	Particulars	Unaudited Three Months ended 30-09-2006	Unaudited Three Months ended 30-09-2005	Unaudited **Half Year ended 30-09-2006**	Unaudited Half Year ended 30-09-2005	Audited Accounting Year ended 31-03-2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)
						(Rs. in Million)
1	**SEGMENT REVENUE**					
	a) Downstream Petroleum	**265,752**	170,906	**493,316**	342,387	772,895
	b) Exploration & Production of Hydrocarbons	—	—	—	—	—
	Sub-Total	**265,752**	170,906	**493,316**	342,387	772,895
	Less: Inter-Segment Revenue	—	—	—	—	—
	TOTAL REVENUE	**265,752**	170,906	**493,316**	342,387	772,895
2	**SEGMENT RESULTS**					
	a) Profit before Tax, Interest Income, Interest Expediture and Dividend from each Segment					
	i) Downstream Petroleum	**15,488**	(5)	**12,259**	(2,467)	4,838
	ii) Exploration & Production of Hydrocarbons	**(139)**	(63)	**(163)**	(66)	(145)
	Sub-Total of (a)	**15,349**	(68)	**12,096**	(2,533)	4,693
b)	Interest Expenditure	**920**	461	**1,828**	931	2,474
c)	Other Un-allocable Expenditure Net of Un-allocable Income	**(2,032)**	(995)	**(1,953)**	(1,395)	(1,853)
	Profit before Tax (a - b - c)	**16,461**	466	**12,221**	(2,069)	4,072
3	**CAPITAL EMPLOYED**					
	(Segment Assets - Segment Liabilities)					
	a) Downstream Petroleum	**130,487**	121,627	**130,487**	121,627	144,966
	b) Exploration & Production of Hydrocarbons	**(82)**	(60)	**(82)**	(60)	(61)
	c) Others (Unallocated - Corporate)	**(30,691)**	(34,694)	**(30,691)**	(34,694)	(53,511)
	TOTAL	**99,714**	86,873	**99,714**	86,873	91,394

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 (E & P)

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 income, interest income and investment 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 half yearly Consolidated Financial results have been taken on record by the Board at its meeting held on 31st October 2006.

For and on behalf of the Board of Directors

Sd/-
S.K.Joshi
Director (Finance)

Place : New Delhi
Date : 31.10.2006

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UNDER CERTIFICATE OF POSTING

वार्षिक रिपोर्ट
ANNUAL REPORT
2005-2006

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.