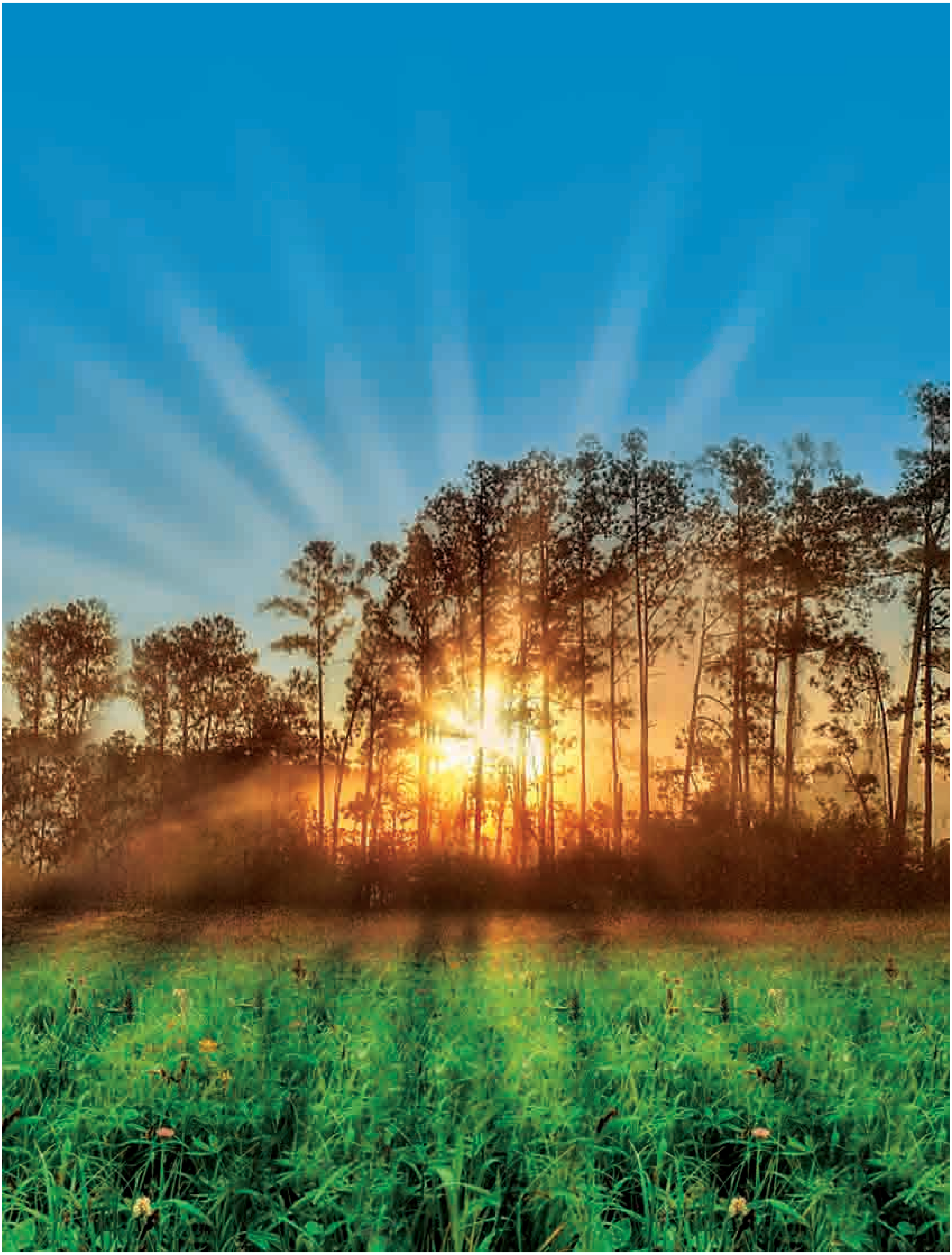
Bharat Petroleum Corporation Limited

Annual Report 2006-2007

ANNUAL REPORT

2006-2007



Energising Lives Through Innovation

An organisation's progress can be traced by the energy it generates - in its people, in its customers, in its stakeholders and in the environment.

Committed to energising lives, we at Bharat Petroleum continuously strive to reach new milestones, by synergizing efforts to achieve our goals.

On a growth trajectory, we endeavour to respond swiftly to market challenges, pioneering initiatives and surpassing customers' expectations throughout.

Sharing of ideas, knowledge and creative energy has yielded excellent results. Leveraging technology to meet our diverse needs, we draw on our talented bank of human resources to innovatively explore the myriad opportunities available.

Juxtaposed with economic progress, our corporate goals encompass social responsibility, health, safety and care for the environment.

By virtue of our unique role in the nation's drive to prosperity, we touch the lives of everyone, directly or indirectly.

At BPC, we energise growth.

Group Performance Highlights

BPC Brand valued at USD 2.48 billion

Net Profit soared by 234.66% to Rs. 23.56 billion

Major strides in Exploration & Production

Crude throughput increased to 22.28 MMT

Market sales
including exports
progressed to 25.38 MMT

Sales Turnover
surged by 26.51%
touching Rs. 1090.79 billion

Contents

Board of Directors

ASHOK SINHA
Chairman & Managing Director

S. A. NARAYAN
Director (Human Resources)

S.RADHAKRISHNAN
Director (Marketing)

S. K. JOSHI
Director (Finance)

R. K. SINGH
Director (Refineries)

P. K. SINHA
Joint Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas

AJAY TYAGI
Joint Secretary, Ministry of Petroleum & Natural Gas (upto 17.11.2006)

D. N. NARASIMHA RAJU
Joint Secretary
Ministry of Petroleum & Natural Gas (w.e.f. 6.12.2006 upto 19.4.2007)

N. VISWAKUMAR
Company Secretary

P. C. SEN

A.H. KALRO

P. H. KURIAN
Secretary, Investment Promotion,
Government of Kerala
(w.e.f. 23.4.2007)

V.D.GUPTA

N. VENKITESWARAN
(w.e.f. 16.7.2007)

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.

Share Transfer Agents

DATA SOFTWARE RESEARCH CO.
PVT. LTD.
22, SREE SOVEREIGN COMPLEX,
4TH CROSS STREET TRUSTPURAM,
KODAMBAKKAM, CHENNAI 600 024

Registered Office

BHARAT BHAVAN
4&6 CURRIMBHOY ROAD,
BALLARD ESTATE,
MUMBAI 400 001.

Mr. S.K. Joshi, Director (Finance), Mr. S.A. Narayan, Director (Human Resources), Mr. Ashok Sinha, Chairman & Managing Director,
Mr. S. Radhakrishnan, Director (Marketing) and Mr. R.K. Singh, Director (Refineries)

Management Team

Ms. I. Sasikala	Chief Vigilance Officer
Mr. A.K. Bansal	Executive Director (Corporate Affairs)
Mr. B.K. Datta	Executive Director (Supply Chain Optimization)
Mr. C.K. Sengupta	Executive Director (International Trade)
Mr. D.M. Reddy	Executive Director (Human Resources Services)
Ms. Dipti Sanzgiri	Executive Director (Finance & Internal Coach), Retail
Mr. E. Nandakumar	Executive Director, Kochi Refinery
Mr. J. Ravichandran	Executive Director (Audit)
Mr. K.K. Gupta	Executive Director (Lubes)
Dr. M.A. Siddiqui	Executive Director (Research & Development)
Mr. P.S. Bhargava	Executive Director, Mumbai Refinery
Mr. R.M. Gupta	Executive Director (Engineering & Projects)
Mr. S. Chatterjee	Executive Director (Industrial & Commercial)
Mr. S. Krishnamurti	Executive Director (Retail) In-Charge
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. S. Ramesh	Executive Director (Retail), West
Mr. S. Varadarajan	Executive Director (Corporate Treasury)
Mr. U.N. Joshi	Executive Director (Planning)
Mr. A.C. Sen	General Manager (Health, Safety & Environment)
Mr. Anurag Deepak	General Manager (Industrial Business Development)
Mr. Arjun Hira	General Manager (Retail), North, In-Charge
Mr. A.R. Sarkar	General Manager (Materials)
Mr. Amitabha Sengupta	General Manager (Human Resources), Mumbai Refinery
Mr. A.S. Bhatia	General Manager (Retail), East
Mr. Basudev Rana	General Manager (Sales) I&C, Mumbai
Mr. Brij Pal Singh	General Manager (Operations), Retail
Mr. George Paul	General Manager (Brand & ARB) Retail HQ
Mr. G.S. Baveja	General Manager (Administration)
Mr. G.S. Wankhede	General Manager (Operations), MMBPL
Mr. I. Srinivas Rao	General Manager LNG Marketing, (Industrial)
Mr. John Minu Mathew	General Manager (Technical), Kochi Refinery
Mr. J.S. Sokhi	General Manager (Retail Initiatives), RHQ
Mr. K. N. Ravindran	General Manager (Projects), Kochi Refinery
Mr. K.V. Seshadri	General Manager (Operations), Refinery
Mr. K.V. Shenoy	General Manager (Highway Retailing), HQ
Capt. M.J. Mohan	General Manager (Human Resources), Kochi Refinery
Mr. M.K. Kaul	General Manager (Engineering & Advisory Services), Mumbai Refinery
Mr. M.M. Chawla	General Manager (Pipeline Projects), E&P
Ms. Monica Widhani	General Manager (Sales), Retail North
Mr. N.S. Ramu	General Manager (Retail), South
Mr. N. Viswakumar	Company Secretary
Mr. P. Balasubramanian	General Manager (Management Accounts)
Mr. P. C. Srivastava	General Manager, LPG North
Mr. Pallav Ghosh	General Manager (Retail), Headquarters
Mr. P. Padmanabhan	General Manager (Technical), Mumbai Refinery
Mr. R.K. Mehra	General Manager (Logistics) In-Charge
Mr. R.P. Natekar	General Manager (Treasury)
Mr. S.B. Bhattacharya	General Manager (Marketing) Lubes, Mumbai
Mr. S. Chandramohan	General Manager (Finance), Mumbai Refinery
Mr. S.K. Mathur	General Manager (Co-ordination)
Mr. S. P. Mathur	General Manager (Aviation)
Ms. Sumita Bose Roy	General Manager (International Trade)
Mr. Tomy Mathews	General Manager (Operations), Kochi Refinery
Mr. T. Somnath	General Manager – Talent Management
Mr. Vinod Giri	General Manager (Marketing Corporate)
Dr. G. Vasudev	Dy. General Manager (Quality Control Cell)
Ms. Madhu Sagar	Dy. General Manager (Employee Satisfaction Enhancement), CO
Mr. M.M. Somaya	Dy. General Manager (Brand & Public Relations)
Mr. S.K. Agrawal	Dy. General Manager (Legal)

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 54th Annual General Meeting of the Shareholders of Bharat Petroleum Corporation Limited (BPCL) will be held in the Y.B.Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021, on Wednesday, 19th September 2007, at 10.30 a.m. to transact the following Ordinary Business and Special Business :

A. Ordinary Business

1. To receive and adopt the Directors' Report and the Report on Corporate Governance, the Audited Profit & Loss Account for the year ended 31st March, 2007 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 final dividend and to confirm interim dividend.

3. To appoint a Director in place of Shri S.A.Narayan, Director (Human Resources), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S.A.Narayan, being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Shri S.Radhakrishnan, Director (Marketing), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S. Radhakrishnan, being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Shri S.K.Joshi, Director (Finance), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S.K.Joshi, being eligible, offers himself for re-appointment.

B. Special Business

6. **Appointment of Director**

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

   "RESOLVED that Shri. P. H. Kurian, Secretary (Investment Promotion), Govt. of Kerala, be and is hereby appointed as Director of the Company."

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 Prof. N. Venkiteswaran, 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: 6th August 2007

Notes :

1. Explanatory statements under Section 173 of the Companies Act, 1956, in respect of the items of Special Business are annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES, IN THE ALTERNATIVE, TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE 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. The Share Transfer Books of the Company will remain closed from Thursday, 6th September 2007 to Wednesday, 19th September 2007, both days inclusive for the purpose of payment of final dividend on equity shares for the year ended 31st March 2007 to the Shareholders/Beneficial Owners whose names would appear as on 6th September 2007 in the Register of Members/Beneficial Owners maintained by the Company / Depositories, if declared at the Annual General Meeting.

4. The unclaimed dividends of BPCL and erstwhile Kochi Refineries Limited (KRL) for the financial years upto 1993-94 had been transferred by the Companies to the General Revenue Account of the Central Government, which can be claimed by the Shareholders from the Office of the Registrar of Companies at Mumbai and Kochi, respectively.

5 (a) Pursuant to Section 205A(5) and Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer in the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund established by the Central Government. Accordingly, the unclaimed dividends for the financial years ended 31st March 1995 to 31st March 1999 for BPCL and erstwhile KRL, and also unclaimed amount of interim dividends for the financial year 31st March 2000 in respect of erstwhile KRL, had been transferred to the said Fund, and no claim shall lie against the said Fund, or the Company, for the amount of dividend so transferred.

(b) Shareholders of BPCL who have not yet encashed their dividend warrant(s) for the financial year ended 31st March 2000 or any subsequent financial years are requested to make their claims to the Share Transfer Agent of the Company or to the Registered Office of the Company. With regard to unclaimed amount of final dividend for the financial year ended 31st March 2000 and unclaimed dividend for subsequent financial years of erstwhile KRL, the claims can be made from the Share Transfer Agent of the Company. It may be noted that the unclaimed amount of dividend for the financial year ended 31st March 2000 will become due for transfer to the Investor Education and Protection Fund on 15th November 2007 in respect of erstwhile KRL and 10th November 2007 in respect of BPCL.

6. 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 FOR THE SPECIAL BUSINESS PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No.6 Appointment of Director

Shri P. H. Kurian, Secretary, (Investment Promotion), Govt. of Kerala, was appointed as Additional Director of Bharat Petroleum Corporation Limited under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India, effective 23rd April 2007.

Shri. P. H. Kurian, 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. H. Kurian as Director of the Company. A brief resume of Shri P. H. Kurian, 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. H. Kurian does not hold any shares in the Company as on the date of appointment. The Directors recommend appointment of Shri P.H.Kurian as Director of the Company.

Except Shri P. H. Kurian, no other Director is interested in the Resolution.

Item No.7 Appointment of Director

Prof. N. Venkiteswaran was appointed as Additional Director of Bharat Petroleum Corporation Limited under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India, effective 16th July 2007.

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

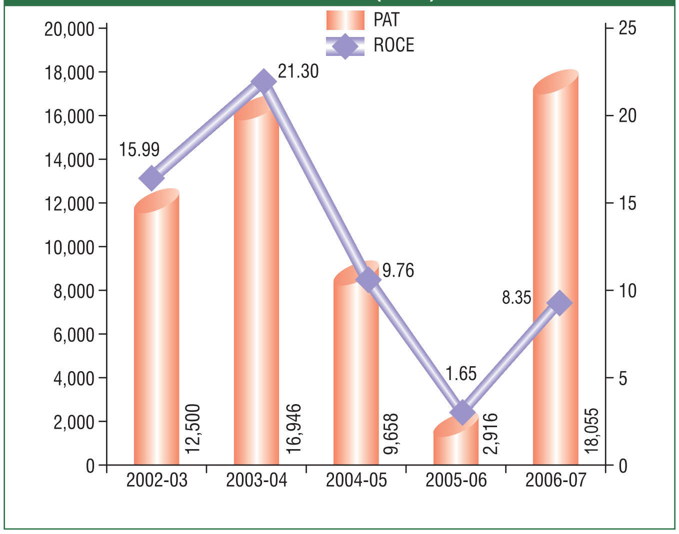
Except Prof. N. Venkiteswaran, no other Director is interested in the Resolution.

By Order of the Board of Directors

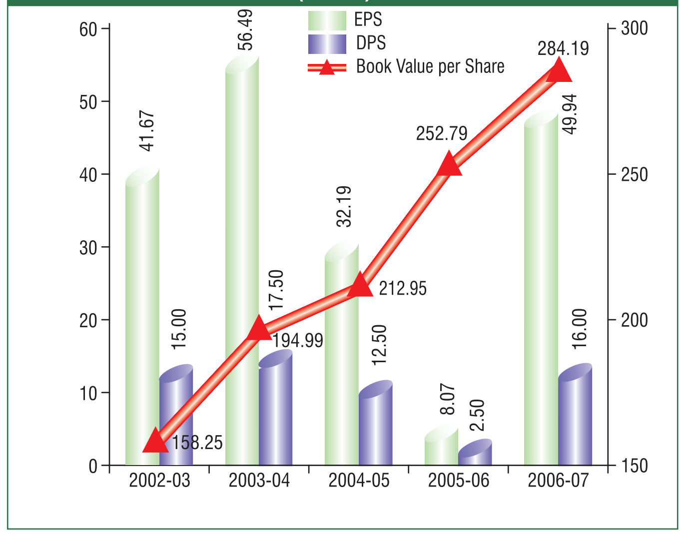
Sd/-
(N. VISWAKUMAR)
Company Secretary

Registered Office :
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
Mumbai 400 001
Date : 6th August 2007

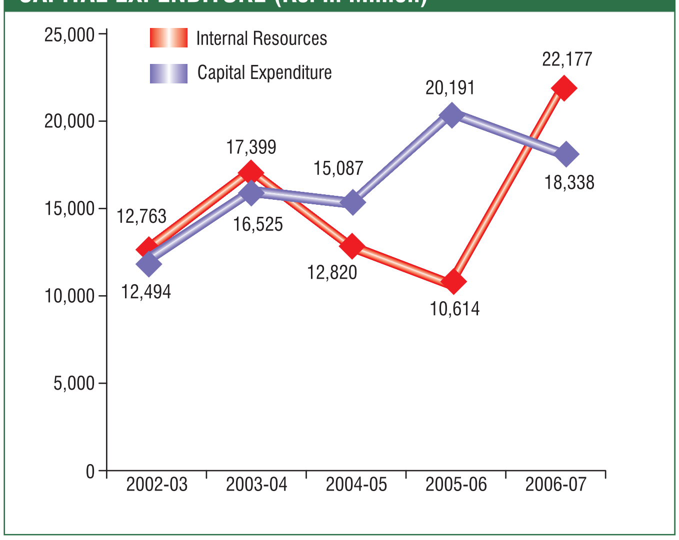
PROFIT AFTER TAX (Rs. in Million) / RETURN ON CAPITAL EMPLOYED (In %)



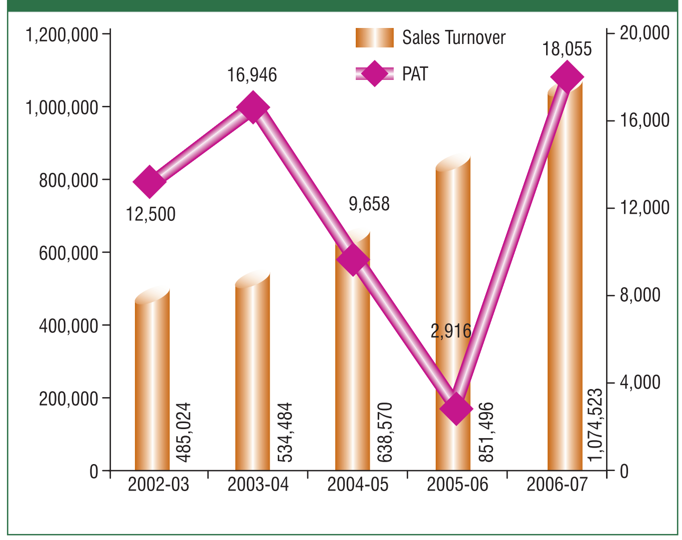
EARNINGS PER SHARE / DIVIDEND PER SHARE / BOOK VALUE PER SHARE (In Rs.)



INTERNAL RESOURCES/ CAPITAL EXPENDITURE (Rs. in Million)

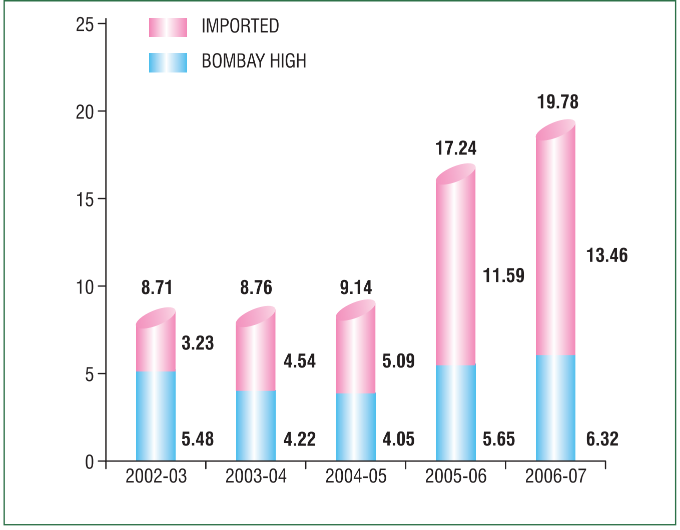


SALES TURNOVER / PROFIT AFTER TAX (Rs. in Million)

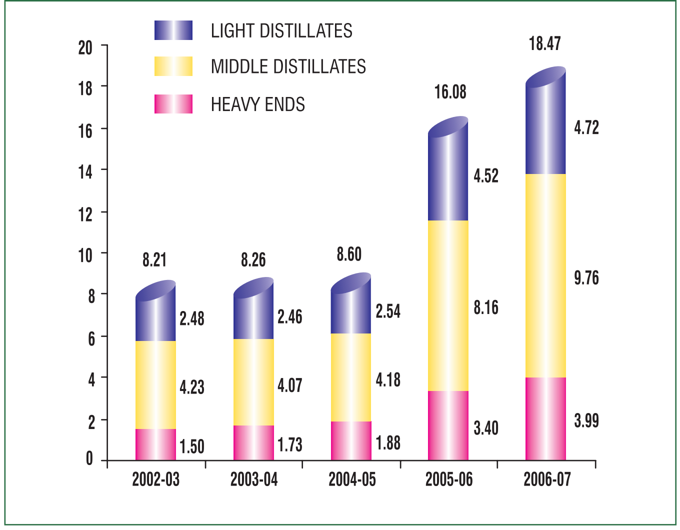


MARKET SALES VOLUME (Million Metric Tonnes)

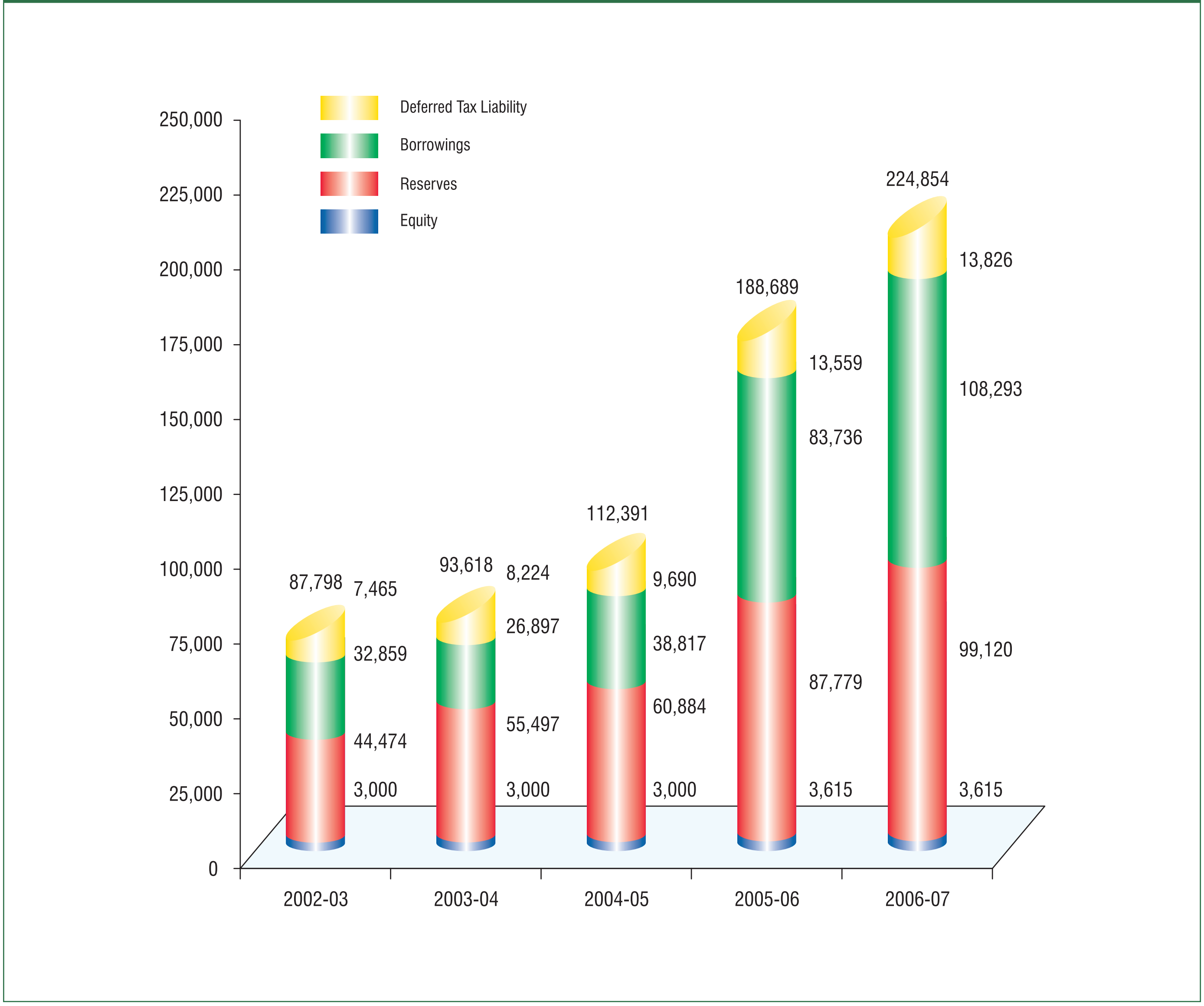
CRUDE PROCESSED (Million Metric Tonnes)



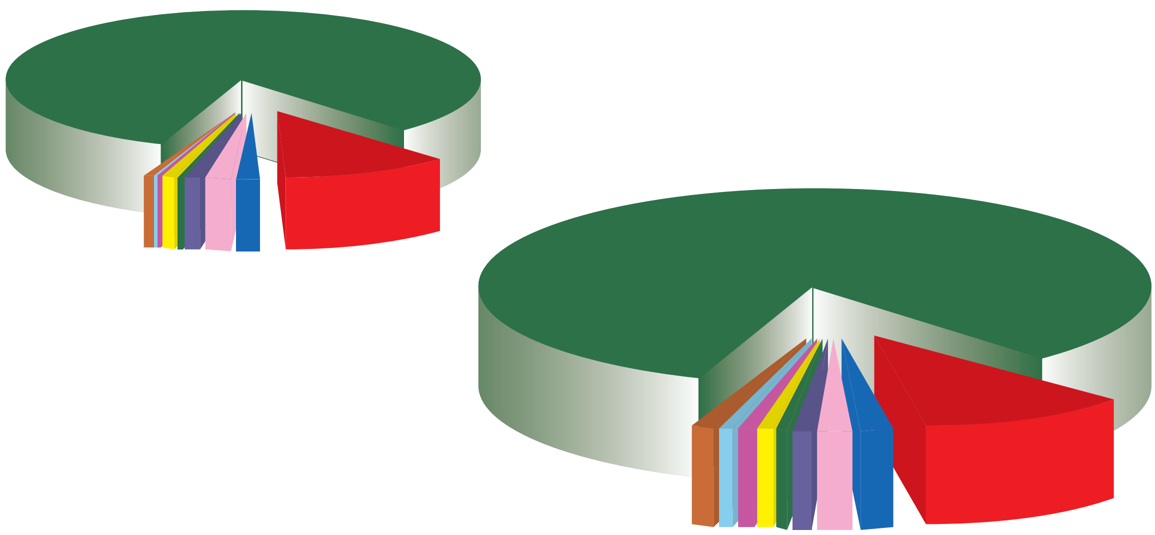
PRODUCTION (Million Metric Tonnes)



TOTAL FUNDS EMPLOYED (Rs.in Million)



DISTRIBUTION OF EACH RUPEE EARNED



2005-2006	2006-2007	
82.54	81.77	Raw Materials, Purchase of Products for resale and packages
11.23	10.07	Duties, Taxes etc.
1.91	1.73	Transportation
1.63	1.66	Stores and other Operating Expenses
1.03	0.93	Employees' remuneration and other benefits
0.29	0.44	Interest on Borrowings
0.90	0.84	Depreciation
0.13	0.89	Income Tax
0.12	0.62	Dividend (including Corporate Dividend Tax)
0.22	1.05	Retained Profits

INDUSTRY STRUCTURE AND DEVELOPMENTS

The growth story of the Indian economy has continued during 2006-07. The strong growth momentum seen during the previous year was sustained with the latest estimates indicating that the Gross Domestic Product (GDP) has posted a robust growth of 9.4% over the previous year. This growth has been powered by the excellent performance in the manufacturing, trade, hotels, transport & communication services and financing, insurance, real estate & business services, all of which have witnessed double digit growth rates during the year. Only the agricultural sector is lagging behind. Another positive aspect has been the indications that the growth of the economy is investment driven and not consumption driven. With the Indian economy poised to show strong growth in the years to come, experts reckon that India is on track to be amongst the top three economies of the world by the year 2050.

Inflows from Foreign Institutional Investors stood at around USD 7 billion in 2006-07. At the same time, foreign direct investment amounted to USD 15.7 billion in 2006-07, representing a growth rate of 184 % over the previous year, thus giving a strong vote of confidence on the strengths of the Indian economy. These numbers are also reflective of the high degree of business optimism that is currently prevailing. In the midst of these positives, the main area of concern was the rising rate of inflation. The year saw the wholesale price index breaching the crucial 6.5% level, although by the end of the financial year, this was reined in at 5.7%. While the rising inflation rates could be attributed mainly to supply side issues, they remain a matter of great concern to the Government and the Reserve Bank of India. The rate of inflation has since come down further and is hovering around 4.4% by end July 2007.

In line with the strong GDP growth, the petroleum sector saw a significant increase in the consumption of petroleum products during 2006-07, with the year on year growth touching a level of 5.9%, which has resulted in sales of petroleum products growing from 113.21 Million Metric Tonnes (MMT) in 2005-06 to 119.85 MMT in 2006-07. The average growth in the consumption of petroleum products over the last five years has reached a level of 3.4%.

The growth in sales of High Speed Diesel (HSD) had remained flat in 2005-06. There has been a turnaround during 2006-07 when sales of HSD have increased by nearly 6.7%. Similarly, the sales of products like Motor Spirit (MS) and Aviation Turbine Fuel (ATF) have increased significantly. As the fertilizer and petrochemical industries shift to Natural Gas from Naphtha and Fuel Oil, the sales volume of these products have consistently been on the decline.

In the international markets, crude oil prices continued to rise in the first half of the year. The benchmark Brent crude prices touched a high of USD 78.69 per barrel on 8th August 2006. This was against the highest price of USD 67.33 per barrel in 2005-06. Subsequently, till February 2007, oil prices had declined and remained below USD 60 per barrel. The upward movement of oil prices resumed once again in March 2007 and the year ended with Brent crude touching a level of USD 68.64 per barrel. The rising trend in oil prices has continued in the latest financial year and the price has closed in on the record high of USD 79 per barrel on concerns of a tightening market. The International Energy Agency (IEA) estimates that despite four years of high oil prices, there is a likelihood of increasing market tightness beyond 2010, with demand increasing by an average of 2.2% a year between 2007 and 2012. Global demand for oil is expected to reach 95.8 million barrels per day, up from 86.1 million barrels per day in 2007.

The average cost of the Indian basket of crude in 2006-07 was around USD 62.4 per barrel, which was significantly higher as compared to the average price in 2005-06. Since the beginning of the new financial year from April 2007, the price of the Indian crude basket has risen further. The policy of managing the adverse impact of the high levels of crude oil prices on the economy, through a process of distributing the burden between the Government of India, the oil companies and the consumer, was continued during the year.

The year 2006-07 also saw the average spread between light Brent crude and the heavier Dubai crude hover around USD 3.2 per barrel. Consequent to the commissioning of the Refinery Modernisation Project at the Mumbai Refinery, the processing of heavier crude was increased significantly to take advantage of this spread. Also, the ongoing Capacity Expansion and Modernisation Project at the Kochi Refinery would enhance flexibility in terms of processing a higher percentage of heavy – sour crude oils.

In line with the crude oil prices, product prices in the international markets have ruled firm during the year. The average price of HSD in 2006-07 stood at USD 77 per barrel, with the price hovering around USD 80 per barrel at the end of the year. The prices of other key products like MS, Liquefied Petroleum Gas (LPG) and Superior Kerosene Oil (SKO) have also remained high during the year. However, the prices of the sensitive petroleum products viz. MS, HSD, LPG and SKO in the domestic markets have not moved in tandem with the international prices, on account of the Government's policy of distributing the burden between the Government, oil companies and the consumer.

In fact, the year 2006-07 saw the retail selling prices of MS and HSD being reduced twice during the year. The Government of India approved a reduction of Rs. 2 per litre of MS and Re. 1 per litre of HSD on 30th November 2006 and once again by the same extent on 16th February 2007. These changes in domestic prices happened when international prices were showing signs of easing off. However, since then, international prices have resumed their upward movement without there being any change in domestic prices. Also, during the year, the prices of SKO and LPG for domestic consumption have remained

Hon'ble Petroleum Minister lays the foundation stone for the Capacity Expansion cum Modernisation Project (Phase-II) at Kochi Refinery.

unchanged. Consequently, oil marketing companies have been facing tough times in managing their working capital position and funding their capital expenditure programmes, even as they experience significant under-recoveries on the sale of the four sensitive petroleum products i.e. MS, HSD, LPG and SKO.

The year 2005-06 had seen oil companies experience a sharp decline in their profitability and the situation was saved only when the Government of India issued Oil Bonds to the public sector oil companies in March 2006. This, together with the sharing of the burden of rising oil prices by the upstream oil companies, had ensured that oil marketing companies remained profitable. This policy was continued in the current year and consequently, the upstream oil companies shared a part of the burden by way of extending discounts on crude oil prices and the Government of India issued Oil Bonds to the oil marketing companies. While this has ensured that oil marketing companies have bounced back in terms of higher profitability in 2006-07, the fact remains that their cash flow position has been adversely affected. Consequently, their borrowing levels have increased, along with the corresponding rise in the interest outgo. This, coupled with the hardening interest rate scenario in the face of rising inflation, could pose serious challenges to the oil marketing companies who have all drawn up major investment plans in the areas of refinery upgradation, building new capacities, development of distribution infrastructure and exploration and production.

The domestic crude oil production has remained more or less stagnant for some time. As per the provisional figures for 2006-07, the indigenous production of crude oil stood at 31.5 MMT. Consequently, there has been a substantial increase in the quantum of imports of crude oil for processing by the Indian refineries. The crude oil imports during 2006-07 increased to 110.8 MMT valued at USD 48 billion. With prices ruling firm in the international markets, the burden on the Indian economy has been cushioned by the growing strength of the Indian rupee against the USD. However, India as the world's sixth largest energy consumer, continues to be in a vulnerable position, having to import well over two-thirds of its crude oil requirements. Also, with India's crude oil reserves expected to last for around 20 years only, the picture is not rosy on that front, unless major discoveries are made in the coming years.

The year also saw refining margins being high in the beginning. Subsequently, in line with the lower international prices, refining margins had dipped before firming up again in the last quarter of the year.

India continues to be long on refining capacity and the domestic refining capacity stood at 149 MMTPA as at the end of the year. The crude processing during the year stood at 141.5 MMT. With crude oil processing being in excess of the domestic demand, there has been a sharp increase in the export volumes of petroleum products. A volume of 32.4 MMT of products was exported during the year, which represented an increase of almost 50% over the export volumes of the previous year. With the conversion of the Reliance Refinery at Jamnagar to an Export Oriented Unit and the upcoming refinery of Reliance Petroleum Limited also being developed as an Export Oriented Unit, the export volumes are slated to increase in the coming years. The domestic refining capacity is also expected to increase with the commissioning of numerous green field projects and on account of the brown field expansions planned by several of the existing refineries.

In line with the Auto Fuel policy announced by the Government of India, Euro III grades of petrol and diesel will need to be made available throughout the country by the end of March 2010. Euro IV grades of petrol and diesel have to be introduced in the metros and major cities from April 2010. With lower sulphur content and improvements in other key parameters, conversion to Euro IV will be a major step towards a better environment. However, this will involve reconfiguration of most of the existing refineries requiring substantial investments. While most of the refineries have initiated steps in this direction, the new green field refinery projects, including the one being set up by BPCL through a joint venture company in Bina, Madhya Pradesh will start with an inherent advantage, as the configurations are already done to meet these new requirements.

The Finance team.

As part of the Government's desire to promote eco-friendly alternate fuels, the Ethanol Blended Petrol (EBP) programme has been initiated across 16 States and Union Territories. Oil companies are in the process of tying up for the supply of ethanol to be used for blending with petrol. To begin with, a target of 5% blending with petrol is sought to be achieved. The progress in this area has been impacted by several issues relating to levy of state taxes and duties, which have a significant bearing on the overall economics. These are being addressed by the oil companies with the concerned State Governments. During the year 2007-08, considerable progress has been made in the implementation of the EBP programme.

Private players have increased their presence in the market, as is evidenced by the 700 new outlets commissioned by them during the year. However, in terms of sales volume, the private players lost around 2% during 2006-07, as compared to the previous year. Consequently, their market presence has declined from 13.6% to 12.5% as at the end of the year. This can be attributed to the rising international prices without corresponding increases in the domestic selling prices.

OPPORTUNITIES AND THREATS

The Indian economy is recognised as one of the fastest growing economies globally. The rapid development of infrastructure, coupled with the high rates of growth in most of the sectors of the economy, is bound to keep demand for energy buoyant in the coming years. Considering the fact that oil and gas are key contributors to the country's energy basket and account for around 38% of the primary energy consumption, one can expect the oil companies to have a steady rate of growth in the coming years.

One of the key constraints that Indian oil companies have encountered has been the limitations in port infrastructure, making it difficult for them to achieve economies of scale in crude oil imports. Considering the potential available for savings in crude transportation cost, BPCL is in the process of commissioning crude oil import facilities at Kochi, including Single Buoy Mooring, which can handle very large crude carriers. Besides Kochi Refinery, the new facilities are also expected to benefit Mumbai Refinery by way of a reduction in the freight cost of crude.

Refining margins have been quite attractive and have contributed significantly in improving the bottom lines of the oil companies, thereby mitigating to some extent the under-recoveries on the marketing side. Better margins are also the result of the refineries no longer having to contribute towards sharing a part of the burden of the marketing companies, on account of the rising international prices of the sensitive petroleum products. Going forward, in order to leverage the spread between the crude prices and the product prices, refineries are required to equip themselves in terms of the ability to process heavier crude oils, which would call for significant amount of investments. BPCL has ensured that steps in this direction have been taken proactively at both its refineries.

During the year, some of the recommendations of the Rangarajan Committee, which had looked into various aspects of pricing and taxation of petroleum products, were implemented. These include the introduction of trade parity as the basis of pricing of MS and HSD at the refinery gate, as compared to the existing import parity basis and reduction of customs duty on these products. Further, the scheme which required refineries to give discounts on SKO and LPG to the downstream oil marketing companies was also discontinued. All these changes taken together have had a positive impact on the refining margins.

The retail segment of the petroleum market continues to be one of the most promising in terms of potential for growth and profitability. Consequently, it is an area where stiff competition can be expected from all the players, including those in the private sector. To some extent, the rising international prices have diminished the enthusiasm of the private players. However, the fact that about 700 new outlets were commissioned by the private players, in addition to the 2500 by the public sector oil marketing companies during 2006-07, indicates the potential of the market. BPCL has been gearing itself to maintain and enhance its strong presence in the retail market. A number of actions have been taken to safeguard BPCL's sites in key markets. Steps have also been taken to develop and retain customers by introducing several customer centric measures. At the same time, measures have been put in place to ensure that the dealers and their staff put their best foot forward while dealing with customers.

The lubricants business continues to display immense potential. At the same time, it remains one of the most competitive in the country. The presence of several leading players, both Indian and foreign, is indicative of both, the potential and the challenges of the market. The Lube Oil Base Stock (LOBS) plant has ensured the availability of Group II+ Base Oils, thereby enhancing BPCL's position in the market. This has enabled BPCL to look at entering foreign markets. Also, efforts are being made to tie up with major players for the export of Group II+ Base Oils after meeting BPCL's requirements.

The aviation sector has been witness to a number of structural changes. With the setting up of new airports across the country, the aviation business is witnessing a paradigm shift. New business models are required to maintain and augment the market share. BPCL has sought to prepare itself by collaborating with one of the leading international companies.

Natural Gas is emerging as the preferred fuel of the 21st century due to its inherent economic value. It is a clean and environment friendly fuel with price movements being less volatile than that of liquid fuels. Some of the recent major gas discoveries within the country are expected to address the availability issues. Besides, increasing volumes of LNG imported by companies like Petronet LNG Limited are also available. City Gas Distribution projects hold great promise for the various players in this field. As an early mover in this area, BPCL has marked its presence in the areas of marketing LNG as well as undertaking city gas distribution projects. At the same time, increase in gas consumption by sectors like power and fertilizers will have an adverse impact on the sales volumes of products like Naphtha and Fuel Oil. Consequently, companies will need to look at export opportunities for evacuating these products from the refineries.

One of the key challenges facing oil refining and marketing companies has been securing supplies of crude oil. With a view to achieve a degree of self reliance, oil refining and marketing companies, including BPCL, have ventured into the upstream exploration and production arena. To achieve greater focus, BPCL has promoted a 100% subsidiary company with a paid up capital of Rs. 10,000 million. With a view to achieve a balanced portfolio of assets, BPCL has bid for new fields in India and abroad in consortium with other players and has also been looking at 'farming in' opportunities. Integration of the exploration and production area with the existing strengths in refining and marketing operations will ensure the long term success and growth of the enterprise.

BPCL has been making significant investments to secure the availability of petroleum products. The completion of the grassroot refinery in Bina in Madhya Pradesh will help provide product security in the key markets of the Northern region. Also, investments in the refineries at Mumbai and Kochi are being made to meet the higher standards of product specifications that are being laid down in the country.

With oil prices not expected to decline significantly and the growing awareness that crude oil reserves are declining, biofuels are increasingly being looked upon as a viable alternative. While this offers immense possibilities, the challenges are also enormous. BPCL has taken several steps in this area and is actively pursuing the ethanol initiative on behalf of the Indian public sector oil companies by looking at ethanol investment opportunities in Brazil. Recently, the International Biofuels Forum was launched at the United Nations Headquarters in New York. This has been done on the initiative of Brazil, for ensuring cooperation on ethanol/biofuels between the world's six major producers and consumers, namely Brazil, China, European Union, South Africa, United States of America and India. The objective is to accomplish the common mission of creating an international market for biofuels. BPCL has been nominated to represent the Government of India at this forum.

BPCL is striving to enhance its performance to the next level. Towards this end, teams across the organisation are being set stretched targets. New areas and opportunities are being looked at. The outstanding results achieved in 2006-07 have set the tone. BPCL is putting its best foot forward as it aims to be the star performer in the increasingly competitive market.

The risks associated with the volatile price movements of crude oil and finished products in the international market are expected to continue. At the same time, the ability to pass on the increases in the prices of sensitive petroleum products to the consumers will be influenced by the Government decisions in this regard. As such, oil marketing companies will continue to grapple with the challenge of managing their finances in the midst of this uncertainty without compromising on their future plans and programmes.

One of the major developments in recent times was the enactment of the Petroleum & Natural Gas Regulatory Board Act, 2006 which received the assent of the President of India on 31st March 2006. The Regulatory Board is designed to regulate the petroleum sector to protect the interests of the consumers and entities engaged in specified activities related to the petroleum industry. The Chairman of the Regulatory Board and the other members have been appointed in June 2007. The implementation of the regulatory process could not have come at a better time. With the level of competition set to increase, the existence of the regulatory framework will provide a level playing field and promote investment in this capital intensive industry.

The coming days are expected to be full of challenges. While there is a temporary lull in the private sector on account of the inability of the private players to pass on price increases on key products to the consumer, the competition can be expected to become intense in the coming years. India, as a market, is the focus of attention globally. With the economy maintaining its strong pace of growth, the petroleum sector is expected to see healthy increase in volumes in the coming years. There will be room for every player to grow and prosper. BPCL, with its customer centric approach and its ability to proactively meet the consumer's emerging needs, is best placed to take full advantage of all the opportunities and enjoy a preeminent place in the market.

PERFORMANCE

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

REFINERIES

MUMBAI REFINERY

The year saw the Mumbai Refinery achieving its highest ever crude throughput processing level of 12.03 MMT. This included the processing of 3 new crude oils taking the total number of crude oils processed by the refinery to 70.

Processing of high sulphur crude was enhanced from 40.7% in 2005-06 to 53% during the current year. Further, the production of value added products like C3/LPG (470 Thousand Metric Tonnes (TMT)), MS (1085 TMT), ATF (488 TMT) was improved upon, compared to the previous year, thereby enhancing the refinery's profitability. With the commissioning of the LOBS plant during the year, the Refinery commenced production and despatch of LOBS, matching the superior quality specifications of Group II+ Base Oils. During the year, the plant produced 105 TMT of grade 150 N & 500 N Base Oils.

The gross refinery margin for the year stood at Rs.14,908.38 million which translates to USD 3.64 per barrel, as compared to the previous year's margin of USD 1.64 per barrel. The improvement in the gross margin has been brought about on account of the better crude mix, value addition from the Hydrocracker/ LOBS units, favourable crude/ product prices and the removal of the scheme of refineries offering discounts on SKO and LPG to the marketing companies.

Capabilities of the quality assurance laboratories were augmented to improve speed and accuracy of testing of plant streams and finished products. Several new generation automatic instruments like Auto Freezing Point, Auto Titrators, Mini Flash Point, Mini Reid Vapour Pressure etc. were procured to enhance the overall productivity. Analytical instruments for testing LOBS unit intermediate streams and finished Base Oil products were also set up in the Mumbai Refinery laboratory.

The Mumbai Refinery team.

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

Reliability of plant and equipment ensures sustained Refinery operations. In Mumbai Refinery, reliability centered maintenance strategy, supported by a robust predictive and preventive maintenance programme, has enhanced plant availability to a high level of over 95%. This has contributed significantly in the achievement of the highest level of crude throughput during the year. The period immediately after the commissioning of the new hydrogen and hydrocracker units saw some teething problems associated with the high pressure pumps and compressors. These have been resolved through planned maintenance intervention, enabling high achievement of on-stream factor for the units.

In keeping with the thrust on augmentation of plant reliability in a cost effective manner, Mumbai Refinery has developed a low cost pressurized mist lubrication system and installed the same on a select group of critical pumps in the new distillation unit. The prototype has been successfully tested and would now be fabricated and installed on other critical pumps in a phased manner. As an improvement initiative, magnetic descalers, a new and innovative product, have been installed selectively on the bearing cooling water circuit of some pumps, which would prevent formation of scales that choke the cooling water pipes. This is an environment friendly technology which will eliminate the need for chemical dozing in the bearing cooling water.

For the first time in the refinery, a special high emissivity ceramic coating has been applied on the outer surfaces of the radiant section tubes and refractory of the High Vacuum Unit (HVU) heater in the Fluid Catalytic Cracking Unit (FCCU). This has improved heat pick-up and reduced fuel firing in the heater. This is a major step towards achieving energy efficiency and environment improvement.

After the commissioning of the new state-of-the-art Gas Insulated Switch gear (GIS), refinery electrical loads have been reorganized to enhance power reliability. Installation of High Tension (HT) capacitor banks has improved the power factor, resulting in reduction of electrical distribution losses, apart from other related benefits. As a part of the modernization efforts, HT switch gears of the cracker units have been replaced with the latest technology switch gears.

The computerized instrument calibration system in the refinery has been equipped with new specially developed software to facilitate monitoring of critical process instruments. Further, as a part of the reliability improvement initiative, existing dispenser type level instruments have been substituted with the latest technology radar type level transmitters in the power utilities area. The Distributed Control System of the FCCU unit was replaced with the more sophisticated Centum CS 3000 to improve reliability and ease of operation.

The latest inspection techniques like eddy current and remote filled electromagnetic testing have been successfully implemented to accurately establish the health of non-ferrous and ferrous tubes respectively in the exchangers. This has helped in optimizing maintenance work in a cost effective manner. Mumbai Refinery's experience of acoustic emission testing of predicting the condition of the tank bottom has served as an industry benchmark, leading to the oil industry's decision of extending the frequency of tank outage for maintenance and inspection.

The Refinery's Occupational Health and Safety Management system was certified to OSHAS 18001 standards. The refinery employees achieved 8 million man-hours without any Lost Time Accident (LTA) during the year. During the year, 1681 man-days of safety training was imparted to the refinery employees. For enhancing contractors' safety, a total of 2852 man-days of safety training was imparted to contractors' workmen and supervisors on various aspects of safety.

To strengthen learning in safety practices and to spread the message of safety at the workplace, March 2007 was celebrated as 'safety month' at the refinery. During this period, programmes were organized, including talks on safety, on-site hands-on training, mock drills, demonstration of personal protective equipment and awareness campaigns. Safety workshops were also conducted for the personnel of the Central Industrial Security Force (CISF), Mumbai Police, Traffic Police, Mutual Aid Response Group and Mumbai Fire Brigade, to spread awareness of safe working and to benefit from their experiences.

A total of 14,000 points (flanged joints, valve bonnets etc.) were covered under the Hydrocarbon Leak Detection and Repair (LDAR) scheme to reduce the fugitive emissions from the refinery. Mumbai Refinery processed about 2300 MT of oil sludge and recovered 1100 MT of useful oil, thus reducing oily waste generation. The refinery ensured proper disposal of spent catalysts, which were either sold back to the original catalyst suppliers or safely disposed off at authorized hazardous waste disposal sites. The revamped effluent treatment plant at the refinery, (provision of two train operation and additional facilities at a cost of Rs.80 million) was successfully commissioned, ensuring continued treatment of the refinery effluent as per environmental norms and improved plant availability.

In keeping with its tradition of giving back to society and ensuring its well being, Mumbai Refinery partnered with Oil Industry Development Board for a water supply augmentation project at Karjat near Mumbai. The project involved the construction of two dams, deepening of wells and construction of weirs and tanks for collection of rain water. Over 15,000 people have benefited by this scheme. To help the Karjat and Washala villagers combat the power shortage which affected their day-to-day lives, BPCL has also contributed by providing solar lights on main roads, public places, hospitals and schools.

In the neighbouring community, the message of quality education was spread by providing a well equipped science laboratory at the Narayan Acharya Vidya Niketan High School, Chembur, benefiting over 1000 children. During the year, the refinery continued its partnership with AVERT Society, an USAID body for furthering awareness and prevention of HIV/AIDS, covering a larger population of 1 lakh people including specific target groups.

Mumbai Refinery continued to win laurels and accolades. The refinery received the Ramakrishna Bajaj National Quality Merit Certificate – 2006 (RBNQA), the highest recognition in the manufacturing category for the year 2006. Also, the refinery was bestowed with the Qimpro Compass 2005 award for best managerial practices in Internal Quality Audits.


Mumbai Refinery

With a view to strengthen team values and performance, a customized programme on 'Team Building' was organized for the senior/ middle management staff of the refinery. A total of 16918 man-days of training was imparted, including training on functional and developmental subjects. This also included 1681 days of training on safety aspects referred to earlier. About 20 refinery staff members were trained in the Six Sigma approach and thereafter, they undertook several initiatives to improve productivity & profitability. Major functional training programmes conducted during the year included a 3 day programme on Catalytic Reforming Technology and a 4 day programme on Catalytic Cracking Technology. Apart from meeting the training needs of its own people, the refinery has also trained the technical staff from Sudan, Bahrain and Oman, as a part of a business development initiative.

KOCHI REFINERY

During the year 2006-07, Kochi Refinery achieved a crude oil throughput of 7.75 MMT, as against the throughput of 6.94 MMT in the previous year. Consequently, the refinery has achieved a capacity utilization of 103.2% of the installed capacity. Processing of high sulphur crude oil accounted for 58% of the total throughput. Three new crude oils were processed during the year i.e Erha from Nigeria (low sulphur), Azeri Light from Azerbijan (low sulphur) and Urals from Ukraine (high sulphur). Annual turnarounds of the FCCU and Diesel Hydro De-Sulphurisation (DHDS) units were taken during which the DHDS catalyst was replaced for producing 50 ppm sulphur in the treated diesel. The refinery also achieved its highest level of production of MS and ATF during the year at 769.75 TMT and 218.5 TMT respectively.

Kochi Refinery

The gross refining margin earned by the refinery during the year amounted to Rs. 8983.90 million. This represents a margin of USD 3.46 per barrel, as compared to the margin of USD 3.17 per barrel in 2005-06.

Kochi Refinery Laboratory received approval from Directorate General of Aeronautical Quality Assurance - Ministry of Defence in respect of ATF to be supplied for the defence sector. The Laboratory has also enrolled itself for the proficiency testing program under the Shell Main Product Correlation Scheme and was awarded 2 gold certificates for 100 % scores during the year.

Effective implementation of condition monitoring and compliance of 100% preventive maintenance checks have further improved the plant & equipment reliability at the refinery. Realignment of maintenance groups for effective planning and execution of shutdown jobs through innovative methods of scheduling and execution has resulted in completion of the planned major shutdown jobs ahead of schedule.

As part of a capacity building exercise, local contractors were developed through training and information sharing for taking up reasonably skilled jobs like vibro-casting in FCCU and replacement of catalyst in DHDS during the turnaround. At the same time, indigenization efforts in those areas with good savings potential, like re-lining of recycle gas compressor cylinder and refurbishing of pumps etc. were also strengthened.

The condition monitoring of tank floors using Acoustic Emission Testing was extended to more number of tanks during the year. A painting manual giving details of the paints to be used for external painting in different environments has been finalized in consultation with the CECRI, Karaikkudi. This will contribute to improvement in the external protection of refinery equipment.

Reliability of the instrument and plant air system has further improved with the commissioning of a state-of-the-art centrifugal compressor. In the technology up-gradation and integrity enhancement sides, the crude tank gauging system was changed to radar type and improved vibration monitoring system type 3500 series was provided for the Turbo Generator.

The employees of the refinery displayed high standards of safety and performed the business activities without any lost time accident during the year achieving a milestone of 5 million man-hours without any LTA. Several training programmes on safety were conducted to ensure that all employees are well versed with essential safety knowledge and skills. Safety training was also given to 3800 contractor workers and supervisors during the year. A safety incentive scheme based on achievement of accident free man-hours was introduced to further promote safe working behavior amongst the employees and contractors.

At Kochi Refinery, around 6351 MT of oil sludge was processed and 1593 MT of oil was recovered during the year 2006-07. An impervious storage facility was constructed for the storage of oily sludge. Facilities are being installed for the desulphurisation of vacuum unit hot well gases, KHDS recycle gas and low pressure fuel gas.

Kochi Refinery has extended its helping hand to children from the socially and economically weak communities by way of a midday meal scheme, scholarships and free learning aids/financial assistance to students for purchase of uniforms/books/umbrellas/bags/newspapers. Children from 10-12 Government schools in the neighbourhood have benefited from this scheme.

The refinery has also contributed towards the construction of a Science and Technology museum for students at SRV School Ernakulam, providing milk to the children of Anganwadis and renovation of these Anganwadis.

Kochi Refinery also provided amenities to the tribal students at Chalakkudy, Muvattupuzha and Wayanad. In addition, the refinery also provided financial support for medical treatment, conducted free medical camps and provided essential medicines and facilities at the neighbouring hospitals.

The refinery also contributed in the augmentation and upkeep of civic amenities in the city of Kochi. Various community welfare schemes are being implemented in the Single Point Mooring project affected areas in Puthuvypeen and Ernakulam. The schemes undertaken in 2006-07 include widening of city roads, providing amenities at Government hospitals, assistance in providing sanitation facilities, upgrading facilities at primary health centres, street lighting, facilities at schools, assistance to libraries etc. An amount of Rs. 46.5 million was spent during 2006-07.

Kochi Refinery received the following awards during 2006-07:

- 7th Annual Greentech Environment Excellence Award (Gold) in the Petroleum Refinery sector for outstanding achievement in Environment Management for the year 2006
- Runner-up Award for Outstanding Safety Performance in the category of large size chemical industries by National Safety Council, Kerala Chapter.
- Best Performance Award for Safety Committee by National Safety Council, Kerala Chapter.
- 'Excellence' Award from Kerala State Pollution Control Board for outstanding performance in pollution control activities and various environment friendly initiatives such as eco park, rain water harvesting facilities, green belt development, Encon clubs, operation and maintenance of pollution control & monitoring mechanisms.

The Kochi Refinery team.

With a view to enhance the capabilities of employees for better performance at work, a highly systematic training plan was implemented at Kochi Refinery. Knowledge and skill gaps were identified after a scientific analysis of training needs. The year saw 1231 employees being given classroom training apart from a series of continuous on-the-job training events. The Refinery Learning Centre conducted training programmes for unemployed professionals to enhance their employability and also programmes for those working in different organisations towards competency enhancement. Hands-on training on Personal Protective Equipment has been given to 387 employees of operating departments. Also, safety training was given to 3800 contract workmen/supervisors during the year. These training programmes emphasize the importance of safety among employees.

In order to keep pace with technology and to remain competitive in the field, a new study, Integrated Refinery Business Improvement Program, has been undertaken with the help of M/s. Shell Global Solutions International at Kochi Refinery. This study will help develop solutions to reduce the gaps in refinery performance in comparison with the Asia Pacific and global refineries, in the areas of energy management, operational performance and overall refinery margin improvement. During the assessment phase of the study, 29 proposals for improvement were identified, which are being examined further before implementation.

One of the greatest challenges that the refining industry in India is facing today is the need for large capital investment for meeting increasingly stringent product quality requirement and for upgrading the residual fuels (Fuel Oil and LSHS) into valuable distillates, since their demand is on a decline. Keeping this in view, BPCL has initiated projects to produce Euro-IV quality transport fuels and is also examining the feasibility of upgrading the residue at its refineries at Mumbai and Kochi to enhance profitability. Mumbai Refinery is evaluating various options for upgrading residual fuels, which include leveraging the synergy with neighbouring industries to overcome the space limitations and to secure financial viability for the project.

RETAIL

The retail sector of the Indian oil industry had experienced a difficult year in 2005-06, with sales declining by around 4% over the previous year. Although many of the issues faced during that year like rising crude oil prices, uncertainties with regard to price increases and entry of private players continued during 2006-07, the retail segment saw a turnaround with sales increasing by nearly 9% in volume terms.

During the year, BPCL recorded sales volume of 13.01 MMT of retail fuels, which represented a growth of 12% over the previous year. This was the highest growth rate in the entire industry. Consequently, BPCL's market share had increased by 1.22% during the year. The excellent performance was the result of aggressive marketing and rolling out of numerous customer centric propositions.

The emphasis during the year was on enhancing customer enablement coupled with strategic network expansion. During the year, 480 retail outlets were commissioned by BPCL out of a total of 2500 retail outlets commissioned by the public sector marketing companies. The attention paid to site quality in the urban markets and the strategic expansion on highways paid off handsomely. In the highway sector, the throughput per outlet grew from 179 Kilolitres (KL) per month in 2005-06 to 196 KL per month in the current year, representing an increase of 9.5%. The throughput per RO of the high format outlets on highways catering to the trucker network grew from 461 KL per month to 582 KL per month, an increase of over 26 %. The qualitative aspect of BPCL's retail network continued to make it stand apart from the outlets of other oil companies, with the overall throughput per outlet being 162 KL per month, which is 19% higher than that of the industry. Even in terms of market effectiveness, (a ratio of market share in terms of sales volume v/s market share in terms of number of outlets) BPCL towered over the others with a factor of 1.19.

The year also saw the private sector continue to expand their network presence with private players like Reliance, Essar and Shell commissioning 167, 513 and 20 new retail outlets respectively. The combined market share of the private oil companies stood at 6.2% in HSD and 5.3% in MS.

The MS volumes for the year 2006-07 stood at 2.63 MMT, a growth of 6.5% over the previous year. The growth in MS sales has to a large extent been due to the continued success enjoyed by 'Speed', the market leader in the branded fuels segment. With a conversion ratio of 23%, Speed, now available in 3391 outlets across the country, recorded sales of 609.5 TMT and maintained its leadership position with a 40.3% share in a rapidly expanding premium fuel market. The 'Speed' brand has established itself in the highly competitive market. Speed 97, which was launched in September 2005, is now available in 84 outlets in major urban markets. Speed 97 achieved sales of 4010 MT during the year 2006-07 and has been successful in gaining loyalty amongst its niche target segment.

The market sales of HSD during the year were 8.71 MMT, which represented a growth of 15.8% over the previous year. The emphasis on a specific strategy for highways has contributed significantly in achieving these volumes. The initiative of "The Highway Network Assurance Program", with the help of One Stop Truckers Shop (OSTS) - GHAR and Highway Star outlets, led to an impressive growth of 16.4% in the highway segment. The HSD throughput per outlet grew from 150 KL per month to 165 KL per month. In the branded segment, "Hi Speed Diesel" continued its success saga with sales of 702.7 TMT from 3359 retail outlets and in the process, increased its market share to 22% from 12.5% in the previous year.

The Retail team.

OSTS-Mawai

BPCL has been a front-runner in the alternate fuels segment, recording strong growth of 23.3% in the sale of Compressed Natural Gas (CNG) in Delhi, Mumbai, Surat and Ahmedabad. Auto LPG sales grew by 78% with sales of 48.2 TMT during the year. The growth in the alternate fuels segment has helped BPCL in retaining customers who had migrated from traditional fuels. The year saw the addition of 13 CNG stations and 11 Auto LPG stations to BPCL's network.

On the logistics front, the volume handled during the year amounted to 33 million KL, representing a growth of 11.9% over the previous year. An efficient supply chain, which is the heart of the business was carefully managed with total storage capacity of 3.05 million KL across India. With the Mumbai-Manmad product pipeline having been extended to Piyala near Delhi, product from the Mumbai Refinery is available for bridging product shortfall in the northern region, thereby enhancing product security in that crucial market. The year saw a new record being established with 77 rakes being loaded at Numaligarh Refinery during November 2006.

The retail business took the lead in installing Global Positioning Systems (GPS) for tracking the movements of tank lorries and over 6000 such lorries are expected to be covered during 2007-08. Bottom loading facilities were augmented at the key supply locations of Bijwasan, Piyala and Lalru in the northern region. The concept of Model Location was further extended, with 7 locations getting certified as model locations during the year. With this, there are 40 locations in BPCL's network which are certified as model locations. This number is expected to cross 50 in 2007-08 as more locations are certified. As part of the Quality Assurance programme, a Marker system was introduced for SKO supplied from 1st October 2006 at all locations. Also, facilities have been made available at supply locations for blending of ethanol. Attention continued to be paid to the Health, Safety and Environment aspects. Programmes like live fire drills and specialised training on defensive driving were organised during the year.

BPCL's commitment to delivering value to the customer continued with the expansion of the "Pure for Sure" (PFS) network through enrolment of new retail outlets under the PFS brand. A total of 5502 retail outlets, representing 73% of the network, have been certified under the PFS banner. The extent of coverage of this proposition can be seen from the fact that out of every 10 litres sold through BPCL's outlets, 8.1 litres are sold by PFS outlets. Efforts are on to bring the remaining non-PFS outlets within the ambit of third party audit, in order to ensure product assurance of Quality and Quantity at each and every retail outlet.

A major thrust area during the year was the automation of retail outlets. Aggressive plans were drawn up and implemented in this area. With the customer being the focus of all our retail innovations, the full automation, BRASS – RT (Bharat Retail Automation Solution & Services – Real Time) will provide the customer with complete transparency in terms of exact quantity of fuel dispensed, automated receipt and better payment options through Smartcard / Credit / Debit Card. Backed by a state-of-the-art solution, BRASS - RT will enhance the level of retail outlet management and will offer improved cost and operational efficiencies both to the dealer and the company. Automation was made operational at 320 outlets during 2006-07. It is proposed to extend the same to 2000 ROs during 2007-08.

The focus on gaining and sustaining long term customer loyalty continued during the year. The "Petro Card" base grew by 0.09 million customers to reach 1.68 million and the SmartFleet base grew to 0.59 million with the enrolment of 0.05 million heavy vehicles during the year**.** Petro Card and SmartFleet sales grew by nearly 27% and crossed the Rs.90,000 million mark by March 2007. The card sales accounted for nearly 20% of fuel sales in the retail segment. Nearly 0.15 million transactions are being done using Petro Card every day, at around 3500 BPCL outlets in over 75 cities across the country. The Petro Card programme has been designed to give value added services to its members, so that every fuelling experience is more enjoyable. To generate and sustain interest in the programme and to increase the activity levels amongst the Petro Card members, several campaigns were run, which were very successful.

BPC launches the In & Out eTraveller, a complete travel-cum-hospitality solution.

Keeping pace with the increasing penetration of credit and debit cards in various consumer segments, BPCL firmed up strategic payment facilitating alliances with Standard Chartered Bank and HDFC Bank for increased customer convenience and to drive their respective customer bases to BPCL outlets.

At the core of the retail strategy is the goal to provide superior customer enablement. Towards this end, customer centric business solutions have been created, focussing on different segments of customers and providing service offerings which meet their specific requirements. These are created differently for highway and urban segments.

BPCL has created an Assurance Network consisting of Company Operated OSTSs supported by dealer operated Highway Star outlets. These outlets have differentiated propositions for truckers and motorists. These new format OSTSs with their “positive segregation” design, pack a host of amenities, ranging from hygienic restrooms for both segments, laundry, kirana, hauda (a favourite bathing facility for truckers), an amphitheatre and a fully equipped multi-cuisine Dhaba & restaurant, with separate dining areas for truckers and motorists. The “Ghar Dhaba” represents BPCL’s foray into food and the concept development covering theme designing, kitchen layout, menu planning and drawing up the standard operating processes have been done in-house. The initial feedback has been encouraging, with both the trucker and motorist dining areas witnessing good footfalls.

The “Highway Star” program has been one of the most successful propositions during the year and has helped in revitalizing the highway network in the country, building customer confidence and paving the way towards creating a robust highway assurance network across the country.

BPCL’s Allied Retail Business (ARB) grew by 52.1 %, with a turnover of Rs.1586 million, making it not only the largest non-fuel revenue generator in the oil industry, but also amongst the leading retail networks in the country, offering a basket of services ranging from C-stores, Quick Service Restaurants to financial and travel related services. The network of 383 In & Out stores saw the turnover grow by 28% to Rs.774 million. During the year, 8 In & Out convenience stores made up the “millionaire club” by clocking average sales of Rs.1 million per month. The daily sale of the millionaire stores is in excess of Rs.40/- per sq.ft.

Automatic Teller Machines (ATMs) continued to be a focus area in the ARB initiative under the alliance management strategy. The 222 ATMs in the network are the result of alliances with 22 banks. Besides, the alliance with Western Union Money Transfer saw turnover growing by over 66% during the year.

In & Out stores attract customers with their innovative displays.

Given the rapid growth of the travel industry in the country and especially personal travel, BPCL launched “In & Out eTraveller”, a one-stop facility for all travel and hospitality needs. The In & Out eTraveller is an e-ticketing / e-booking facility for rail, air and bus tickets and hotel accommodation, brought through a web of alliances with best in breed travel service providers like Jet Airways, Air Deccan, SpiceJet, Kingfisher Airlines, IRCTC (for rail tickets), Raj National Express (for long distance luxury buses) and makemytrip.com for a complete travel and hospitality suite. An innovation in the alliance strategy has been the tie-up with Shri Mata Vaishnodevi Shrine Board, under which Yatra slips can be issued to pilgrims across the country. The In & Out eTraveller offers flexible payment options through cash, credit/debit card, cash card etc. and the customer has the satisfaction of planning his/her complete journey through a visit to the In & Out eTraveller kiosk. The facility at present is available at 37 In & Out convenience stores, which number will increase to 100 by September 2007.

With the fast food industry showing an annual growth of 40%, Quick Service Restaurants (QSR), as a proposition, within the In & Out convenience stores as well as a standalone proposition, is an area where there are plans to grow aggressively through the alliance route, in keeping with international trends. The Food & Beverages brands, while bringing in their customer base to the retail outlets, also increases the overall level of customer engagement at the sites. The 40 ARB restaurants achieved a turnover of Rs. 180 million during the year, a growth of 49% over the last year. During the year, BPCL achieved a major breakthrough by getting into agreements with both Joint Venture partners of McDonalds operating in India – Hardcastle Restaurants Private Limited and Connaught Plaza Restaurants Private Limited. Subsequent to the agreement, three retail outlet sites were signed up in Bangalore Territory for setting up McDonalds restaurants. During the year, BPCL also signed an agreement with Nirulas Corner House Private Limited for setting up Nirulas restaurants in the network. These QSR alliances, while enhancing the image of the retail network, will serve as a differentiating customer value proposition.

Driveway Saleswomen are now a familiar sight at retail outlets.

BPCL has always pioneered the cause of high performance motor sporting activity through the flagship brand of premium petrol, Speed. Over a period of the last few years, the association with motor sport events and appointment of Narain Karthikeyan, India's sole representative in the F1 circuit, as Brand Ambassador for the Speed brand, has helped build a strong brand image. In order to strengthen the association with motor sports, BPCL has been sponsoring motor sports and related events across the country. M. S. Dhoni, the wicket keeper of the Indian cricket team, who symbolizes performance, spirited style and energy, was appointed as Brand Ambassador for the Speed and MAK brands.

The retail business continued its tradition of bagging honours on various fronts. Locations across the country received numerous awards in the areas of Health, Safety and Environment. BPCL was awarded the Trusted Brand in the Gas Station category as per the market survey conducted by Readers Digest. BPCL was also conferred the Award for Best Branded Automotive Fuel for the brand Speed, by Frost & Sullivan, a global growth consulting & training company. The award is based on a consumer research conducted with 5100 car and utility vehicle owners across the country. Almost 31.6 % customers have rated Speed as the best automotive branded fuel, based on their experience and perception.

OSTTS-Bijapur

INDUSTRIAL & COMMERCIAL (I&C)

The year 2006-07 was significant for the I & C business as over 1000 customers, who were served by the erstwhile Kochi Refineries Limited (KRL), were taken over after KRL's merger with BPCL. The take over of the customers, which was affected in September 2006, was completed smoothly without any interruption and the requirements of petroleum products of these customers are being met by the different territories of BPCL.

The consolidated sales volume in this segment in 2006-07 stood at 6.67 MMT against the corresponding volume of 6.63 MMT in the previous year. Of this, the erstwhile KRL had accounted for a sales volume of 0.23 MMT during the period April 2006 to September 2006 and a volume of 0.566 MMT in 2005-2006.

BPCL recorded the highest growth in the industry for HSD sales to industrial consumers. All the major sectors registered good growth with the Bunkering and Defence sectors growing at 24% and 21% respectively over the previous year. A major achievement in HSD sales was the enrolment of a large number of new medium and small volume customers. The sales volume from this category of customers grew by 27% during the year.

26 new Consumer Pumps for HSD supplies were commissioned during the year. New Railway Consumer Depots are under construction in Karnataka and in Orissa.

During 2006-07, a new initiative called "40 Plus" was launched, with a view to increase the profitability by Rs. 40 crores by selling additional volumes of Special Products such as Benzene, Toluene, Hexane, Mineral Turpentine Oil and various grades of Modified Bitumen. In spite of restricted availability of Benzene and Toluene from Mumbai Refinery, an additional profit of Rs. 36.81 crores was achieved.

BPCL also offered structured product solutions for Fuel Oil to customers, with a view to help them in hedging price fluctuations. Under this initiative, a quantity of 2500 MT of Fuel Oil was supplied from November 2006 to March 2007.

BPCL was an active participant in the marketing of spot cargoes of Liquefied Natural Gas (LNG). Consequently, the Regasified LNG (RLNG) volumes increased by 187 TMT and yielded additional net margin to the tune of Rs. 175 million. With the enhanced availability of RLNG, BPCL was able to add a few prestigious names such as Indo Gulf Fertilizers, Sabarmati Gas Limited and National Thermal Power Corporation Limited (NTPC) power plants to its list of customers. BPCL also consolidated its presence in City Gas marketing with the enrolment of new customers. The volumes in this area have gone up to 20 TMT against 6.3 TMT during 2005-06.

As bunkering has been identified as a major growth driver in the years to come, BPCL has ambitious plans to position itself in the international bunkering market. BPCL is in the process of setting up a joint venture company for this purpose with a foreign partner, where each will hold a 50% equity stake.

BPCL has introduced several value added services for customers, with a view to differentiate itself from the competitors. E-biz, e-banking, SMS alerts to customers, Energy Audits etc. are some of the initiatives pursued in this direction.

The I & C team.

The I & C business is characterized by intense competition, as all the players vie to secure the key customers. The increasing share of gas as a substitute for liquid fuels makes the business all the more challenging. This has put tremendous pressure on the market share and margins of the players. There is a need to put in place an effective strategy which can secure good volumes and lead to a healthy bottom line. BPCL's I & C business, having held its own in the market in the recent past, is confident of facing up to these tough times and coming out with flying colours in the days to come.

M/s. Bhushan Steel & Strips Ltd., Khopoli.

LUBRICANTS

The Lubricants business, which is characterised by intense competition, saw BPCL close the year 2006-07 with a significant growth of 15% in sales volume as compared to the sales volume in the previous year. With this, the business has managed to reverse the decline seen in the previous year.

The retail segment, which is one of the key channels, saw BPCL being able to sustain its sales volumes. This was made possible though dedicated team efforts and launch of popular customer schemes in the oil change segment of Diesel Engine Oils, *MAK* Elite and *MAK* 4T Plus.

The bazaar channel continues to remain BPCL's area of focus, given its huge potential. After the impressive growth of 11% over historicals achieved in 2005-06, BPCL recorded another excellent year in this segment with a huge growth of 25% in the current year. With this, an overall growth of 7% was achieved in the reseller market. The network in the bazaar channel has been further strengthened with the enrolment of 32 new Primary Lube Distributors (PLD) during the year, thus taking the total of PLD to 157. As a bazaar initiative, several "*MAK* Garages" were commissioned to improve sales and promote retailing of *MAK* grades in this segment.

BPCL's initiatives of Hero Honda City Works, Tata Authorised Service Stations and Vehicle Care Centres at retail outlets have helped in boosting sales volume and are expected to yield more benefits in the coming years. A Memorandum of Understanding has been signed with M/s. Adani Energy Limited for marketing BPCL lubricants from their outlets. An exclusive agreement has also been signed with M/s. TVS Motor Company Limited for blending and marketing of TVS formulated "TVS TRU 4" for 4 stroke bikes through TVS and BPCL channels.

The Lubeshoppe attracts a wide range of customers.

The direct channel has also grown significantly by 28% over historicals. The major customers added during 2006-07 in this channel include TATA, TVS, Oil India Limited and Neyveli Lignite Corporation.

At the same time, exports have seen a decline of 6% over historicals in value added sales during 2006-07 due to political disturbances in Nepal. Exports of lubricants have been made to Vietnam, Mozambique, Tanzania and Burundi for the first time. BPCL has received permission from the Government of Sri Lanka for marketing its lubricants in that country. The products are likely to be launched in the Sri Lankan market in September 2007. An agreement has also been signed with M/s. Saudi Arabian Lubricating Oil Company for blending and marketing of Petromin Oils brand of Marine Oils in India.

Forging bonds with PETROLUBE for expanding horizons in the lube market.

As a part of the LOBS evacuation plan from the Refinery, a pipeline has been constructed from the Mumbai Refinery to the Lube blending plant at Wadilube in Mumbai and made operational during the year.

The Lubes team.

The R & D Centre at Mumbai has revised most of the automotive & industrial formulations with *MAK* Base Oils and assisted in the preparation of the road map for switch over to *MAK* Base Oils. Approval from Japanese Automotive Standards Organisation has been obtained for *MAK* 2T using *MAK* Base Oil. The expansion of the R&D Centre in Mumbai has been successfully commissioned during the year. Also, Laboratory Information Management System has been successfully implemented by the Quality Control department. Several technical seminars for direct customers were held by the R & D Centre, where the advantages of the use of the high quality Group II+ Base Oils from the Mumbai Refinery were highlighted and explained to the customers.

BPCL was the principal sponsor of “Lube Asia 2007” where BPCL’s Group II+ Base Oils were showcased. BPCL also participated in the Auto Car Show at Mumbai in November 2006.

With an established brand, in-house base oil facilities at Mumbai Refinery and efficient supply chain management, new Genuine Oil tie-ups and better reach in bazaar trade through outsourced manpower, the Lubricants business expects to increase its volume and profits substantially in the years ahead.

LPG

The LPG Business Unit continued to have a challenging time during 2006-07. The domestic consumer has been protected from price increase, despite the volatility in the international market. Oil marketing companies continue to be adversely affected by the price under-recovery on the sale of packed LPG to domestic consumers. The focus during the year continued to remain on meeting the demand of genuine customers and curtailing the leakage of domestic cylinders to the non-domestic segment. BPCL's sales volume in the domestic segment grew by 5.9% over the volume in 2005-06. However, there was no significant change in BPCL's market share as compared to the previous year.

The overall LPG sales in 2006-07 stood at 2726 TMT. With the addition of 1.193 million new customers during the year, 'Bharatgas' has a presence in approximately 23 million households as on 31st March 2007. This customer population is serviced by a total of 2129 LPG distributors across the country. In the packed commercial segment, where the product is subject to market determined prices, BPCL achieved a sales growth of 34.67% in 2006-07.

The year saw the commissioning of 2 new Micro LPG bottling plants with a capacity of 5 TMTPA each at Gonda and Baitalpur in the state of Uttar Pradesh. With this, BPCL has 47 LPG bottling plants with a rated capacity of 2082 TMTPA. The total bottling done during the year was 2240 TMT, showing a capacity utilisation of 107 %.

Keeping pace with the electronic revolution, the LPG business has taken the lead in computerizing the operations of the Bharatgas distributors, with the help of a software package which has been developed in-house. This has facilitated the receipt of data from the field in electronic form, which has ensured that reports are made available promptly. Computerization has been the backbone for launching e-initiatives like www.ebharatgas.com, a website that provides a host of information and also allows refill booking online. The online facility of booking Bharatgas cylinders is available presently to 8.8 million customers in 200 cities across the country.

With a view to expand horizons and foray into the retail business, the LPG business unit had launched the 'Beyond LPG' initiative – a value added service to Bharatgas consumers, by providing a variety of products and services at their doorstep, at attractive prices. During the year 2006-07, the product range was expanded and currently, the products offered through this channel include a range of kitchenware, gas stoves, electrical appliances, solar lighting, prepaid re-charge vouchers for cellular phones and FMCG products, including food & grocery etc. from famous brands. BPCL has entered into tie-ups with reputed brands. Sales of 'Suraksha' LPG Hose have also been growing through this initiative. This Suraksha hose has enhanced safety features like metal braiding between two layers which has helped in reduction of domestic LPG accidents caused by the green rubber tubes. As of March 2007, over 8 million Bharatgas households have switched over to the 'Suraksha' LPG hose. BPCL has plans to make the 'Beyond LPG' programme as a stand alone business proposition. During the year 2006-07, BPCL clocked a turnover of over Rs. 1700 million through this initiative.

Bharat Metal Cutting Gas (BMCG), an ideal fuel developed to replace the conventional Acetylene, is used for metal cutting and brazing applications. BMCG is growing in popularity and has gained the confidence of an increasing number of industrial users, primarily because of its superior performance and lower costs. BMCG has been accredited by leading agencies like Welding Research Institute, Trichy, Research Designs & Standards Organization (RDSO), Lucknow and Naval Materials

The LPG team.

Bharat Metal Cutting Gas in use.

Research Laboratory, Ambarnath. BMCG is already the preferred choice of major users such as Indian Railways, Bhilai Steel Plant, BHEL, L & T, Godrej & Boyce, SAIL, Hindustan Shipyard Limited etc. The sale of BMCG in 2006-07 stood at 995 MT.

The LPG Reticulated System, referred to in common parlance as ‘Piped LP Gas’ has been designed to meet the captive requirements of buildings – ensuring round the clock LPG supply and reaching the households at a low pressure. The system is safer as compared to cylinder safety, with increased convenience. BPCL has so far connected around 21,916 households through the LPG Reticulated System.

BPCL has taken the initiative of participating in international LPG projects using the available experience and expertise. This is being done not only for revenue generation but also to open new vistas to staff. A beginning has been made by way of participation in an international tender for joint Development of LPG Storage, Bottling, Distribution and Associated Facilities at Nairobi, Kenya with Kenya Pipeline Company Limited, a Government of Kenya enterprise. Efforts are also on to tie up with local players in some of the countries of the Middle East to market BMCG in the countries of that region.

On the operations front, efforts are on to modernize the LPG bottling plants, with the objective of improving the quality of LPG cylinder filling and economizing the cost of operations. This involves putting up electronic carousels and down stream facilities at the plants. Electronic carousels are now available in 10 plants. A process of internal benchmarking of performance has been initiated at LPG bottling plants, which will lead to superior performance, higher productivity, sustained quality and reduced cost.

BPCL continues to accord the highest priority to safety of LPG customers. Regular Safety Clinics are conducted to educate customers on the safe use of LPG and conservation of fuel. In addition, safety and conservation messages are communicated to LPG users through the print and audio-visual media. Emergency Service Cells / Bharatgas Helplines have been put in place to attend to LPG leakage complaints after the distributor’s working hours and on holidays.

Special emphasis is also laid on training the distributors and their staff for providing customer assistance promptly. Customer Relations Centers (CRCs), which provide customers a forum for giving feedback and for obtaining clarifications/other assistance on all LPG related matters, have been set up across the country.

As long as the issue of subsidy to consumers of domestic LPG remains, the profitability of the public sector oil marketing companies will remain a cause for concern. This is more so since international prices are not expected to reduce significantly. As such, the LPG business continues to focus on generating greater value from the industrial segment, while continuing to provide excellent service to the domestic consumers. This will ensure that in the long run, BPCL is in a position to ensure sustainable and profitable growth.

AVIATION

The year 2006-07 continued to be a good year for the aviation sector. The Indian aviation industry continued to grow at a very high pace, despite infrastructure constraints, riding on the high economic growth rates and increasing purchasing power of large sections of the population. Also, the low fares of budget airlines continued to attract flyers in large numbers. Passenger movement in 2006-07 was approximately 92.32 million, which is 32.8% higher than the previous year. International aircraft movements recorded a growth of 13.8%, while domestic aircraft movements grew by 34.1%. Air cargo is estimated to have grown by 10% during the last two years. In this scenario, oil companies enjoyed excellent growth in the sales volumes of ATF.

The year 2006-07 was a landmark year for BPCL's aviation business, with the sales volume of ATF soaring to 880 TMT. This represents a growth of 29.5% over the volumes of the previous year. The business also achieved its highest ever sales volume in a calendar month in March 2007. BPCL led the other oil companies by having the highest rate of sales growth amongst the public sector oil companies. Consequently, BPCL's market share increased to 22.0% from the previous year's level of 20.6%.

The year also saw the continuation of intense competition in the industry, with many major airlines moving to a process of tendering for their fuel requirements. Inspite of the numerous challenges faced, BPCL was successful in retaining most of its major customers at different airports, as well as adding new customers during the year. Customers like Finn Air flying to Delhi, Jazeera Airways flying to Kochi and Ocean Air flying to Mumbai and Delhi, were added to BPCL's portfolio.

The aviation sector is poised for a big leap in the coming years with nearly 50 airports slated to be revamped by public and private players. The process has started with two separate consortiums getting the mandate for modernisation of the Delhi and Mumbai Airports, which get the major share of the total traffic. In line with the emerging trends in the Indian aviation sector, bids were invited for the rights for into – plane operations at the new Bangalore International Airport. BPCL, in consortium with ST Airport Services Pte Ltd (STARS), was successful in winning the concession. The operations will be undertaken by a new joint venture, where the two partners will each have 50% share of the equity. The partnership between BPCL & STARS was formed through the Singapore Airport Consortium (SAC).

BPCL had another good year as the sole distributor of AeroShell Lubricants in India, with sales volume growing by nearly 60% during the year. Customers like the Indian Navy and Indian Airlines have come on board for the first time. Approval of AeroShell lubricants from the Centre for Military Airworthiness and Certification (CEMILAC) is the primary pre-requisite for supplying to the Indian Air Force. The approvals of AeroShell Grease-7, AeroShell Turbine Oil-500, AeroShell Turbine Oil -750 and AeroShell Turbine Oil-3 were extended upto 31st July 2008.

The Aviation team.

BPC deliberates on various business synergy options with Changi Airports International Pte. Ltd.

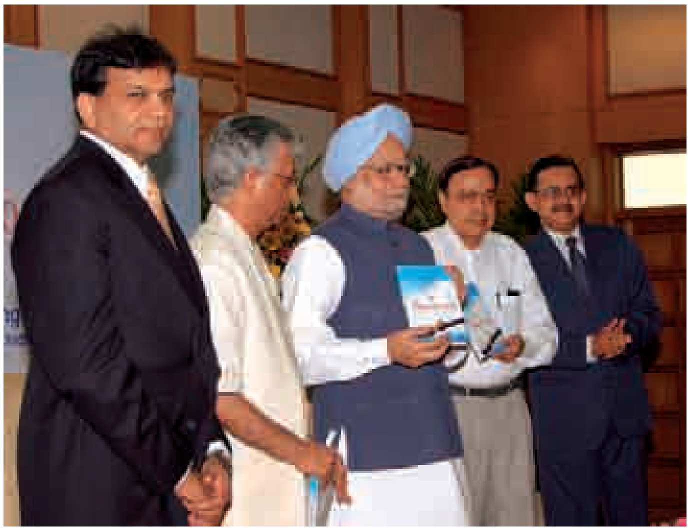
The last few years have seen the Indian aviation sector undergo a sea change. While sales volumes have gone up significantly, challenges have also increased. There are signs of consolidation amongst the airlines and these are expected to have a bearing on the volumes. As new airports are set up and existing ones modernised / privatised, the ownership and operations of the hydrant infrastructure will be subject to uncertainty and challenges. Also, with competition increasing, there are inherent dangers of undercutting of prices, leading to reduction of margins on sale of ATF to airlines, besides higher risk of default in clearing customer dues. BPCL is however fully geared to meet the demands of the emerging scenario by leveraging its traditional strengths and brand image.

Northwest Airlines being refuelled by BPC.

HUMAN RESOURCES

As on 31st March 2007, BPCL had 13,968 employees on its rolls. During the year, 385 management staff were recruited and 190 management staff resigned from the services of the Corporation.

BPCL has always considered that its core strength lies in its employees. There have been constant endeavors to intimately work with and develop human capital. The opening of the oil & gas industry has laid down new challenges in the area of Human Resource Management. In order to achieve the aggressive growth and profitability aspirations, the Corporation requires a team of outstanding leaders who can lead and deliver in a highly competitive scenario. With a view to identify, develop and nourish talent within the Corporation, BPCL had, during the year 2006-07, evolved and initiated a world-class Leadership Development Project, with the objective of developing the next generation of leaders who can dream and deliver challenging goals in the coming years. There are plans to identify and groom about 700 leaders under the project. The project is aimed at identifying the right leaders for the right roles based on competencies and performance, apart from putting in place plans to identify and fill long-term gaps. The process also involves preparing development plans and engaging and motivating high potential individuals at all levels. In the first phase, assessments have been completed for 140 Senior Executives and development plans are being prepared for them. The entire project is being driven by the top management.



Hon'ble Prime Minister releases 'The Indian CEO' book.

BPCL has always invested in training its people. Training is imparted for attaining better 'on the job' results and improved business performance by analyzing the critical needs of the businesses and entities, competency profiles of staff, leadership transition needs of the staff and corporate initiatives. The employees get trained at the Bharat Petroleum Learning Centre in Juhu, Mumbai or the Regional/ Refining training centers. During the year 2006-07, 11522 man-days of training was conducted throughout BPCL. Through this process, 4834 employees of BPCL were trained and inputs given in both functional and managerial areas.

BPCL had sponsored and supported a detailed study of the intrinsic attributes that leaders of large Indian enterprises use in leading their companies to success. The study, which was undertaken by HayGroup has culminated in the publication of a book titled "The Indian CEO – A Portrait of Excellence" which was recently released by the Hon'ble Prime Minister, Dr. Manmohan Singh.

The Bharat Petroleum Scholarship for Higher Studies scheme launched in 2003-04 is BPCL's contribution to promote excellence in higher education. Meritorious students are identified and financial support provided for higher studies in prestigious institutions in India and abroad. During the year 2006-07, 24 students going abroad and 9 students studying in India were awarded scholarships under the scheme.

The Ideas era, which commenced in the year 2000, to recognize and 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 2006-07, an award under a new category "Customer Satisfaction Enhancement-Prevention of Adulteration & Malpractice" was added. A total of 35 Awards were given away in recognition of the contributions made by the participants.

INTEGRATED INFORMATION SYSTEMS

BPCL has been a pioneer in the use of Information Technology (IT) in supporting the various business initiatives. During the year 2006-07, there were a number of key achievements in the IT domain.

The merger of the erstwhile KRL with BPCL required the integration of the Business Processes and other IT applications of KRL with BPCL systems, without impacting the continuity of business operations. "Project Synergy" was undertaken for achieving this objective and the shift to a single ERP system across the Company was successfully done on 1st October 2006. This was completed seamlessly and without disrupting normal business operations. As a logical next step, the payroll systems were also integrated with effect from the beginning of the new financial year i.e. 1st April 2007. The entire process of migrating to a single system was done with minimum support from external sources.

The year also saw the elimination of a large volume of cash payment processing which was being done for many of the employee related payments across the Company. This was achieved by the implementation of the functionality of off cycle payroll, through which employee related payments are processed on fixed days and the money is directly credited to the bank accounts of the employees. This has significantly reduced the quantum of back end work and improved the process efficiency.

One of the voluminous business processes is the payment of site rent covering over 10,000 lessors. A lot of manual controls and efforts went into this activity. With a view to achieve better control and reduce manual work, the entire payment has since been migrated to the Real Estate Management Module of SAP R / 3 with effect from 1st April 2007.

During the year 2006-07, a new data centre was commissioned in Mumbai. The operations at the new centre have since stabilized and the centre is manned on a 24x7 basis. This also posed the challenge of shifting the complex IT operations from the existing old data centre in Mumbai to the Disaster Recovery (DR) site at Greater Noida near Delhi without disrupting operations. Considering the scale of business operations and the complexity of the IT landscape, this was a challenge of great magnitude. After several rounds of detailed testing, the shifting of operations of the existing data centre was successfully completed. After three months of operations from the DR site, the operations were once again shifted to the new data centre in Mumbai. This complex task was accomplished in a planned manner without impacting business operations together with maintaining data integrity.

A shopping portal similar to e-Bay or other B2C sites has been commissioned with a view to help the LPG business in exponentially expanding the revenue generated from the 'Beyond LPG' initiative. This makes it possible for any potential customer (who may not be a current BPCL customer) to buy the items listed in the catalogue of consumer products through the Internet.

A pilot project for RFID-based Vehicle Tracking system was successfully launched at Mumbai Refinery to track vehicle movements within the Refinery premises. Based on its success, the technology will be replicated at other locations and for other inventory/asset tracking purposes. Mumbai Refinery has also implemented a workflow application to manage and track all the incidents and changes pertaining to all IT Systems in the areas of infrastructure, network and applications.

Improvements have been brought about in a number of key business processes which have contributed significantly in achieving efficiencies. A revised DGS&D Billing Process has been implemented for I & C customers across the country, which helps the business to speed up the process of realization of receivables from such customers. A new solution to calculate rail freight accurately has been rolled out at most of the rail loading locations. This would help in availing of the scheme of discounts offered by Railways, besides reducing the manual work at the supply locations. Leveraging the technological advances made, a number of key users have been provided with V-Data Cards, which enable them to access the corporate IT system, irrespective of their physical location, and then respond to business requirements instantly.

A project named 'Aryabhatta' has been launched recently with the objective of evolving the IT strategy for the next 3 to 5 years in line with the key initiatives envisaged by the businesses. The Project Team has come out with a list of 16 key themes to support the challenging targets of the businesses and to sustain leadership in the IT sphere in the oil and gas sector. This was done after holding discussions with various business partners, independent expert groups and academicians, apart from holding a series of workshops with the various internal stakeholders. The IT strategy document has been presented to Business Councils and prioritization and focus areas have been identified with each of them. The team is in the process of taking forward these initiatives with the respective role holders. Work has also been initiated in the area of business intelligence with a view to make available simplified and user friendly strategic reports for decision making purposes. Apart from upgrading the system to the latest version, the team would work with the businesses in identifying the key business intelligence requirements.

On the global platform, the BPCL ERP Team was invited by SAP to share their experience in managing the Customer Competency Center at Mumbai. The presentation made at Amsterdam, Holland highlighted the best practices in vogue for efficient and effective functioning of the center and was well received and highly appreciated. The ERP team members continue to be the most-sought-after resources to provide consulting support in the areas of ERP and change management to other organizations. During the year, the team had extended consulting support to many Indian and global organizations. BPCL is also proposing to set up a SAP Training Academy at Mumbai to leverage the in-house training skills available in training corporates and aspiring individuals in various modules of SAP R / 3.

The Ideas 2006 Award winners bask in the glory of their innovations.

During the year, BPCL was awarded the SAP-ACE Award for Customer Excellence for the best process sector implementation (Oil & Gas) for a well structured project to manage the huge Real Estate Assets of the organization and significantly improve their returns.

HEALTH, SAFETY AND ENVIRONMENT

As in the previous years, efforts were continued to address Health, Safety, Environment and Security issues and prepare the company to attain higher standards in these areas. The focus during the year was on global warming issues which are posing commercial and physical risks to industries worldwide.

BPC wins the OISD Safety Award under the 'LPG Marketing Organisations' category for the 10th time.

BPCL has initiated several measures, both in terms of products and services, which are aimed at achieving reduction in emission. The fuels produced contain low sulphur and benzene as per Euro III norms. Besides, BPCL has introduced ethanol blended petrol, use of solar energies for heating and illumination, plantation of Jatropha on available land at all supply locations, with the aim of producing biodiesel, bio-remediation of sludge, vermin-culture for disposal of biodegradable waste, recycling and re-use of waste water and rainwater harvesting. A 5 MW windmill is being set up in Karnataka, while 2 more have been planned in Maharashtra and Rajasthan. At the same time, the current levels of emission at all the plants are well within the allowable statutory limits.

In order to avail of carbon emission reduction credits under the Kyoto protocol, BPCL has identified 12 projects, of which 2 have been submitted to the designated nodal agency, Ministry of Environment & Forests, for host country approval. 4 more projects will be submitted shortly.

Formation of Regional HSE Councils helped in aligning efforts at the regional level and utilizing synergy across the different businesses and entities. During the year, 21 HSE&S workshops were organised for company employees and a total of 4792 hours of classroom training was imparted.

As a result of the efforts put in training the company drivers and the crew of the transporters in safe driving habits, a 17% reduction of accidents on road has been achieved. The use of cell phone by any driver while driving vehicles on company business has been banned, irrespective of whether he is a company employee or is hired. Also, the increased efforts for educating customers for safe usage of LPG have contributed to a reduction of 41% in domestic accidents.

At workplaces, reportable lost time incidents have been reduced by 45%. The Mumbai refinery achieved 8 million man-hours and Kochi refinery 4 million man-hours without reportable lost time accidents. Overall, BPCL has achieved 20.45 million man-hours without lost time accidents during the year.

In recognition of HSE&S efforts, 24 locations have received safety and environmental awards from National Safety Council, Greentech Foundation, Gujarat and Karnataka States. The LPG business received the first prize in the Oil Industry Safety Directorate (OISD) Safety Award in the category of LPG marketing organizations.

INTERNATIONAL TRADE AND RISK MANAGEMENT

Having restructured the functioning of the International Trading division and built trading risk management capabilities over the last couple of years, BPCL further consolidated its position during the year and implemented end to end process for Supply Chain Management, with the objective of optimizing crude oil imports and refinery processing in tune with market demand. The design of the supply chain process is customer backed, as opposed to production driven. Efficient inventory management and maximizing the net corporate realization has been the key objective. In support of this process, the International Trade function took various initiatives like expanding the crude oil basket to enable selection of economic crude combinations, terming product exports at efficient levels to enhance realization, making direct exports to end-users, optimizing utilization of time chartered vessels for exports on delivery basis and economizing freight by carrying crude oil on back haul etc.

During the year 2006-07, the impact of geo-political turmoil, particularly in the Middle East Gulf region and disruption in crude oil production in West Africa led to crude oil prices touching a record level. The average Indian basket of crude oil further went up by nearly USD 6.7 per barrel to USD 62.4 per barrel during 2006-07 (USD 55.7 per barrel in 2005-06). Out of the total of 19.78 MMT (17.24 MMT during 2005-06) of crude oil processed at the Mumbai and Kochi refineries, 13.28 MMT crude oil volume was from imported sources, as against 11.86 MMT during 2005-06. In view of the sustained high crude oil prices, the value of imports touched a record high of USD 6044.16 million (Rs. 273,031 million) as against USD 4898.4 million (Rs. 217,833 million) in 2005-06. The ratio of 'Term to Spot' purchase of crude oil stood at 77:23, implying higher security of volume tie up. During the year, BPCL imported 41 TMT of Euro III MS and 42 TMT of BS II MS at a cost of USD 58.10 million (Rs. 2623.90 million) as against USD 161 million (Rs. 5,900.66 million) in 2005-06 to meet the shortfall in supply from domestic sources. Also, to meet the deficit in the country, BPCL had imported 163 TMT of LPG (202 TMT in 2005-06) at USD 82.47 million (Rs. 3696.10 million) as against USD 102 million (Rs. 4517.98 million) in the previous year 2005-06.

BPCL exported 1714 TMT of refined products during the year as compared to 1384 TMT during the previous year. While Fuel Oil exports almost doubled to 746 TMT, compared to 330 TMT in 2005-06, Naphtha exports were down by 21% (to 598 TMT vis-à-vis 760 TMT) in view of the higher domestic upliftment. The contribution to the foreign exchange earnings increased to USD 731 million (Rs. 33,357.70 million) from USD 608 million (Rs. 27,172.61 million) achieved during the previous year.

On the shipping front, the International Trade department continued its prime focus of providing logistic support for imports, exports and coastal movements of products at least cost. To counter freight volatility, efficient balancing of the shipping arrangement was resorted to, through a combination of Contract of Affreightment (COA), spot and time charter. During the year, BPCL renewed its COA with Shipping Corporation of India, apart from time chartering two additional vessels for crude oil imports and one double hull MR range vessel for product exports, which provided the required flexibility in operations and scope for freight saving. Out-chartering opportunities of time-chartered vessels were availed, for better utilization and cost recovery.

BPCL continued with its policy of managing oil price risk through hedging of refinery margins and export realizations. As decided by BPCL's Trading Risk Management Board, higher hedging volumes were assigned for 2006-07 over the previous year (for refinery margin cover - 5.55 million barrels versus 2.7 million barrels and for export realization cover - 80 TMT versus 40 TMT). Regular review of hedging positions was carried out by the Risk Management Committee. In order to enhance the sharpness of quotes and diversify the credit exposures, registration process of new Over The Counter counterparties, which comprises of bankers, traders and oil majors, has progressed well and the number of counterparties was enlarged during the year.

RESEARCH & DEVELOPMENT

Recognizing the role of innovation & technological excellence in achieving and sustaining a competitive edge in the high tech business, BPCL is continuously strengthening the infrastructure at its Corporate R&D Centre, Greater Noida, Uttar Pradesh, R & D Centre, Sewree, Mumbai and R&D Centre at Kochi Refinery.

R&D contributed to the value addition at the refineries through process optimization studies, leading to selection of optimum catalysts & additives like gasoline sulphur reduction additive, detailed crude evaluations, crude preheat train fouling studies and selection of suitable antifoulant chemicals. Successful resolution of corrosion problems faced in the crude and catalytic cracking units of the refineries was achieved through detailed studies.

A polybag packed bitumen plant setup at Mumbai Refinery based on technology developed by R&D, was commissioned on December 9, 2006. The Centre filed 3 patents during the year to protect the intellectual property arising from innovative research. As part of new initiatives, BPCL signed an MOU with Korea Institute of Energy Research (KIER), a premier research institute of the Korean Government, with the objective of collaborating in energy research and technology development.

The R&D Centre at Sewree enabled the Lubes business to achieve a higher growth and better profitability through development of several new formulations and alternate formulations for existing lube & grease products. The new products developed include customer specific cutting fluids, metal forming fluids for aluminium and steel industry, spray oil for the agriculture / horticulture sector besides heat treatment oil for hot quenching operations. Further, exclusive grades were developed for the defence sector which would lead to viable indigenous alternatives. The alternate formulations developed have helped in improving operation flexibility besides reducing input/operating costs. The R&D Centre at Sewree has contributed significantly in generating data on Base Oils manufactured by the Mumbai Refinery, which helped in customer acceptability of base stocks. During the year, a number of critical approvals of lube products were obtained from major Original Equipment Manufacturers and international approving bodies, which have helped in furthering business interest. Expansion of this R&D Centre was successfully commissioned in November 2006.

The R&D Centre at Kochi Refinery is continuously engaged in research to develop value added products, from the refinery streams. Natural Rubber Modified Bitumen and Bitumen Emulsion are the popular value added products developed by this Centre.

The in-house R & D efforts have facilitated in the development of new products, particularly in the Lubes and LPG businesses. Sales of such Lubricants during the year stood at 272 KL and that of Bharat Metal Cutting Gas was 995 MT.

EXPLORATION AND PRODUCTION OF CRUDE OIL AND GAS

The year gone by has seen BPCL move forward in its endeavour to consolidate its presence in the upstream oil and gas sector. Considering the need for a focused approach for Exploration and Production activities and implementation of the investment plans of BPCL at a quicker pace, a wholly owned subsidiary company of BPCL, by the name Bharat PetroResources Limited, with an authorized share capital of Rs. 10,000 million was incorporated in October 2006.

Having started with three Indian blocks in its portfolio in 2004 (awarded during the NELP IV round), and a commitment of approximately Rs.1580 million during the exploration phases for these blocks, BPCL has, during the year, achieved significant progress in terms of acquiring new blocks and making progress on the blocks which were already acquired. All actions have been driven by aspirations of supply security, hedging of price risks and benefits of vertical integration.

The NELP IV blocks (2 offshore and 1 onshore) are in the exploration phase and seismic surveys have been conducted and analysis of 3D seismic data is being carried out in the deepwater blocks. A well has been drilled in the Krishna Godavari (KG) block and a well is planned in the Mahanadi (MN) block by early 2008.

The Customer Responsiveness Award from 'Avaya Global Connect' is highly coveted in the Industry.

The Exploration & Production Sharing Agreement (EPSA) with the Ministry of Oil, Sultanate of Oman, was signed on 28th June 2006 with regard to Block no. 56 in Oman. This block was won by a consortium where BPCL is a partner holding 12.5% participation interest. A site office has been established and initial exploration activities are in progress.

Drilling of the well is at an advanced stage on the land block in Cachar, Assam, where BPCL had successfully 'farmed-in" with 14.5 % participating interest, previously held by Premier Oil, a United Kingdom based company.

In July 2006, the consortium, comprising of Oilex (Operator), Videocon Industries Limited (VIL), Gujarat State Petroleum Corporation Limited (GSPC), Hindustan Petroleum Corporation Limited (HPC) and BPCL was awarded an offshore exploration block WA-388-P in Australia with each partner having 20% stake. A contract for seismic data reprocessing has been awarded and other exploration activities have been initiated.

Subsequently, another offshore block (no. 103) was awarded in the Joint Plan Development Area (JPDA) between East Timor and Australia, offered by Timor Sea Designated Authority (TSDA) in the JPDA 05-06 bidding round. JPDA is an area jointly being promoted by the Governments of Australia and East Timor for hydrocarbon exploration in the area between Australia and Timor. The BPCL consortium comprising Oilex (Operator), VIL and GSPC have 25% participating interest each in this block. BPCL was required to create a Special Purpose Vehicle (SPV) for this project, and consequently, a new company, by the name BPRL-JPDA Limited was incorporated in October 2006. On this block, the Operator has reviewed the entire old seismic data and is in the process of analyzing the reprocessed 2D and 3D data undertaken earlier by third party contractors.

BPCL, in consortium with different companies, had bid for 16 exploration blocks during the NELP VI bidding round which closed on 15th September 2006. BPCL was awarded 5 blocks in this round, including 2 deep water offshore exploration blocks in the KG basin, 2 on land blocks in the Cauvery basin and 1 on land block in Rajasthan. BPCL has 10% participating interest in the offshore blocks and 20% participating interest in the onland Cauvery blocks, with Oil & Natural Gas Corporation Limited (ONGC) as the Operator in all these blocks. In the Rajasthan block, BPCL has a 10% participating interest, with GAIL (India) Limited / GSPC being the Operator. The Petroleum Exploration Licenses for the 2 KG blocks have been received.

BPC won the ABCI Gold Award for the Corporate website.

In February 2007, BPCL farmed into an offshore Australian block AC/ P32 in the Timor Sea with 20% participating interest in a consortium comprising of Coogee Resources (Operator), Westranch Holdings, Adelphi Energy Limited and Bounty Oil and Gas. Seismic data studies are on and a well is planned in late 2008.

In March 2007, BPCL farmed into the offshore North Sea block 48/1b and 2c. The other consortium partners in this block are Encore (Operator), NWE Southerncross and Tata Petrodyne Limited, with each partner having a participating interest of 25%. A well on this block is planned to be drilled towards the end of 2007.

With a view to achieve a quick return on investment and keeping in mind the goal of oil security, BPCL has been evaluating a number of other opportunities, both in India and abroad. In order to enhance its technical capability and become a robust exploration company, BPCL has procured 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 is already in progress and a few geoscientists have been recruited.

The year 2006-07 also saw the signing of a MOU with Premier Oil, United Kingdom and Norwest, Australia for cooperation in the upstream sector. BPCL has also, for the first time, bid independently for the marginal fields of ONGC using in-house resources, which is a step towards achieving operatorship. Besides, as a part of upgrading the skills of the personnel, BPCL's engineers / geoscientists are being trained by Premier Oil.

Today BPCL is firmly on the E & P map, prompting international E&P companies and merchant bankers to approach BPCL on E&P opportunities. Such opportunities are being evaluated in countries/regions like Brazil, West Africa, South-East Asia etc. Besides, BPCL is also gearing up for participating in the forthcoming NELP VII round of bidding, which is seen as a big exploration opportunity within the country.

BPC wins the 'Most Trusted Oil Company' Award from TNS Global.

AWARDS AND RECOGNITION

BPCL maintained its tradition of achieving excellence in performance in different areas of operations and these have been well recognised during the year. BPCL was adjudged as the "Most Trusted Oil Company" by TNS Global. The survey was carried out by TNS Automotive, which is one of the largest customized market research companies in the world, having a presence in about 70 countries. BPCL secured the top position in the area of public goodwill among the oil companies in India.

BPCL also won the 'Customer Responsiveness Award' in the Public Sector Units category. The survey for this 'Avaya Global Connect' award was carried out by A.C. Nielsen ORG-MARG and the process was conceptualized and audited by Ernst & Young. There is a marked shift by companies to develop competencies for 'Customer Responsiveness', as compared to providing only customer satisfaction and BPCL has proactively taken significant steps in this direction.

Reader's Digest presented BPC with the Gold Rating Award in the Gas Station category.

Communication plays a vital role in developing the brand image of a company. BPCL walked away with three prestigious awards for communication, instituted by the Association of Business Communicators of India. The Corporate website won the most coveted Gold Award. In addition, BPCL also won the Silver and Bronze awards for the B.P.Journal and the Company's Annual Report respectively.

BPCL participated in the PETROTECH 2007 Exhibition from 15th to 19th January 2007 at New Delhi. The BPCL stall, entitled 'Aiming Towards Sustainable Development, was awarded the 2nd place in the 'Best Overall Display' amongst 133 companies that participated in the exhibition.

BPCL has moved up in the prestigious 'Fortune Global 500' list with a ranking of 325 in 2006-07, as compared to 368 in the last year. BPCL ranks third amongst the 6 Indian companies who have made it to the list of top 500 companies compiled by the Fortune magazine.The London based Brand Finance, which recently released the list of India's Top 50 Most Valuable Brands, has placed the BPCL brand in the 7th position, with a Brand value of USD 2.48 billion.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

BPCL 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.

BPCL 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 the Statutory Auditors.

The Directors take pleasure in presenting their Report on the performance of Bharat Petroleum Corporation Limited (BPCL) for the year ended 31st March, 2007.

C&MD, BPC exchanges the MOU for 2007-08 with Secretary, MOP & NG.

PERFORMANCE OVERVIEW

Group Performance

The aggregate Refinery throughput at BPCL's Refineries at Mumbai and Kochi, along with that of BPCL's subsidiary company, Numaligarh Refinery Limited (NRL) in 2006-07 was 22.28 MMT, as compared to 19.37 MMT in 2005-06. The market sales of the BPCL Group increased to 23.66 MMT from 21.79 MMT in the previous year. Besides, the Group had also exported 1.72 MMT of petroleum products during 2006-07, as compared to 1.39 MMT exported in 2005-06.

On the financial front, the sales turnover for the year of the BPCL Group stood at Rs. 1,090.79 billion, up from the last year's level of Rs. 862.23 billion. The Group Profit after Tax (PAT) increased to Rs. 23.56 billion in the current year from Rs. 7.04 billion in the previous year. After setting off the minority interest, the Group earnings per share increased from Rs. 14.86 in the previous year to Rs. 59.33 in 2006-07.

CONSOLIDATED GROUP RESULTS

	2006-07	2005-06
Physical Performance		
Crude Throughput (MMT)	**22.28**	19.37
Market Sales (MMT)	**23.66**	21.79
Financial Performance		**Rs. in Million**
Sales / Income from Operations	**1,090,789.38**	862,229.01
Less: Excise Duty Paid	**(106,597.07)**	(87,068.28)
Net Sales / Income from Operations	**984,192.31**	775,160.73
Gross Profit	**49,919.71**	21,226.75
Interest	**5,203.66**	3,052.22
Depreciation & amortisation	**11,020.77**	9,457.92
Profit before tax	**33,695.28**	8,716.61
Provision for taxation - Current	**10,055.98**	815.83
Less: MAT Credit	**(66.63)**	(271.25)
Profit after Current Tax	**23,705.93**	8,172.03
Provision for Fringe Benefit Tax	**139.62**	157.22
Provision for taxation - Deferred	**(60.94)**	989.06
Excess/ (Short) Tax provision in earlier years written back/provided for	**(68.45)**	10.07
Net Profit	**23,558.80**	7,035.82
Minority Interest	**2,106.85**	1,662.85
Net Income of the group attributable to BPCL	**21,451.95**	5,372.97
Group Earnings per share attributable to BPCL (Rs.)	**59.33**	14.86

Company Performance

During the year 2006-07, BPCL's Mumbai Refinery had a crude throughput of 12.03 MMT, which was higher than the level of 10.30 MMT achieved during the last year. Kochi Refinery also achieved a higher crude throughput at 7.75 MMT, as compared to 6.94 MMT in 2005-06. The market sales of the company increased to 23.45 MMT from a level of 21.63 MMT in 2005-06.

The sales turnover of the company registered a growth of 26.19% over the previous year, to reach a level of Rs. 1,074,522.70 million as compared to Rs. 851,496.22 million in 2005-06. Similarly, the gross profit before interest, depreciation and tax for the year stood at Rs. 41,491.08 million, representing an increase of 191.65 % over the previous year. The profit before tax for the year increased by 579.69 % over the previous year and has reached a level of Rs. 27,676.44 million from Rs. 4,071.95 million in 2005-06. After providing for tax, (including deferred tax and fringe benefit tax) of Rs. 9,621.69 million as against Rs. 1,155.49 million during the last year, the profit after tax showed an increase of 519.06 % from Rs. 2,916.46 million in 2005-06 to Rs. 18,054.75 million in 2006-07.

The Board of Directors has recommended a final dividend of 100% (Rs.10 per share) for the year on the paid-up share capital of Rs.3,615.42 million, which will absorb a sum of Rs.4,229.86 million out of the profit after tax, inclusive of Rs.614.44 million for Corporate Dividend Tax on distributed profits. The total dividend for the year, including the interim dividend of 60%, will absorb a sum of Rs.6,703.35 million out of the profit after tax, inclusive of Rs.918.68 million for Corporate Dividend tax on distributed profits. BPCL's net worth as on 31st March, 2007 stands at Rs.102,735.41 million, as compared to Rs.91,394.27 million as at the end of the previous year.

FINANCIAL HIGHLIGHTS

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

		Rs. in Million
	2006-07	2005-06
Sales Turnover - Gross	**1,074,522.70**	851,496.22
Gross Profit before Depreciation, Interest and Tax	**41,491.08**	14,226.15
Interest	**4,773.52**	2,474.14
Depreciation & amortisation	**9,041.12**	7,680.06
Profit before tax	**27,676.44**	4,071.95
Provision for taxation - Current	**9,168.50**	246.40
Less: MAT Credit	**-**	(240.00)
Provision for Fringe Benefit Tax	**117.30**	133.82
Provision for taxation - Deferred	**267.53**	1,025.34
Excess/(Short) Tax Provision in earlier years written back/provided for	**(68.36)**	10.07
Net Profit	**18,054.75**	2,916.46
Transfer from/(to) Debenture Redemption Reserve	**4,450.00**	(1,890.00)
Balance brought forward from the previous year	**26,829.10**	6,281.74
Amount transferred on Amalgamation	**-**	20,843.18
Amount available for disposal	**49,333.85**	28,151.38
The Directors propose to appropriate this amount as under :		
Towards Dividend :		
Interim Dividend (declared & paid) - Rs. 6 per share	**2,169.25**	-
Final (proposed) Dividend - Rs. 10 per share	**3,615.42**	903.86
Towards Corporate Dividend Tax	**918.68**	126.77
For transfer to General Reserve	**42,630.49**	291.65
Balance carried to Balance Sheet	**0.01**	26,829.10
Summarised Cash Flow Statement:		
Cash Flows:		
Inflow/(Outflow) from operations	**46,466.54**	13,649.84
Inflow/(Outflow) from investing activities	**(58,995.97)**	(46,318.39)
Inflow/(Outflow) from financing activities	**(3,236.47)**	(6,261.22)
Net increase/(decrease) in cash & cash equivalents	**(15,765.90)**	(38,929.77)

The earnings per share stood at Rs. 49.94 in 2006-07 as compared to Rs. 8.07 during 2005-06. Internal cash generation during the year was higher at Rs. 22,177.03 million as against Rs. 10,613.71 million in the previous year. BPCL's contribution to the exchequer by way of taxes and duties during the year amounted to Rs. 24,356.22 million as against Rs 20,391.90 million during the last financial year.

Borrowings from banks increased to Rs. 91,179.57 million from Rs. 63,095.58 million at the close of the previous year. The Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Limited amounted to Rs.8,660 million as at the end of the year, as compared to Rs. 8,650 million at the end of the previous year. Borrowings from Oil Industry Development Board increased to Rs.7,681.40 million as compared to Rs.6,530.40 million at the end of the previous year.

Public deposits as at 31st March 2007 stood at Rs. 626.11 million as compared to Rs. 970.34 million at the end of the previous year. The amount of deposits, matured but unclaimed, at the end of the year was Rs. 8.27 million, which pertains to 118 depositors.

The total Capital Expenditure during the year 2006-07 amounted to Rs. 18,338.12 million as compared to Rs. 20,190.84 million during the year 2005-06.

The Comptroller and Auditor General of India (C&AG) has no comment upon or supplement to the Statutory Auditors' report on the Accounts for the year ended 31st March 2007. The letter from C & AG is annexed as Annexure D.

REFINERIES

Mumbai Refinery

During the year 2006-07, the Mumbai Refinery processed 12.03 MMT of crude oil, as against 10.30 MMT in 2005-06. This is the highest level of crude processing in a single financial year. The gross refinery margin for the current year stood at USD 3.64 per barrel of crude oil processed, as compared to USD 1.64 per barrel in 2005-06. The total gross margin for the year amounted to Rs. 14,908.38 million as against the level of Rs. 5,606.35 million achieved in the previous year. The improvement in the gross margin was due to better crude mix, value addition from the Hydrocracker/ Lube Oil Base Stock (LOBS) units and favorable crude/product prices.

Kochi Refinery

During the year 2006-07, Kochi Refinery processed 7.75 MMT of crude oil, as compared to 6.94 MMT in the previous year. The gross margin earned during the year stood at USD 3.46 per barrel of crude oil processed, as compared to USD 3.17 per barrel during 2005-06.

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

MERGER OF KRL WITH BPCL

As informed in the last year's Report, the merger of the erstwhile Kochi Refineries Limited (KRL) with BPCL under Sections 391 to 394 of the Companies Act 1956 had been completed, following receipt of the Order dated 18th August 2006 issued by the Ministry of Company Affairs, New Delhi. During the year, one of the Shareholders of the erstwhile KRL had filed a Writ Petition in the Delhi High Court challenging the merger, and the same is pending as on date.

MARKETING

BPCL's overall market sales in 2006-07 increased to 23.45 MMT from 21.63 MMT in 2005-06. With a growth rate of 8.41% over the previous year, BPCL has recorded robust growth during the year. As on 31st March 2007, BPCL had a market share of 22.63% amongst the public sector oil companies. The year witnessed a sharp growth in the sales volume of Motor Spirit (MS), High Speed Diesel (HSD), Aviation Turbine Fuel (ATF), Lubricants, Bitumen and Benzene. During the year, HSD sales have increased significantly, thus reversing the decline seen in the previous year. BPCL achieved the highest growth in the Industry with regard to sales of HSD. In addition, BPCL has also exported 0.60 MMT of Naphtha, 0.75 MMT of Fuel Oil (FO) and 0.07 MMT of HSD during the year.

A detailed discussion of marketing performance is covered in the MD & A.

PROJECTS

Central India Refinery Project

A 6 MMTPA capacity grassroot Refinery at Bina, Madhya Pradesh along with crude oil import facilities consisting of a Single Point Mooring facility (SPM), Crude Oil Storage Terminal (COT) at Vadinar and a 935 km long cross-country crude oil pipeline from Vadinar to Bina, is being set up by Bharat Oman Refineries Limited (BORL), a Joint Venture Company promoted by BPCL and Oman Oil Company Limited (OOCL). The approved revised cost of the project is Rs.103,780 million. The project is scheduled for commissioning in December 2009.

Initially, both BPCL and OOCL had each contributed Rs. 755 million towards the equity of the Company. In view of the decision by OOCL to limit its equity contribution in BORL to the present level of Rs. 755 million, BPCL 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. During the year, BPCL has contributed a sum of Rs. 9,000 million towards subscribing for fully convertible debentures to be issued by BORL, thereby taking BPCL's total equity contribution in BORL to Rs. 9,755 million. As at 31st March, 2007, BORL had net worth of Rs. 1,500.15 million with a book value of Rs. 9.93 per share.

Environmental clearances and all other Government approvals have been received for the project. One of the unique features of the refinery process configuration is that it has integrated high pressure Diesel Hydrotreater with Full Conversion Hydrocracker, which is the first of its kind in India. This integration provides for capital cost reduction and improvement of energy efficiency. The Captive Power Plant proposed to be put up is a Circulating Fluidized Bed Combustion (CFBC) type Boiler based power plant, generating power through Steam Turbo Generator, using pet coke as main fuel. A pet coke based

Captive Power Plant is being put up for the first time in the Indian refining industry. BORL has signed an agreement with a consortium of lenders led by State Bank of India, for loans amounting to Rs. 63,870 million.

EIL has been appointed as the Project Management Consultant for the project. A majority of the project units / facilities are being implemented on the conventional mode of execution methodology. However, certain units are being implemented on Lump Sum Turn Key (LSTK) basis. Basic Process Design Packages for major units viz. Crude and Vacuum Distillation Unit, Hydrocracker & Diesel Hydrotreater, Naphtha Hydrotreater, Isomerisation, Hydrogen Plant and Delayed Coker Unit, have already been received. The detailed engineering work for all the process units is in progress. Structural and civil drawings are being released progressively for construction.

Hon'ble Minister of Commerce, Industry and Employment, Govt. of Madhya Pradesh reviews the progress of the Bina Refinery Project.

Orders for Crude & Vacuum Columns, Hydrocracker Reactors and Separators have been placed. An order has also been placed for a Captive Power Plant on LSTK basis. Site construction activities are progressing in right earnest. Tenders for a number of critical equipment have been floated and evaluation is under progress.

The overall progress achieved till 15th July 2007 was 22.8%. The commitments made till 6th August 2007 stood at Rs. 67,581 million. The cumulative capital expenditure as at the end of July 2007 stood at Rs. 7,968 million. The project is scheduled for mechanical completion by December 2009.

Bina Despatch Terminal

BPCL will be undertaking the marketing of the refined petroleum products from the new joint venture refinery at Bina in Madhya Pradesh. BPCL has entered into the product purchase and sale agreement with BORL. This terminal is planned to facilitate the marketing of products from the refinery. The project envisages the setting up of the Despatch Terminal with appropriate storage, distribution and other infrastructural facilities, adjacent to the refinery complex at Bina. The project is estimated to cost Rs. 4,907.1 million and is slated for commissioning in line with the commissioning of the refinery at Bina.

Bina Kota Pipeline Project

The project envisages the laying of an 18" dia. 265 km long cross country product pipeline from Bina to Kota, to facilitate the economic evacuation of MS, Superior Kerosene Oil (SKO), HSD and ATF from the new refinery at Bina. The project is estimated to cost Rs. 4,058.2 million and the pipeline is being designed for an initial throughput of 2.8 MMTPA. The pipeline will originate from the Bina Despatch Terminal and terminate at Kota, where it will be connected to the existing Mumbai - Manmad - Manglya - Piyala pipeline, to enable the distribution of the Bina refinery products to the northern region markets. The project commissioning will synchronise with the commissioning of the Bina Refinery and the Bina Despatch Terminal.

Uttar Pradesh Refinery Project

There are plans for setting up a new grassroot refinery in the state of Uttar Pradesh, which can help in meeting the long term product requirements. However, detailed work on the implementation of the project is expected to start only after the new refinery at Bina in Madhya Pradesh is commissioned and has commenced operations.

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

BPCL is transporting petroleum products from its Mumbai Refinery through a 252 km long 18" dia. multi-product pipeline to Manmad terminal, and further through a 358 km long 14" dia. multi-product pipeline to Manglia terminal. The extension of the Mumbai-Manmad-Manglia pipeline to Piyala was commissioned in January 2007, and the feeder line from Piyala to Bijwasan in March 2007. In view of the capacity enhancement of Mumbai Refinery to 12 MMTPA, the extension of the pipeline will help to economically evacuate the additional products from Mumbai Refinery, and to cater to the requirements of the northern region. The total pipeline length from Mumbai to Bijwasan is approximately 1379 kms.

The approved cost of this project is Rs.8,074.6 million, including a foreign exchange component of Rs. 2,365.6 million and the actual expenditure upto March 2007 amounted to Rs. 7,679 million.

Capacity Expansion cum Modernization Project (CEMP) – Phase II at Kochi Refinery

The project envisages the setting up of facilities for production of auto fuels conforming to Euro – III equivalent norms and modernization & capacity expansion of the Refinery from the present 7.5 MMTPA to 9.5 MMTPA. The estimated cost of the project is Rs. 25,918 million and it is scheduled for completion in September 2009. Cumulative physical progress till June 2007 is 2.6% and the cumulative expenditure till that date was Rs. 259 million. Commitments made till the end of June 2007 stood at Rs. 8,147 million.

Crude Oil Receipt Facilities at Kochi

This project envisages setting up of Crude Oil Receipt Facilities, consisting of Single Buoy Mooring (SBM) for berthing very large crude carriers (VLCC), shore tank farm and associated pipelines. The estimated cost of the project is Rs. 8,210 million and it is scheduled for mechanical completion by November 2007. The project has achieved a physical progress of 94.43% as of June 2007. The cumulative expenditure upto June 30, 2007 amounted to Rs. 5,454 million and the total commitments made upto that date stood at Rs. 7,182 million.

Fuels Quality Upgrade Project at Mumbai Refinery

The project involves revamping the existing Diesel/Naphtha Hydro De-sulphurisation and Reformer units to produce Euro IV grades of MS and HSD by April 2010, as per the Auto Fuel Policy announced by the Government of India. Implementation activities for the project, with an approved cost of Rs. 3,900 million, have commenced.

Revamp of Bitumen Blowing Unit at Kochi Refinery

For meeting the demand of new grades of bitumen products due to the proposed changes in the product grade and softening specification of paving-grade bitumen by Bureau of Indian Standards, Kochi Refinery is revamping the existing Bitumen Blowing unit using Biturox technology. This project, costing Rs. 279.2 million, is expected to be commissioned by November 2007. The cumulative expenditure on the project till June 2007 amounted to Rs. 128.2 million.

Propylene Recovery Unit (PRU)

A Propylene Recovery Unit (PRU) to produce 50,000 MTPA of 95 % purity chemical grade propylene is being set up in Kochi Refinery. The project, costing Rs. 641.3 million, is scheduled to be completed by December 2008.

RESEARCH & DEVELOPMENT (R&D)

Recognizing the role of innovation & technological excellence in achieving and sustaining a competitive edge in the high tech business, BPCL is continuously strengthening the infrastructure at its Corporate R&D Centre, Greater Noida, Uttar Pradesh, R&D Centre, Sewree, Mumbai, and R&D Centre at Kochi Refinery. BPCL's initiatives in the area of R&D are discussed separately in the MD&A.

Further, 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

BPCL has been in the forefront in promoting non-conventional sources of energy. A number of initiatives have been undertaken in this area.

A 5 KVA solar-cum-wind power generator has been commissioned at the Company Owned Company Operated (COCO) Retail Outlet at Uluberia near Kolkata, at a project cost of Rs.1.8 million, in March 2007. A 5 KVA solar power generator is also being set up at a COCO outlet in Bangalore with a project cost of Rs.0.8 million. The work at the site has been completed in early February 2007. The facilities at both the locations have since stabilized and are fully operational now. Based on the experience and feedback from these pilot projects, similar initiatives will be taken up at other locations of the Company.

Another important milestone achieved has been the commissioning of a 3 KVA Poly Electrolyte Membrane Fuel Cell Generator to operate on Hydrogen energy in January 2007 at the COCO outlet at Medchal near Hyderabad. This is a pilot project, the first of its kind undertaken in the country along with Bharat Heavy Electricals Limited, at an estimated project cost of Rs.4.8 million. The work of Phase I has been completed and the facilities are being tested on full load operations for continuous 12 hours working. The newly installed equipment is in the process of stabilizing and is expected to be fully operational shortly. Based on the Performance Feedback of Phase-I of the project, a decision on putting up similar facilities at other locations will be taken.

BPCL also has ambitious plans for the generation of power for its captive consumption using renewable sources. One of the first projects being undertaken involves putting up 5 MW capacity windmills in the state of Karnataka at an estimated project cost of Rs. 260 million. Orders have been placed on the vendor for the supply of equipment and components. The civil foundation has been completed and the erection of towers is expected to be completed by September 2007.

Women are trained to promote self-reliance.

BPCL also has major plans for entering the Biodiesel value chain. Towards this end, plantation of Jatropha trees has been arranged at around 1000 acres of land at existing storage locations and LPG Bottling Plants. A set of guidelines for Jatropha plantation has been issued, with a view to adopt uniform standards all over the country. BPCL is also looking at options of collaborating with other players, intending to have a major presence in this emerging area.

BPCL is in discussions with select State Governments and other players in the Biodiesel field to start a Biodiesel venture covering the entire value chain, through a Joint Venture. A proposal for a venture in the state of Uttar Pradesh has been given in principle approval by the Board and BPCL is in the process of formulating and finalizing the relevant agreements in this regard.

Ethanol Blended Petrol

The Ministry of Petroleum & Natural Gas had mandated marketing of 5% Ethanol Blended Petrol (EBP). Oil companies are tying up the ethanol requirements. The public tenders that were floated for this purpose have been finalized for 16 states, while for 4 states, the same could not be finalized due to high rates or on account of stipulated excise procedures not permitting the same. EBP supplies have commenced in several states. In a few other states, Letters of Intent have been issued and the supply of EBP is expected to commence shortly.

INDUSTRIAL RELATIONS

Extensive discussions on business and other related issues were held between the Management, Employees and their Associates/ Unions during the year. In September 2006, there was a brief industrial unrest in the Corporation due to some differences in perceptions relating to an incentive payment. This dispute has been referred by the Government of India to a Tribunal for adjudication, where the matter is pending. Barring this, the industrial relations had been peaceful throughout the year.

FULFILLMENT OF SOCIAL OBLIGATIONS

As a responsible corporate citizen, BPCL accords significant importance to Corporate Social Responsibility (CSR) and takes it as one of the prime areas of focus. Community Development Programmes (CDP) 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 34 adopted villages spread over 13 states across the country. A sum of Rs. 38.10 million was spent during the year on these activities. The main impetus was given in the fields of health, education, infrastructure development and usage of non-conventional alternate energy sources. In all these programmes, BPCL propagated energy conservation and ecological balance through methods such as rainwater harvesting, regeneration of mangroves and promotion of usage of alternate fuel sources such as biogas, solar energy etc. One of the significant projects undertaken was the Rainwater Water Harvesting Project with the financial support of Oil Industry Development Board. Using indigenous technology, 3 villages in Maharashtra were converted to a position of 'water abundance' from scarcity conditions.

During the year, BPCL sportspersons continued to excel in the national as well as the international sports arena. Ms. Saina Nehwal created history when she became the first Indian Woman to win the Phillipines Open Badminton Tournament. She also went on to win the National Badminton Championship. Mr. S. Sreesanth represented India in the World Cup Cricket Tournament held recently in the West Indies. BPCL's Volleyball team won the National League Finals at Kochi. Mr. Abhijeet Gupta, the chess prodigy, won the Gold Medal in the Commonwealth Chess Championship and the Silver Medal in the World Chess Championship. Mr. Venkatesh won the Bronze Medal in the Commonwealth Chess Championship. Mr. Manan

BPC receives the President PSPB's Trophy from Hon'ble Petroleum Minister.

Chandra, our ace cueist, was a member of the Indian Team which won the Silver Medal in the World Team Snooker Championship held at San Jose, California. He also won the Individual Bronze in the IBSF World Snooker Championship at Jordan. Ms. Anuja Thakur, another cueist, won the Bronze Medal in the IBSF World Snooker Championship at Jordan. Mr. Devendra Joshi won the Silver Medal in the Asian Billiards Championship at Teheran. BPCL's sportspersons viz. Ms. Poulomi Ghatak (Table Tennis), Mr. Manan Chandra (Snooker), Ms. Anuja Thakur (9 Ball Pool), Ms. Saina Nehwal and Mr. Anup Sridhar (Badminton), Mr. Tushar Khandekar and Mr. Hari Prasad (Hockey), Mr. Tom Joseph and Mr. R. Rajeev (Volleyball) represented India in the Asian Games held at Doha, Qatar in December 2006. Shri. M. M. Somaya, Dy. General Manager (Brand & PR), has been nominated by the Indian Hockey Federation as the Technical Director for the Indian Hockey Team. BPCL was awarded the PSPB (Petroleum Sports Promotion Board) President's Trophy during the year, based on the performance at the various PSPB tournaments.

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

BPCL has been providing reservations and concessions for physically challenged persons since 1981, based on Governmental instructions. 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 have been extended to posts in Group A and Group B with effect from February 1996. On the advice of the Government of India in March 2007, the Company has identified positions in Groups A & B, which could be reserved for filling up by persons with disabilities (physically challenged). It is the Company's endeavor to achieve the desired percentage for physically handicapped persons during direct recruitment. BPCL has 204 physically challenged persons on its rolls as at 31st March 2007.

Various concessions and facilities are extended to the physically challenged persons such as age relaxation of 5/10 years, giving them a sympathetic consideration during interviews, hearing aids for the hearing-impaired persons and appropriate equipment required by orthopaedically handicapped persons. In addition, visually handicapped staff are provided with "Special talking" computers.

IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

The Official Language Committees function at the Corporate, Regional and Location levels, in order to promote use of Hindi at workplaces. These Committees review from time to time the progress made in Official Language implementation. Several Hindi workshops and meetings of the Hindi Co-ordinators were organized during the year. The First Sub-Committee of the Parliamentary Committee on Official Language inspected four locations and Rajbhasha Vibhag of Ministry of Petroleum & Natural Gas carried out inspection at two locations. Similar inspections were carried out by Rajbhasha Vibhag, Ministry of Home Affairs, and the Drafting & Evidence Committee of the Parliamentary Committee. BPCL's efforts were appreciated by these Committees.

An attractive incentive scheme is in vogue to further enhance Official Language Implementation within the Corporation. Similarly "The Chairman's Inter-Region Rajya-bhasha Rolling Trophy" has been instituted within BPCL to create competition and awareness. Various competitions and cultural programmes were organized at work locations during the Hindi fortnight celebrations from 14th- 28th September, 2006.

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 the customers - has always been in the forefront of all activities of BPCL. The focus was on enhancing customer service levels. The Grievance Redressal Mechanism was also well taken care of and is fully established and positioned at various consumer contact points.

The Right to Information Act, 2005 has been implemented in BPCL. People across the organization are familiar with the Act and BPCL has a unique single window concept of all replies under the Act. During the period ending 31st March 2007, 644 requests for information were received, of which only seven cases were referred to the Chief Information Commissioner.

VIGILANCE

In the changed economic scenario, with the emphasis on public sector enterprises becoming self-reliant and profitable ventures, the Vigilance Function has also geared itself, to facilitate commercial decision-making with transparency and accountability. Vigilance has an important role to ensure that the overall culture,

structures and systems are enhanced so as to achieve the highest standards of stewardship of public funds towards the best possible use of resources. An effective overview by Vigilance can ensure probity and integrity without impairing efficiency. For this, several steps were taken this year, which included observance of Vigilance Awareness Week, addresses by Chief Vigilance Officer (CVO), and training of newly inducted officer trainees and other officials of BPCL on vigilance matters. The Vigilance Department of BPCL works in cooperation with other Divisions/Units of the Corporation at all levels. Vigilance also works in coordination with the other authorities, including Central Vigilance Commission (CVC), Ministry of Petroleum & Natural Gas and Central Bureau of Investigation.

Keeping in view the observations made by Chief Technical Examiner / Central Vigilance Commissioner and as a part of the continuing endeavor to enhance transparency, the Vigilance Department reiterated instructions to the concerned functions to reinforce the need for transparency. The system improvements that were accepted/implemented in the organization include opening of both Technical as well as Commercial bids in the presence of the bidders, publishing details of limited tenders above the value of Rs.5 million on the Company website and floating of limited tenders to all registered parties instead of shortlisting of the registered parties.

Vigilance took effective action on complaints/source information, disciplinary cases as well as the matters referred by CVC/Ministry of Petroleum & Natural Gas. Apart from a regular preventive role, the Vigilance department acted effectively on complaints and source information with the purpose of safeguarding the interest of the stakeholders. Being aware that the process of Vigilance complaint is also prone to misuse, like any other process, it was ensured that motivated complaints, if any, were effectively weeded out. Emphasis was laid on early completion of investigations, submission of reports on various pending complaints and concluding the same. Suggestions to prevent opportunities for corruption were incorporated in investigation reports submitted to the Management for system improvements/corrective actions. More than hundred complaints were investigated and concluded during the year.

As a part of Preventive Vigilance, periodic/surprise inspections of various Retail Outlets/LPG Distributors/locations etc. were carried out by the Vigilance department along with the

Added impetus is being given to Exploration and Production.

Numaligarh Refinery is a boon to the north-east.

concerned officials from the Business Units. Also, inspections of major works were undertaken in line with the inspections carried out by Chief Technical Examiner. Observations/ deviations observed during the investigations were communicated to the concerned departments, along with recommendations for improvements etc. wherever necessary.

Vigilance Awareness week was enthusiastically observed from 6th to 10th November, 2006 by organizing several programmes at all locations throughout the country, in which customers, clients, dealers, distributors and all other stakeholders wholeheartedly participated. The observance of Vigilance Awareness week is very important in increasing knowledge and educating the officials of the Company as well as customers and vendors. For this, various activities like seminars/talks, essay competition, slogan competition and quiz programmes were organized. For talks/seminars, eminent personalities from different walks of life were invited to address the participants. This year, the Honorable Justice Shri S. Mohan, former Judge of Supreme Court, and Shri. T.K. Choudhary, IPS, former Director General of Police, Central Intelligence Department, Maharashtra, interacted with the participants and educated them on the importance of transparency in decision-making to ensure prevention of corruption.

SUBSIDIARY COMPANIES

Numaligarh Refinery Limited

BPCL held 62.96% of the paid up equity in Numaligarh Refinery Limited (NRL) as on 31st March 2007. Subsequently, BPCL has sold a stake of 1.31% in the equity to Oil India Limited. NRL, which is a Mini Ratna Company (Category I), has a 3 MMTPA refinery at Numaligarh in Assam. As on 31st March, 2007, the Refinery has completed 1868 days of Lost Time Accident free operations since its commissioning. The quantum of crude oil processed during the year 2006-07 was 2.50 MMT as compared to 2.13 MMT during the previous year. As at 31st March 2007, NRL had a net worth of Rs. 20,449.68 million with a book value of Rs. 27.80 per share. For the year ended 31st March 2007, NRL achieved a turnover of Rs. 79,303.22 million and earned a profit after tax of Rs.5,688.03 million, as against a turnover of Rs. 58,203.67 million and profit after tax of Rs. 4,489.34 million in the previous year. The Board of Directors of NRL has recommended a dividend of Rs. 2.50 per share as against a dividend of Rs.1.90 per share in the previous year. During the year, NRL has commissioned 73 Retail Outlets.

NRL was awarded the first prize in the TERI Corporate Environmental Awards for 2007. NRL also received the Greentech Safety Gold Award and the Greentech Environment Excellence Silver Award for the year 2005-06. The company was also given the 2nd prize in the Oil Industry Safety Awards for 2005-06 under the 'Refineries' group. NRL also won the Shreshtha Suraksha Puraskar (2nd level) in the manufacturing sector for the year 2006 from the National Productivity Council.

Bharat PetroResources Limited

With an authorized capital of Rs. 10,000 million, Bharat PetroResources Ltd.(BPRL) was incorporated on 17th October 2006 as a wholly owned subsidiary, to implement BPCL's plans in the exploration and production sector. BPRL will exercise all the rights acquired and perform all the obligations undertaken by BPCL under various agreements for participation, in consortiums for exploration and production of petroleum, crude oil and hydrocarbons. BPRL will implement the investment plans of BPCL at a faster pace and will have a focused approach for exploration and production activities.

BPRL has joined the consortium of Oilex (Operator), Videocon Industries Ltd. (VIL) and Gujarat State Petroleum Corporation Ltd. (GSPCL) to participate in the joint petroleum development area between East Timor and Australia, through formation of a Special Purpose Vehicle which was incorporated on 28th October, 2006 as Bharat PetroResources JPDA Limited. (BPR-JPDA LTD). This company is a 100% subsidiary of BPRL.

The BPCL Board, at its meeting held on 31st October 2006, had approved transfer of all Exploration and Production assets, liabilities and investments along with the commitments & expenditures and assignment of BPCL's participating interests in Production Sharing Contracts to BPRL.

Annual Accounts of the Subsidiary Companies

In view of the 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. As regards the other Subsidiary Companies i.e BPRL and BPR-JPDA Limited, they have applied for the extension of their accounting year till 31st March 2008. Hence, their first Annual Accounts will be prepared as on 31st March 2008. 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 and Loss Account of NRL are also 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 BPCL's Registered Office. Further, BPCL will make available these documents, on request, to any of its members and the said documents will also be published on BPCL's website.

The HR team.

JOINT VENTURE COMPANIES

Bharat Shell Limited

Bharat Shell Limited (BSL), a Joint Venture Company between BPCL and Shell Overseas Investment (BV) (Shell) of Holland, markets Shell branded lubricants. As per the Provisional Accounts, as at 31st March, 2007, BSL had a net worth of Rs.865.34 million and book value of Rs.4.33 per share. During the financial year 2006-07, BSL achieved sales of Rs.4,964.72 million as compared to Rs.3,918.29 million during the previous year. BSL made a profit after tax of Rs.121.20 million for the current year as against Rs.86.55 million in the previous year.

The Board of Directors of BPCL has decided to sell BPCL's shareholding of 49% in this JVC to the other partner, subject to receipt of relevant approval and completion of related formalities.

Petronet India Limited

BPCL has 16% equity participation with an investment of Rs. 160 million in Petronet India Limited (PIL), a financial holding company. PIL had facilitated pipeline access on a common carrier principle, through its joint ventures for the pipelines put up by them viz. Vadinar-Kandla (Sikka-Kandla section), Kochi-Karur and Mangalore-Hassan-Bangalore. As at 31st March 2007, PIL had a net worth of Rs. 897.86 million with a book value of Rs. 8.98 per share. For the financial year 2006-07, PIL registered gross revenue of Rs.10.86 million against Rs.5.39 million in the previous year. The Company had a net loss of Rs.129.63 million against a net loss of Rs.19.27 million in the previous year.

The new pipeline policy has affected the working of the Company. As there are no possibilities of future projects, promoters and other investors in PIL reached a conclusion that continuation of PIL would not be viable. Accordingly, the winding up process has been initiated by appointing ICICI Securities Limited as financial advisor and consultant for the divestment of PIL's stake in the joint venture companies.

Petronet CI Limited

Petronet CI Limited is a Joint Venture Company set up for laying a pipeline of about 1760 kms for evacuation of petroleum products from Refineries at Jamnagar/Koyali to feed various consumption zones in Central India. BPCL has an equity participation of 11% with an investment of Rs.15.84 million. The project was to be implemented on Build Own Operate and Transfer (BOOT) basis, for which the bids invited evoked a poor and conditional response. Due to unwillingness of the promoters to participate, the project has been abandoned and process for winding up of the Company has been initiated. The resolution for winding up of the Company was passed by the Shareholders on 14th December 2006.

Petronet CCK Limited

BPCL has 49% equity in Petronet CCK Limited (PCCKL) at an investment of Rs.490 million. The Company owns the 292 km Kochi-Karur pipeline, which commenced commercial operations from September 2002. As at 31st March 2007, PCCKL had net worth of Rs.585.67 million with a book value of Rs.5.86 per share. Cumulative pumping volume till March 2007 amounted to 5.20 MMT.

PCCKL registered a turnover of Rs.319.94 million and cash profit of Rs.110.02 million for the year ended 31st March, 2007 against a turnover of Rs.310.75 million and a cash profit of Rs.92.35 million in the previous year. BPCL has initiated steps, subject to completion of all formalities, to purchase the 26 % equity share of Petronet India Limited in PCCKL.

Petronet LNG Limited

Petronet LNG Limited (PLL) was formed for importing LNG and setting up LNG terminals at Dahej and Kochi with facilities like jetty, storage, regasification etc. to supply natural gas to various industries in the country. PLL was promoted by four public sector companies viz. BPCL, IOC, ONGC and GAIL who contributed 12.5% each to the equity. The balance equity was raised over a period of time from Gaz de France-10%, the Asian

Development Bank-5.2% and balance 34.8% was raised from the public in March 2004. BPCL's equity investment involved an outlay of Rs.987.50 million. As at 31st March 2007, PLL had a net worth of Rs.12,755.17 million with a book value of Rs.17.01 per share. PLL's equity shares are listed on the stock exchanges.

PLL has set up a LNG receipt terminal and regasification facilities of 5 MMTPA capacity at Dahej in Gujarat and started commercial supplies of regasified LNG from the said terminal from 9th April, 2005.

Income from operations for the current financial year was Rs. 55,006.05 million as compared to Rs. 38,371.73 million last year and a net profit of Rs. 3,132.54 million for the current year against the level of Rs. 1,949.27 million achieved in the last year. PLL has declared a maiden dividend of 12.5% for the financial year 2006-07.

Indraprastha Gas Limited

Indraprastha Gas Limited (IGL), a Joint Venture Company with GAIL (India) Limited, was set up for implementing the project for supply of CNG to the household and automobile sectors in Delhi. BPCL invested Rs.315 million in IGL for a 22.5% stake in the equity. IGL commissioned over 150 CNG Stations (including 2 in Noida) which supply environment friendly fuel to more than 1,30,000 vehicles. IGL has more than 70,000 domestic PNG Customers and over 300 commercial customers in Delhi. The company is also extending its business to the towns of Greater Noida and Ghaziabad. During the year, IGL successfully implemented ERP systems to automate and link all its business processes.

As at 31st March 2007, IGL's net worth was Rs. 4,675.22 million with a book value of Rs. 33.39 per share. IGL registered a turnover of Rs. 7,058.66 million for the year 2006-07 as compared to Rs. 6,001.87 million in the previous year; profit after tax for the year 2006-07 was Rs.1,379.62 million compared to Rs. 1,061.38 million during the previous year. The Board of Directors of the Company has recommended a dividend of 30% for the current year against 25% in the previous year. The shares of the company are listed on the Stock Exchange, Mumbai and National Stock Exchange of India Limited.

IGL's contribution towards a clean environment has been acknowledged and the company was awarded the prestigious "Golden Peacock Eco-Innovation award" for the year 2006 by the Institute of Directors.

Central UP Gas Limited

Central U.P. Gas Limited is a Joint Venture Company set up in March 2005, with GAIL (India) Limited as the other partner, for implementing the project for supply of CNG to the household, industrial and automobile sectors in Kanpur. BPCL's investment in the JVC is Rs.134.75 million for a 22.5% share of the equity capital. Financial institutions have subscribed to the balance equity of the Company. The Company has completed its financial closure and has commenced operations. It has set up 4 CNG stations.

For the first financial year ending on 31st March, 2007, the Company had achieved a turnover of Rs. 72.44 million and loss for the year amounted to Rs. 4.28 million.

Maharashtra Natural Gas Limited

Maharashtra Natural Gas Limited was set up on 13th January 2006 as a Joint Venture Company, with GAIL (India) Limited as the other partner, for implementing the project for supply of CNG to the household, industrial and automobile sectors in Pune and its nearby areas. This project will be implemented on the lines of IGL. BPCL's investment in this project is expected to be Rs.225 million for a 22.5% share of the equity capital. The Company is expected to commence operations during 2007-08 and set up around 20 CNG filling stations.

VI eTrans Private Limited

BPCL had made an investment of Rs. 1 million for a 33.33% share of the equity of VI eTrans Private Limited in March 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.

As per Provisional Accounts, the Company registered a turnover of Rs.32.72 million for the year ended 31st March, 2007 as against a turnover of Rs. 30.99 million in the previous year. The Company ended the year with a loss of Rs.1.49 million for the current year, as compared to a loss of Rs. 2.33 million in the previous year.

Sabarmati Gas Limited

Sabarmati Gas Limited (SGL), a Joint Venture Company promoted by BPCL and Gujarat State Petroleum Corporation Limited, (GSPC) was incorporated on 6th June 2006, with an authorized capital of Rs. 1000 million, for implementing the City Gas Distribution Project for supply of CNG to the household and automobile sectors in the city of Gandhinagar, Mehsana & Sabarkantha Districts of Gujarat.

BPCL and GSPC will each subscribe to 25% of the equity capital of the JVC. The balance will be offered to the Financial Institutions. BPCL's present contribution is Rs. 20.2 million. With the present gas distribution network, the total connected load of SGL has reached approximately 0.4 million Standard Cubic Meter per day (SCMD). SGL has set up 1 CNG station and has drawn up plans for setting up 29 CNG stations to meet the CNG requirements of vehicles and for providing new connections.

For the first year ending 31st March 2007, the Company achieved a turnover of Rs. 198.88 million and Profit after Tax of Rs 5.63 million. It has also declared a maiden dividend of 10%.

CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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.

The Brand Quiz Baadshahs of 2007.

MEMORANDUM OF UNDERSTANDING WITH MINISTRY OF PETROLEUM & NATURAL GAS

BPCL has been signing a Memorandum of Understanding with the Ministry of Petroleum & Natural Gas since 1990-91 and has been achieving an 'Excellent' performance rating since then. For the year 2006-07, based on an internal evaluation of performance, BPCL once again merits an "Excellent" rating. Approval of the Government of India for the rating is awaited.

BPCL, for the eighteenth successive year, has entered into a Memorandum of Understanding with the Ministry of Petroleum & Natural Gas for the year 2007-08 also.

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 2007 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.

BPC's pavilion at PETROTECH 2007 was the cynosure of attention.

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, the Shares of BPCL were 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 BPCL 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 BPCL'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. Accordingly, BPCL's equity shares were delisted from the DSE and MSE in the year 2005-06, and from CSE during the year under report i.e. 2006-07.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the Annual Accounts, all the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures.

2. The Company has selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company as on 31st March 2007 and of the Profit and Loss Account of the Company for the year ended on that date.

3. The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

4. The Annual Accounts have been prepared on a going concern basis.

Greentech Safety Awards signal BPC's strict adherence to safety in all aspects of operations.

DIRECTORS

Shri Ajay Tyagi, Joint Secretary, Ministry of Petroleum & Natural Gas, resigned from the directorship of BPCL with effect from 17th November 2006. Shri. D. N. Narasimha Raju, Joint Secretary, Ministry of Petroleum & Natural Gas, was appointed as Additional Director with effect from 6th December 2006 and being Additional Director, held office up to the date of the last Annual General Meeting held on 18th December 2006. He was again re-appointed as Additional Director by the Board with effect from 18th December 2006. He resigned from the Board with effect from 19th April 2007.

The Directors have placed on record their appreciation of the valuable contributions made and guidance given by Shri Ajay Tyagi and Shri D.N.Narasimha Raju for the development and progress of BPCL's business.

Shri P. H. Kurian, Secretary (Investment Promotion), Government of Kerala was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 23rd April 2007. Shri P.H.Kurian, having been appointed as Additional Director, holds office till the ensuing Annual General Meeting. Notice under Section 257 has been received, proposing his name for appointment as 'director retiring by rotation' at the ensuing Annual General Meeting.

Prof. N. Venkiteswaran was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 16th July 2007. Prof. Venkiteswaran, having been appointed as Additional Director, holds office till the ensuing Annual General Meeting. Notice under Section 257 has been received, proposing his name for appointment as 'director retiring by rotation' at the ensuing Annual General Meeting.

As required under Section 256 of the Companies Act, 1956, Shri S. A. Narayan, Shri S.Radhakrishnan and Shri S. K. Joshi, 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 Corporate Governance Code, brief bio-datas of the above Directors who are appointed / re-appointed 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 2006-07, 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. The C&AG has appointed M/s. B.K. Khare & Company as Statutory Auditors for the financial year 2007-08.

ACKNOWLEDGEMENTS

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

The Directors express their gratitude to BPCL's valued customers for their patronage, and assure them that BPCL shall continue striving to give them quality products and impeccable services.

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

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

The Directors thank each of BPCL's Shareowners for their continued confidence in and support to the Company.

For and on Behalf of the Board of Directors

Sd/-

Mumbai
Date : 6th August, 2007

Ashok Sinha
Chairman & Managing Director

ANNEXURE A

Efforts made by BPCL 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 at Mumbai/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 and hydrocarbon loss is undertaken, using sophisticated instruments and data acquisition system. The analysis report and data compiled are communicated to the respective sections and necessary actions are initiated in case of any abnormalities. An elaborate energy accounting system and Management Information System are important features of BPCL's Refinery operations.

(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 :

- Maximisation of crude throughput in modern highly energy efficient integrated Crude & Vacuum Unit.
- Antifoulant chemical injection in all Crude & Vacuum Units.
- Application of High Emissivity Ceramic Coatings on Tubes & refractory of HVU Heater.
- Injection of fire side chemical additive in HVU Heater.
- Implementation of recommendations of audit of steam and condensate recovery system at FCCU and HVU.
- Systematic monitoring and cleaning of pre heat exchangers of process units.
- Implementation of the following recommendations of electrical energy audit of refinery by M/s Petroleum Conservation Research Association.
  - Conversion of 5 lightly loaded motors from delta connection to star connection.
  - Replacement of 115 old tube lights by efficient T-5 tube lights.
  - Provision of 83 energy saving compact fluorescent lamps(CFL) for emergency lighting.
  - Cleaning of compressors of Air Conditioning system of Admin. building.
- Application of Special insulating paint for open manways in Crude, Vacuum and Catalytic Cracking Units.
- Reduction of slops generation by tighter operational control.
- Reduction of Hydrogen loss to flare from Make-Up Gas compressor section of Hydrocracker Unit by resetting of set point of control valve.
- Installation of rotary disc skimmer for oil recovery.
- Provision of still well sleeve assembly for 3 MS & Naphtha tanks to reduce evaporation losses.
- Water washing & cleaning of Vacuum Unit Air Pre Heater.

- Regular steam insulation & steam leak surveys and repairs.
- Replacement of leaky steam traps & regular attending to steam leaks.

As a part of Oil & Gas Conservation Fortnight 2007, M/s. Center for High Technology had organised a detailed steam leak survey was conducted along with external experts. In addition, various awareness programmes on Oil Conservation were organized, both inside & outside the refinery, including free exhaust emission check up for more than 5000 vehicles.

Other energy conservation and loss control initiatives under various stages of implementation/evaluation at Mumbai Refinery are as given below:

- Phase wise replacement of Steam Headers Insulation.
- Increasing condensate recovery from Sulphur Recovery Unit.
- Routing of CRU off gas to new Hydrogen Unit as feed.
- Provision of still well sleeve assembly for 12 MS & Naphtha Tanks.
- Installation of Flare Gas Recovery System.
- Provision of 200 ¼” BPT traps for open Copper tubing steam tracers for instrument impulse lines.
- Provision of Variable Speed Drives for NB2A Heater FD fan & B1Heater ID Fan of Crude unit 1.
- Provision of dedicated tank 415 for White oil slops.

Kochi Refinery

Kochi Refinery continues to give utmost importance to conservation of energy, by regular monitoring and analysis of fuel and utilities consumption, optimizing plant operations and proper upkeep of plant and machinery. The Oil & Gas Conservation Fortnight was celebrated in a befitting manner this year also. An energy audit was conducted by PCRA. A benchmarking study was also conducted for improving the efficiency, energy conservation and loss control with the help of M/s Shell Global Solutions.

During the year, the refinery undertook many major conservation measures like,

- Application of friction reducing coating in cooling water pumps in the Aromatics Recovery Unit which resulted in an improvement of 12% in pump efficiency.
- Condensate recovery from VR/Plant fuel tank farm.
- Improvement in the efficiency of STG by increasing LP steam extraction from STG.

Additional investments and proposals being implemented for reduction of energy consumption are:

- Replacement of mineral wool insulation on pipelines with perlite insulation.
- Application of friction reducing coating in 33 cooling water pumps for efficiency improvement.
- Replacement of metallic blade air fin fans with FRP blade air fin fans.
- Replacement of low efficiency LPG heater with steam reboiler.

(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 technical 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.

- Commissioning of 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 product quality.
  The technology was supplied by the process licensor of the unit, M/s. Axens, France
- As a part of 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 the 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.
- DHDS Reactor catalyst has been changed in Dec 2006 to produce Low Sulfur Diesel for meeting the Euro III diesel demand. The new generation HDS catalyst was supplied by M/s. Axens, France.

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

C. FOREIGN EXCHANGE EARNINGS / OUTGO

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

a. Exports

BPCL exported 1714 TMT of refined products during the year as compared to 1384 TMT during the previous year. While Fuel Oil exports almost doubled to 746 TMT compared to 330 TMT in 2005-06, Naphtha exports were down by 21% (to 598 TMT vis-à-vis 760 TMT) due to higher domestic upliftment. The contribution to the foreign exchange earnings increased to USD 731 million (Rs. 33,357.70 million) from USD 608 million (Rs. 27,172.61 million) achieved during the previous year.

b. Imports

During the year, BPCL imported 41 TMT of Euro III MS and 42 TMT of BS II MS at USD 58.10 million (Rs. 2623.90 million) as against USD 161 million (Rs. 5,900.66 million) in the year 2005-06 to meet the shortfall in supply from domestic sources. Also, to meet the deficit in the country, BPCL imported 163 TMT of LPG (202 TMT in 2005-06) at USD 82.47 million (Rs. 3696.10 million) as against USD 102 million (Rs. 4517.98 million) in the previous year 2005-06.

c. Crude Oil Imports

During the year 2006-07, the impact of geo-political turmoil, particularly in the Middle East region and disruption in crude oil production in West Africa witnessed the crude oil price touching a record level. The average Indian Basket of crude oil further went up by nearly USD 6.7 per barrel to USD 62.4 per barrel during 2006-07 (USD 55.7 per barrel in 2005-06).

Out of a total of 19.78 MMT (17.24 MMT during 2005-06) of crude oil processed at BPCL's Mumbai and Kochi refineries, 13.28 MMT crude oil volume was from imported sources as against 11.86 MMT during 2005-06. In view of the sustained high crude oil prices, the value of imports was a record high at USD 6044.16 million (Rs. 273,031 million) as against USD 4898.4 million (Rs. 217,833 million) during 2005-06.

d. Hedging

BPCL continued with its policy to manage oil price risk through hedging of refinery margins and export realizations. As decided by the Company's Trading Risk Management Board, higher hedging volumes were assigned for 2006-07 over the previous year (for refinery margin cover - 5.55 million barrels versus 2.7 million barrels and for export realization cover - 80 TMT versus 40 TMT). Regular review of hedging positions was carried out by the Risk Management Committee. In order to enhance the sharpness of quotes and diversify the credit exposures, registration process of new OTC counterparties which comprises of bankers, traders and oil majors has progressed well and the number of counterparties enlarged during the year.

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

Rs. in Million

	2006-07	2005-06
Earnings in Foreign Exchange	**55,851.32**	42,866.71
— includes receipt of Rs 6,460.48 million (previous year Rs 5,516.66 million) in Indian currency out of the repatriable funds of foreign airline customers and Rs. 63.59 million (previous year Rs. 81.44 million) of INR exports to Nepal and Bhutan.		
— Includes Rs.8,129.63 million (previous year Rs.2,874.83 million) on CFR basis.		
Foreign Exchange Outgo	**293,219.03**	237,379.43
— on account of purchase of Raw Materials, Capital Goods, Chemicals, Catalysts, Spare Parts, International Trading Activities.		

FORM A

Form for disclosure of particulars with respect to conservation of energy

		2006 - 07	2005 - 06
1.	**MUMBAI REFINERY**		
A.	**Power & Fuel Consumption**		
1	Electricity		
	a) Purchased		
	Units (Million KWH)	**28.93**	17.50
	Total Amount (Rs.Million)@	**231.41**	157.05
	Rate/Unit (Rs./KWH)*	**8.00**	8.97
	b) Own Generation		
	Through Steam Turbine/ Generator		
	Units (Million KWH)	**516.07**	433.40
	Units (KWH) per Ton of Fuel	**2,982.43**	2,713.12
	Cost/Unit (Rs./KWH)**	**5.11**	4.91
2	Coal	**Nil**	Nil
3	Furnace Oil/Liquid Fuel		
	LSHS Qty – MT	**238,415**	176,746
	Total amount (Rs. Million)	**3,615.10**	2,426.69
	Avg. Rate (Rs./Unit)	**15,163.05**	13,729.81
	IBP-60 Qty - MT	**43,148**	29,413
	Total amount (Rs. Million)	**1,071.71**	751.01
	Avg. Rate (Rs./Unit)	**24,838.11**	25,533.13
4	Others / Internal Generation		
	Bombay High Associated Gas (BHAG)		
	Qty - (MT)	**716**	196
	Total amount (Rs. Million)	**8.33**	1.50
	Avg. Rate (Rs./Unit)	**11,635.23**	7,666.23

	2006 - 07	2005 - 06
Internal Fuel :		
Refinery Gas Qty - (MT)	**129,079**	113,883
Total amount (Rs. Million)	**1,957.23**	1,563.59
Avg. Rate (Rs./Unit)	**15,163.05**	13,729.81
Pressure Swing Adsorption (PSA) Off Gas Qty - (MT)	**104,274**	67,438
Total amount (Rs. Million)	**278.93**	163.34
Avg. Rate (Rs./Unit)	**2,674.93**	2,422.09
FCC Units Coke Qty - MT	**75,917**	87,418
Total amount (Rs. Million)	**1,151.13**	1,200.23
Avg. Rate (Rs./Unit)	**15,163.05**	13,729.81

Notes:

@ Increase in power purchased cost is mainly due to planned shutdown of GT1, GT3 & higher power import due to increase in electrical load due to operation of RMP Units.

* Cost per unit of Power Purchased has decreased due to higher purchase of power from M/s TATA Power.

** Cost per unit of power generated in CPP has increased due to increase in fuel cost & depreciation.

B. Energy consumption per unit of production

	Unit	Stds. if any#	2006 - 07	2005 - 06
Production of Petroleum products	MT		**11,234,137**	9,626,716
Electricity	KWH / MT		**48.51**	46.84
LSHS / IBP-60	Kg/MT		**25.06**	21.42
Gas (Excluding CPP)	Kg/MT		**20.84**	18.86
FCC Units Coke	Kg/MT		**6.76**	9.08

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

	2006-07	2005-06
A) Power and Fuel Consumption :		
1) Electricity		
a) Purchased :		
Units (Million KWH)	**38.773**	48.828
Total amount (Rs.Million)	**181.61**	220.29
Rate/Unit (Rs./KWH)	**4.68**	4.51
b) Own Generation		
i) Through Gas Turbine generation in CPP (Million KWH)	**139.773**	143.472
Units (KWH) per Ton of fuel oil/gas	**2,760**	2,820
Cost/Unit (Rs./KWH)	**5.91**	5.31
ii) Through Steam Turbine Generation (Million KWH)	**87.826**	58.340
Cost/Unit (Rs./KWH)	**5.47**	5.46
2) FCC coke for steam generation :		
Quantity (tonnes)	**68,835**	61,773
Total Cost (Rs.Million)	**1,054.33**	850.00
Average rate (Rs./MT)	**15,317**	13,760
3) LSHS :		
Quantity (tonnes)	**260,076**	224,473
Total Cost (Rs.Million)	**3,983.52**	3,088.77
Average rate (Rs./MT)	**15,317**	13,760
4) DHDS Naphtha :		
Quantity (tonnes)	**35,957**	36,221
Total Cost (Rs.Million)	**835.97**	760.55
Average rate (Rs./MT)	**23,249**	20,997
5) Others (Refinery Fuel Gas) :		
(Excluding fuel used for Power Generation)		
Quantity (tonnes)	**80,063**	82,953
Total Cost (Rs.Million)	**1,226.31**	1,141.44
Average rate (Rs./MT)	**15,317**	13,760

B) Energy Consumption per unit of production

	Unit	**Stds. if any #**	**2006-07**	2005-06
Production of Petroleum Products	MT		**7,238,153**	6,456,203
Electricity	KWH/MT		**35.97**	37.89
FCC Coke	KG/MT		**9.51**	9.57
LSHS	KG/MT		**35.93**	34.77
DHDS Naphtha and Refinery fuel gas	KG/MT		**16.03**	18.46

Notes :

1. Fuel for CPP consisted of Intermediates and Refinery Fuel Gas
2. The purchased power is net of export to KSEB
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

RESEARCH & DEVELOPMENT (R&D)

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

i) Catalytic Processes

ii) Corrosion & Fouling

iii) Detailed Crude Evaluations

iv) Energy Efficiency Improvement

v) New Product Development

vi) Clean Fuel Technology Development

vii) Alternate Fuels

viii) Coal/Residue to Liquid (CTL) Technologies

ix) Effluent Treatment Technologies

x) Customer Specific Cutting Oil

xi) Rolling Oil for Steel Industry

xii) Metal Working Oil for Aluminium

xiii) Agricultural Spray Oil

xiv) Heat Treatment Oil

xv) Defence specific grades of Lube oil

xvi) Alternate formulation for existing grades

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

i) Optimum catalyst/additives for Fluid Catalytic Cracking Units (FCCU) through laboratory and pilot plant studies, resulting in improved yields/quality of distillates. Development of in-house model for hydrocracker to improve productions, Commercialization of Sweetening Catalyst for LPG jointly developed by BPCL-IIP.

ii) Implementation of selected antifoulant with optimal dosage for CDU exchangers resulted in improved heat recovery.

iii) Detailed crude evaluations aided in enhancing value realization and enlarging the crude basket.

iv) Optimized the pump-around flow rates in the crude column of HCP for increase in net energy savings.

v) Commissioning of a poly packed Bitumen Unit.

vi) Lab scale process developed for adsorptive desulphurization of diesel using in house developed sulfur selective adsorbent.

vii) A process developed for conversion of non-edible oils with high free fatty acid (FFA) content to biodiesel.

viii) Generated lab scale data on FT synthesis.

ix) A process scheme developed for effluent treatment using ozone to neutralize sulfides in the spent caustic stream.

x) Customer specific Cutting Oil grade will help in increasing our market share in this segment, besides providing a viable alternative to the customer.

xi) Rolling Oil product would help the Steel Plant in logistic flexibility and would increase our portfolio.

xii) Metal Working Oil has provided our entry in this segment and would help in increasing our participation.

xiii) Agricultural Spray Oil is developed for the Horticulture industry and has provided a viable option for farmers.

xiv) Heat Treatment Oil developed for hot quenching application for a major customer would help in increasing our market share.

xv) Defence specific grades would provide indigenous alternatives to Defence.

xvi) Developed alternate formulations for 11 existing grades. These formulations would help in reducing the input cost/providing flexibility in operation.

3. Future Plan of Action

i) Intensifying and enlargement of activities in the area of Refinery processes and residue upgradation.

ii) Development of catalyst/additive for refining processes

iii) Development of new process technologies using additive approach for improving product quality

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

v) Value added Products/Solvents from the refinery streams

vi) Bio-technological processes

vii) Coal to Residue Technologies

viii) Alternate Fuels

ix) Passenger Car Engine Oil for major OEM

x) Fully Synthetic Gear Oil (75W-90)

xi) Customer specific Metal Working Fluid

xii) High Performance Grease

xiii) Defence specific grade lube oil

xiv) Alternate formulation for existing grades

EXPENDITURE ON R&D DURING 2006-07

(Rs. in million)

	Total
Capital Expenditure	75.05
Revenue/Recurring Expenditure	109.12
Total	184.17
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:

- Facilities for production of high performance environment friendly Group-II Lube Oil Base Stock (LOBS) facilities using unconverted oil from the Hydrocracker were comissioned.

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

Production of High performance Group-II Lube Oil Base Stock

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

(a) Technology imported:

Technology	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 Stock.	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 implemented the following modifications to obtain the benefits of the latest technological developments and advances:

- The DHDS Reactor catalyst has been changed in Dec 2006 to produce Low Sulfur Diesel for meeting the Euro III diesel demand. The new generation HDS catalyst was supplied by M/s Axens, France. The bucket traps provided at the top bed catalyst to catch the rust and other plugging materials was replaced with graded bed as per the new design.

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

- Production of HSD conforming to Euro III Equivalent specification

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

(a) Technology Imported:

Technology	Year of import
• FCC – Feed Injection Technology, Riser termination Device, Packed Stripper from M/s. Stone & Webster, USA for yield improvement.	2003
• Process technology for blocked out mode operation of VGO in DHDS from M/s. Axens, France	2003
• Process technology for sweetening (MEROX) of catalytically cracked gasoline form M/s. UOP, USA	2004
• Colloidal Mill technology for production of Bitumen Emulsion from M/s. ENH Engineering, Denmark.	2004
• DHDS Reactor catalyst change to new generation HDS catalyst supplied by M/s. Axens, France in Dec 2006 to produce Low Sulfur Diesel for meeting the Euro III diesel demand.	2006

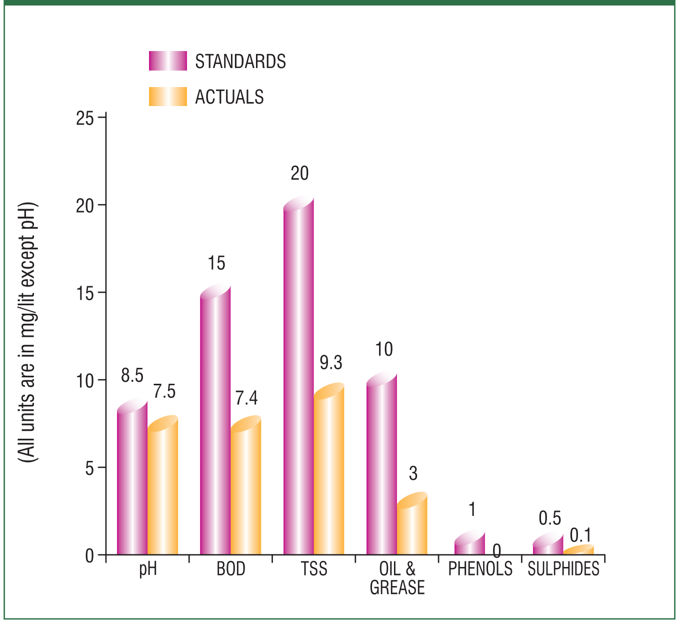
(b) Has Technology been fully absorbed?

Yes.

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

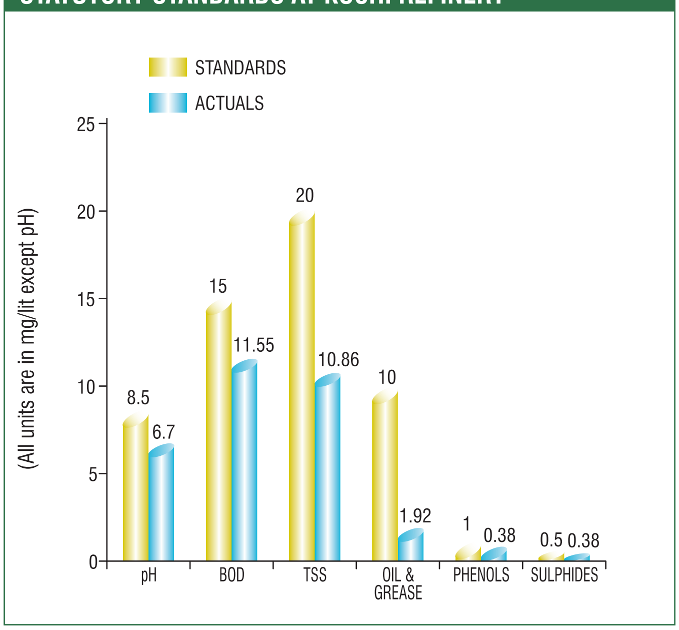
Not applicable.

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

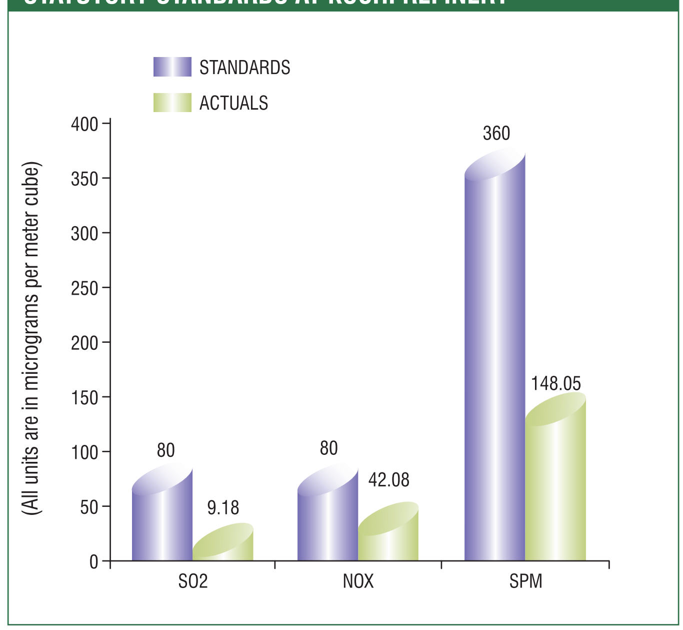


TYPICAL AMBIENT AIR QUALITY VIS-A-VIS STATUTORY STANDARDS AT MUMBAI REFINERY

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



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



ANNEXURE B

Report on Corporate Governance

1. Company's philosophy on Code of Governance

Bharat Petroleum Corporation Ltd'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.

As on 31st March 2007, the BPCL Board comprised of 5 Whole - time (Executive) Directors including Chairman & Managing Director, 2 Part-time (Ex-Officio) Directors and 3 Part-time (Independent) Directors. The Board of Directors have appointed Prof. N. Venkiteswaran as Part-time (Independent) Director with effect from 16th July 2007, as per the advice of the Government of India. For Nomination of additional 3 Part-time (Independent) Directors, required under the revised Clause 49 of the Listing Agreement, the Company has taken up the matter with the Govt. of India.

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

None of the Non-Executive Directors of BPCL had any pecuniary relationship / transaction with the Company during the year.

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

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

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

Board Meetings

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

27th Apr 2006	29th June 2006	28th July 2006	26th Sept 2006	31st Oct 2006
18th Dec 2006	26th Dec 2006	29th Jan 2007	21st Feb 2007	14th March 2007

The Board has reviewed the compliance of all laws applicable to the Company.

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. 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 2007.

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2006-07

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	B.Tech (Elect.) M.B.A.	10	100	Attended	Chairman 1) Erstwhile KRL (upto 21.08.06) 2) NRL 3) IGL (upto 13.01.07) 4) BORL Director 5) BSL 6) PLL 7) BPRL	Member : a) Audit Committee 1) BSL 2) PLL b) Remuneration Committee 3) BSL 4) BORL (upto 25.09.06) 5) PLL
Shri S.A. Narayan Director(Human Resources)	B.Sc. (Hons) M.A. (Pers), L.L.B.	9	90	Attended	Director : 1) Erstwhile KRL (upto 21.08.06) 2) NRL 3) PIL 4) BSL (upto 29.09.2006)	Member : a) Audit Committee 1) BSL (upto 29.09.2006)
Shri S. Radhakrishnan Director (Marketing)	B.Tech, (Mech). M.B.A.	10	100	Attended	Director 1) Erstwhile KRL (upto 21.08.06) 2) NRL 3) SGL 4) IGL (w.e.f. 14.01.07) 5) BSL (w.e.f. 05.02.07)	Member : a) Audit Commitee 1) Erstwhile KRL (upto 21.08.06)

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, BPRL : Bharat PetroResources Limited, KRL : Kochi Refineries Limited SGL : Sabarmati Gas Limited

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2006-07

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)	A.C.A. M.B.A.	9	90	Attended	Director 1) Erstwhile KRL (upto 21.08.06) 2) NRL 3) PCIL 4) VEL 5) BPRL 6) BPR JPDA Ltd. 7) BORL	Member : a) Investors' Grievance Committee 1) BPCL b) Audit Committee 2) PCIL c) Remuneration Committee 3) BORL (w.e.f. 25.09.06)
Shri R. K.Singh Director (Refineries)	B.Tech (Mech)	9	90	Attended	Director 1) Erstwhile KRL (upto 21.08.06) 2) NRL 3) BORL 4) BPRL	Chairman : a) Remuneration Committee 1) BORL (w.e.f. 25.09.06) Member b) Remuneration Committee 2) NRL (w.e.f. 22.09.06)

NRL : Numaligarh Refinery Limited, BORL : Bharat Oman Refineries Limited, PCIL : Petronet CI Limited, VEL : VI eTrans Private Limited, BPRL : Bharat PetroResources Limited, BPR JPDA Limited : Bharat PetroResources JPDA Limited, KRL : Kochi Refineries Limited

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2006-07

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	I.A.S. Post Graduate in Economics, M. Phil, M. P. A.	8	80	Did not Attend	Director 1) IOC 2) HPC	Member a) Establishment Committee - IOC b) Remuneration Committee - IOC
Shri Ajay Tyagi Joint Secretary, Ministry of Petroleum & Natural Gas (upto 17.11.2006)	I.A.S. B. Tech(Elect) Graduate in Computer Science	2*	40*	Did not attend	Director 1) GAIL	
Shri D.N. Narasimha Raju, Joint Secretary, Ministry of Petroleum & Natural Gas (From 6.12.06 to 19.4.07)	M.Sc. (Hort), UAS, Bangalore, Master of Business Laws, NISUI, Bangalore	3*	60*	N.A.	Director 1) GAIL	
(b) Part-time (Independent)						
Shri V. D. Gupta	B.Sc. Engg. (Hons)	9	90	Attended	—	Member 1) Audit Committee - BPCL
Shri P. C.Sen	B.A.(History) (Hons), M.A.(History), M.Sc. (Eco), IAS	7	70	Attended	Director 1) HCL	Member 1) Audit Committee-BPCL
Prof. A.H.Kalro	B.Tech (Hons), (Elect), M.S., Ph.D (Industrial Engg),	9	90	Attended	Director 1) Erstwhile TPSC upto 12.9.06	Chairman a) Audit Committee 1) BPCL 2) Erstwhile TPSC upto 12.9.06 b) Investors' Grievance Committee- BPCL

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

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

3. Audit Committee

BPCL 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.

As on 31st March 2007, 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 possess the requisite knowledge of Finance & Accounting for effective functioning of the Audit Committee. Shri N. Venkiteswaran, Director is inducted as member of the Audit Committee w.e.f. 27th July 2007. The Company Secretary acts as the Secretary of the Audit Committee.

Director (Finance) is a permanent invitee at the meetings of the Committee. Executive Director (Audit) is actively involved with the meetings of the Audit Committee and also attends the said meetings. In addition, the other Whole-time Directors also attend the meetings. 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 the 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 statement is 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 the Statutory Auditors.
4. Reviewing, with the Management, the financial statements before submission to the Board for approval, with particular reference to:
   a) Matters required to be included in the Directors' 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, 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 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 payment 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:-

25th April 2006	27th April 2006	2nd June 2006	27th July 2006	26th September 2006
31st October 2006	28th November 2006	29th January 2007	27th February 2007	

Attendance at the Audit Committee Meetings :-

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

The Committee, at its meetings held on 27th July 2006, 31st October 2006, 29th January 2007 reviewed the Half Yearly / Quarterly Financial Statements as on 30th June 2006, 30th September 2006 and 31st December 2006 respectively. Further, the Annual Financial Statements as on 31st March 2007 were reviewed by the Committee at its meeting held on 24th May 2007, before the same were submitted to the Board for approval.

BPCL has presently three unlisted subsidiary companies i.e. Numaligarh Refinery Ltd(NRL), Bharat PetroResources Ltd (BPRL) and Bharat PetroResources JPDA Ltd (wholly owned subsidiary of BPRL) and these Subsidiary Companies do not fall under the category of 'material non listed Indian subsidiary' as indicated in Clause 49 III of the Listing Agreement. The 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 BPCL. The other two Companies were formed in October 2006. The minutes of the Board Meetings of these two Companeis are also discussed at the Board Meetings of the Company. As there were no transactions during the year, application has been made to Ministry of Corporate Affairs (MCA) for extension of accounting years of these new companies from the date of their incorporation to 31st March, 2008.

4. Remuneration to Directors

BPCL 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.

Details of remuneration paid to the Whole-time Directors during the financial year 2006-07 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	1,620,268	Fixed Component 896,178 PLIS 603,688	120,402
Shri S.A.Narayan Director (Human Resources)	1,692,987	Fixed Component 874,336 PLIS 588,554	230,097
Shri S. Radhakrishnan Director (Marketing)	1,570,699	Fixed Component 883,094 PLIS 554,827	132,778
Shri S.K.Joshi Director (Finance)	1,682,064	Fixed Component 938,600 PLIS 548,270	195,194
Shri R.K.Singh Director (Refineries)	1,737,003	Fixed Component 938,602 PLIS 565,088	233,313

PLIS : Performance Linked Incentive Scheme

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

Notice period : Three months

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

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

Name of Director (Rs.)	**Remuneration**
Shri V.D.Gupta	190,000
Shri P.C.Sen	180,000
Prof. A.H.Kalro	210,000

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 24th March 2007, reviewed the services rendered 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, 4 complaints were received from investors through SEBI, BSE, Registrar of Companies which were attended to and resolved on priority basis. Further, during the period April 2006 to the date of the Merger Order passed by the MCA, i.e. till 18th August 2006, 3 complaints were received from the Investors of the erstwhile KRL, which were disposed off to their satisfaction.

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 2007.

6. **Annual / Extraordinary General Meetings during the last three years**

	Date and Time of the Meeting	**Venue**
51st Annual General Meeting	30th August 2004 at 10.30. a.m.	Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021
52nd Annual General Meeting	23rd September 2005 at 10.30 a.m.	
Extraordinary General Meeting	16th January 2006 at 3.00 p.m	Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400020.
Extraordinary General Meeting	27th February 2006 at 11.00 a.m.	Convention Hall, 4th Floor, Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021
53rd Annual General Meeting	18th December 2006 at 10.30 a.m.	Y.B. Chavan Auditorium Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021

During the year 2006-07, there was no occasion to resort to Postal Ballot as no business requiring Postal Ballot was proposed for consideration of the Shareholders.

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

The Shareholders, at an Extraordinary General Meeting held on 16th January 2006, approved the Scheme of Amalgamation of Kochi Refineries Ltd with BPCL 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.

The Special Resolution for fixation of the remuneration of the Statutory Auditors was approved by the Shareholders at the Annual General Meeting held on 18th December 2006.

6A Brief Resumes of Directors

1. Shri S.A. Narayan

   Shri S.A. Narayan, Director (Human Resources), is a B.Sc.(Hons) and M.A. in Personnel Management from Tata Institute of Social Sciences, Mumbai. He also did his LL.B from the University of Mumbai. Shri S.A. Narayan has handled different aspects of Personnel and HR functions in BPCL during the last 29 years, apart from five years in private and multinational companies. Presently, he is Chairman of Petronet India Limited and a Director of Numaligarh Refinery Limited.

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

2. Shri S. Radhakrishnan

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

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

3. Shri 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. Prior to his appointment as Director (Finance), he was responsible for the overall fund management, risk management, corporate accounts and budgeting activities in BPCL. He was also closely associated with key initiatives undertaken by the Company 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 being on the Board of BPCL, he also holds the position of Director in Numaligarh Refinery Ltd, Bharat Oman Refineries Ltd, Petronet CI Ltd and 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. He is liable to retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

4. Shri P.H. Kurian

   Shri P.H. Kurian, Secretary, (Investment Promotion), Govt. of Kerala, is a senior IAS officer. In addition to being on the Board of BPCL, he also holds the Chairmanship/Directorship of a number of other companies including Kerala State Industrial Development Corporation Ltd, Travancore Titanium Products Ltd, Kerala Chemicals & Proteins Ltd, Kerala Minerals & Metals Ltd, Travancore Cochin Chemicals Ltd and M Far Hotels Ltd. He is a member of the Audit Committee of Kerala Chemicals & Proteins Ltd.

   Shri P.H.Kurian was appointed as Additional Director w.e.f. 23rd April 2007, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the advice of the Govt. of India. Being an additional Director, he 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 his name as Director of the Company.

5. Prof. N. Venkiteswaran

   Prof. N. Venkiteswaran is a Chartered Accountant, Gold medalist in the post graduate management accountancy examination conducted by ICAI and Graduate in Economics from Madurai (Kamarja) University. Presently, he is a Professor in Indian Institute of Management, Ahmedabad. He has extensive experience of about 15 years in the finance, accounting and business planning functions in well known companies. He is also a Director on the Boards of Gujarat State Electricity Corporation Ltd, (GSECL), Gujarat State Petronet Ltd, Dalton Capital Advisors India Pvt Ltd, and Asit C Mehta Investment Intermediates Ltd. He is a member of the Audit Committee in GSECL.

Prof. N. Venkiteswaran was appointed as Additional Director w.e.f. 16th July 2007, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the advice of the Govt. of India. Being an additional Director, he 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 his name as Director of the Company.

6 Shri D.N.Narasimha Raju

Shri D.N.Narasimha Raju, Joint Secretary, MoP&NG is a Senior IAS Officer. He holds a degree in Agriculture Economics and post graduate degree in Horticulture and Business Laws. He was appointed as Additional Director with effect from 6th December 2006 and being Additional Director, held office up to the date of the last Annual General Meeting held on 18th December 2006. He was again reappointed as Additional Director by the Board with effect from 18th December 2006. He resigned from the Board with effect from 19th April 2007.

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 Notes forming part of Accounts.

BPCL has been 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 BPCL is a Government Company. Out of the non mandatory requirements, the Company has adopted requirements with regard to sending of quarterly/ half yearly financial results to the Shareholders of the Company.

The Chairman & Managing Director and the 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 2006-07.

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

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 leading 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 2006, 30th September 2006, 31st December 2006 were obtained from the Auditors of the Company and filed with the Stock Exchanges. The Financial Statements for the first quarter ended June 2006, half year ended September 2006 and third quarter ended December 2006, were sent to the individual Shareholders at their registered addresses.

Periodic 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 the National Informatics Centre.

10. Management Discussion & Analysis Report

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

11. Investors' Service Centre

On complying with the request of Shareholders for appointing an Investors' Service Centre in Mumbai, initiatives were taken by BPCL and accordingly, an Investors' Service Centre for Mumbai based Shareholders was opened by our Share Transfer Agent i.e. Data Software Research Co. Pvt. Ltd at the Registered Office of BPCL at the following address:

Data Software Research Co.Pvt.Ltd
c/o Bharat Petroleum Corporation Ltd
Bharat Bhavan No.I, Ground Floor
Ballard Estate, Mumbai 400 001.
Tel No. 022 – 2271 3170
Fax No. 022 – 2271 3688
Email : z_dsrc@bharatpetroleum.in

The above Investors' Service Centre will be an added advantage to the Shareholders/Investors located in Western Region for facilitating requests for transfer/transmission of shares, dematerialization/re-materialisation of shares, dividend etc. and accordingly, investors can avail of services at the said Centre.

12. General Shareholders' Information

Annual General Meeting : Date, Time and Venue — Wednesday,19th September 2007 at 10.30 a.m. at the Y.B.Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021

Financial Calendar — BPCL follows the financial year from April to March. The Unaudited Results/Audited Results were taken on record by the Board and published on the following dates :-

Quarter Ended	Date of Board Meeting	Date of Publication
Apr-June'2006	28th July 2006	29th July 2006
July-Sept'2006	31st Oct 2006	1st Nov 2006
Oct-Dec' 2006	29th Jan 2007	30th Jan 2007
Audited Results for the year 2006-07	24th May 2007	25th May 2007

Dividend Payment Dates

i) Interim Dividend — The Board had declared an interim dividend @Rs.6/- per share at the Board Meeting held on 26.12.2006, which was paid to the Shareholders on 23.01.2007.

ii) Final Dividend — The Board has recommended final dividend @ Rs. 10/- 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 29.9.2007

Date of Book Closure — Thursday, 6th September 2007 to Wednesday, 19th September 2007 for the purpose of determining the names of Shareholders/Beneficial Owners who would be entitled for final dividend.

Listing on Stock Exchanges & Security Code — 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 400002	500547
National Stock Exchange of India Ltd Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400051.	BPCL

The Listing Fees have been paid for the year 2007-08 to both 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 by the Investor Relations Department, Bharat Bhavan III, Ground Floor, Walchand Hirachand Marg, Ballard Estate, Mumbai 400001 Data Software Research Co. Pvt. Ltd. were appointed as Share Transfer Agents for BPCL 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,Tamil Nadu - 600024 Ph: +91-44-24833738 / 24834487 Fax: 91-44-2483 4636 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 (ex-officio) Directors considers request 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 2007	Shareholder	No. of Shares Held	% of Holding
	1) Government of India	198,600,060	54.93
	2) Government of Kerala	3,111,111	0.86
	3) Unit Trust of India	443,396	0.12
	4) Life Insurance Corporation of India	39,782,310	11.00
	5) Other Financial Institutions / Banks/Mutual Funds	19,697,138	5.45
	6) Foreign Institutional Investors	47,451,317	13.12
	7) Private Corporate Bodies	4,798,166	1.33
	8) Non Resident Indians/Overseas Corporate Bodies	398,589	0.11
	9) Employees	2,053,830	0.57
	10) Indian Public	45,206,207	12.51
		361,542,124	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 BPCL vide Order from Ministry of Company Affairs dated 18.8.2006, the total paid up share capital of BPCL had increased to 36,15,42,124 equity shares of Rs. 10 each and the Shareholding of Govt. of India in BPCL has reduced from 66.20% to 54.93%. Further, 3,37,28,737 equity shares allotted to BPCL against the investment of 7,58,89,660 equity shares in KRL were deposited in the Trust (BPCL Trust for Investment in Shares). Fractional shares held in the BPCL Trust for fractional shares were sold, and proceeds were distributed to the Shareholders.

Dematerialization of shares liquidity

After merger of KRL with BPCL, out of the shares held by the general public and available for trading, 98.59% are held in dematerialised form as on 31st March 2007.

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

Plant Locations

Mumbai Refinery	:	Bharat Petroleum Corporation Limited Mahul, Mumbai 400074
Kochi Refinery	:	Bharat Petroleum Corporation Limited Ambalamugal, Kochi 682302
Lubricant Plants	:	Bharat Petroleum Corporation Limited Wadilube Installation, Mallet Road, Mumbai – 400009
		Bharat Petroleum Corporation Limited 24, Parganas, Budge – Budge 743319
		Bharat Petroleum Corporation Limited 35, Vaidyanatha Mudali street, Tondiarpet,Chennai-600081.

Address for Correspondence

The Secretarial Department Bharat Petroleum Corporation Ltd Bharat Bhavan No.I, 4th Floor, Ballard Estate, Mumbai - 400 001 Tel No. : 022 – 2271 3435 2271 3437 Fax No.: 022 – 2271 3688 Email : ssc@bharatpetroleum.in	General Manager (Operations), Data Software Research Co. Pvt. Ltd. 'Sree Sovereign Complex', 22, 4th Cross Street Trustpuram, Kodambakkam, Chennai, Tamil Nadu - 600024 Ph: +91-44-24833738 / 24834487 Fax: 91-44-2483 4636 Email : dsrcmd@vsnl.com

Annexure I

Market Price Data : Prices of BPCL Shares traded on the Major Stock Exchanges

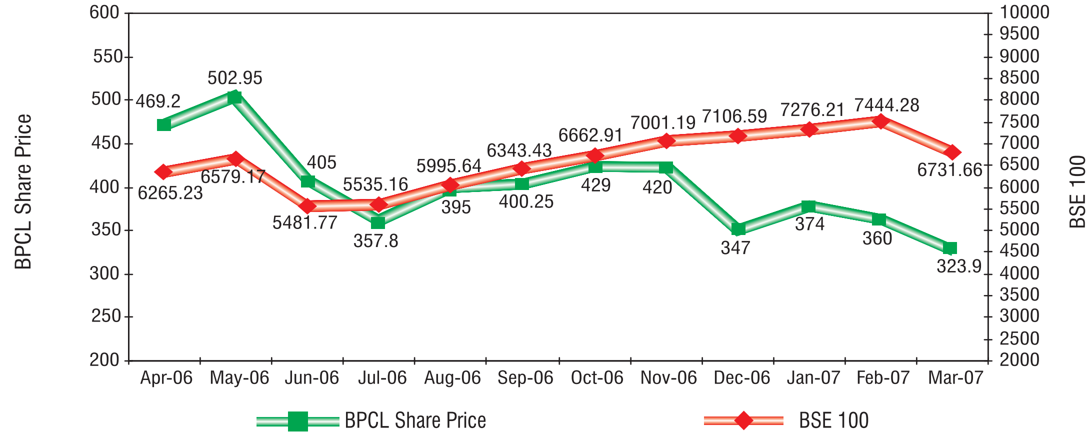
Month(s) (April 2006-March 2007)	Mumbai Stock Exchange 2006-07			National Stock Exchange 2006-07		
	High (Rs. per Share)	Low (Rs. per Share)	Monthly Volume	High (Rs. per Share)	Low (Rs. per Share)	Monthly Volume
April	469.20	422.00	912412	474.00	410.15	3883308
May	**502.95**	333.00	1830811	**505.00**	350.10	7476631
June	405.00	291.00	1124900	404.00	291.00	5500747
July	357.80	298.15	1311922	360.00	298.00	3690525
August	395.00	301.00	3427628	394.70	301.10	11242737
September	400.25	353.10	4570029	400.00	360.55	18544293
October	420.00	367.10	4192809	420.90	367.20	14199680
November	420.00	360.00	2885777	418.35	342.50	13843393
December	347.00	312.00	2896736	351.00	313.05	13922548
January	374.00	332.15	2987049	374.80	331.60	10923893
February	360.00	301.00	1428132	359.95	293.00	7039166
March	323.90	**287.05**	2686101	358.80	**281.85**	10418780

Shares traded during 1st April 2006 to 31st March 2007

	BSE	**NSE**
No of Shares traded	30254306	120685701
Highest Share Price	502.95	505.00
Lowest Share Price	287.05	281.85
Closing Share price as on 31st March 2007	302.25	303.00
Market Capitalisation as on 31st March 2007	Rs.109,276 million	Rs.109,547 million

Annexure II

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

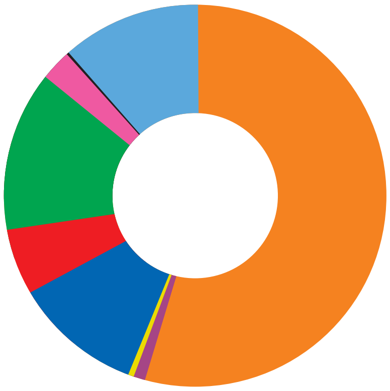


Annexure III

Distribution of Shareholding as on 31st March, 2007

No. of Equity Shares held				No. of Shareholders	No of Shares	% of Total
Upto	5000			97674	12958466	3.58
From	5001	-	10000	110	783086	0.22
From	10001	-	50000	127	2722879	0.75
From	50001	-	100000	30	2214407	0.61
From	100001	-	500000	70	17373608	4.81
From	500001	-	1000000	15	10212159	2.82
From	1000001	-	2000000	8	11675684	3.23
From	2000001	-	3000000	5	12756040	3.53
From	3000001	&	above	9	290845795	80.45
TOTAL				98048	361542124	100.00

SHAREHOLDING PATTERN OF BPCL AS ON 31st MARCH 2007 (Percentage)



54.93% Government of India
0.86% Government of Kerala
0.12% Unit Trust of India
11.00% Life Insurance Corporation of India
5.45% Other Financial Institutions/Banks/Mutual Funds
13.12% Foreign Institutional Investors
1.33% Private Corporate Bodies
0.11% NRIs / Overseas Corporate Bodies
13.08% Others including clearing members

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, 2007, 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 : 27th July, 2007

ANNEXURE C

ANNUAL STATEMENT SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) AS ON 1ST JANUARY 2007 AND NUMBER OF APPOINTMENTS MADE DURING THE CALENDAR YEAR 2006

Name : BHARAT PETROLEUM CORPORATION LIMITED

Groups	Representation of SCs/STs/OBCs (As on 1st January 2007)				Number of appointments made during the calendar year 2006									
					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	4379	727	253	309	338	53	24	88	19	2	8	—	—	—
Group-B	3515	499	182	175	4	—	—	—	164	21	4	—	—	—
Group-C	3393	576	221	303	37	8	1	10	77	10	2	—	—	—
Group-D (Excluding Sweepers)	2583	509	157	281	30	3	1	10	—	—	—	—	—	—
Group-D (Sweepers)	75	47	3	7	—	—	—	—	—	—	—	—	—	—
Total	13945	2358	816	1075	409	64	26	108	260	33	14	—	—	—

ANNUAL STATEMENT SHOWING THE REPRESENTATION OF SCHEDULED CASTES (SC), SCHEDULED TRIBES (ST) AND OTHER BACKWARD CLASSES (OBC) IN VARIOUS GROUP 'A' SERVICES AS ON 1st JANUARY 2007 AND NUMBER OF APPOINTMENTS MADE IN THE SERVICE IN VARIOUS GRADES DURING THE CALENDAR YEAR 2006

Name of PSU : BHARAT PETROLEUM CORPORATION LIMITED

Pay Scale (in rupees)	Representation of SCs/STs/OBCs (As on 1st January 2007)				Number of appointments made during the calendar year 2006									
					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	947	170	74	148	338	53	24	88	19	2	8	—	—	—
13750-18750	1206	202	82	120	—	—	—	—	31	5	4	—	—	—
16000-20800	916	197	63	38	—	—	—	—	22	4	—	—	—	—
17500-22300	640	108	26	2	—	—	—	—	14	4	1	—	—	—
18500-23900	330	33	5	1	—	—	—	—	5	1	—	—	—	—
19000-24750	175	7	2	—	—	—	—	—	3	—	—	—	—	—
19500 & above	165	10	1	—	—	—	—	—	2	—	—	—	—	—
TOTAL	4379	727	253	309	338	53	24	88	96	16	13	—	—	—

ANNEXURE D

ADDENDUM

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA U/S 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHARAT PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH, 2007	The preparation of financial statements of Bharat Petroleum Corporation Limited for the year ended 31 March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 24 May 2007. I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Bharat Petroleum Corporation Limited for the year ended 31 March 2007. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

For and on the behalf of the Comptroller and Auditor General of India

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

Mumbai
4th July 2007

PERFORMANCE PROFILE

		2006-07	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	**13465**	11584	5093	4543	3230	3587	2743	2546	1731	1222
	Indigenous	**6317**	5653	4045	4214	5481	5183	5919	6323	7205	6720
	TOTAL	**19782**	17237	9138	8757	8711	8770	8662	8869	8936	7942
2.	**Production Quantity (000 KL)**	**22243**	19795	10314	10210	10291	10355	10348	10643	10861	9648
	Light Distillates %	**28.09**	31.97	31.35	33.27	34.32	33.51	34.74	32.69	34.85	34.47
	Middle Distillates %	**53.34**	50.43	49.89	49.13	50.73	50.45	49.43	53.45	53.90	54.29
	Heavy Ends %	**18.57**	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**	**6.6**	6.7	5.9	5.7	5.6	5.6	5.4	4.9	4.5	4.8
4.	**Aromatics Production (MT)**										
	Benzene	**103585**	61335	44243	43178	69798	56360	75293	76351	70496	57169
	Toluene	**39544**	43051	10042	12759	20013	16610	16344	19569	16990	18664
5.	**Market Sales (MMT)**	**23.45**	21.63	21.03	20.37	19.86	19.15	19.35	18.68	17.50	16.37
6.	**Lubricants Production (MT)**	**116337**	100461	106287	101245	112730	99875	96624	100396	102684	86951
7.	**Market Participation %**	**22.6**	22.4	21.9	22.1	22.0	21.5	21.4	20.7	20.6	20.5
8.	**Marketing Network**										
	Installations	**12**	12	12	12	17	19	19	19	16	16
	Depots	**121**	121	123	129	153	171	164	146	131	128
	Aviation Service Stations	**21**	20	19	19	19	19	19	19	16	15
	Total Tankages (Million KL)	**3.27**	3.01	3.05	3.08	3.13	3.23	2.94	2.88	2.72	2.30
	Retail Outlets	**7537**	7332	6426	5530	4854	4711	4562	4489	4423	4407
	LPG Bottling Plants	**48**	45	44	42	40	40	38	32	27	21
	LPG Distributors	**2129**	2123	2061	1922	1828	1729	1421	1345	1200	1179
	LPG Customers (No. Million)	**23.51**	22.24	21.32	19.43	16.99	15.28	13.80	11.40	9.11	8.03
9.	**Manpower (Nos.)**	**13970**	13876	12029	12434	12494	12586	12670	12638	12264	12094
10.	**Sales and Earnings (Figures in Rs. Million)**										
	i) Sales and Other Income *	**1024083**	829345	633430	529828	475844	425597	471532	358911	258299	209187
	ii) Gross Profit before Depreciation, Interest & Tax	**41491**	14226	20922	33016	27204	21144	20332	17377	15568	12143
	iii) Depreciation	**9041**	7680	5960	5612	4809	4810	6645	6154	4040	3824
	iv) Interest	**4774**	2474	1398	1050	2459	3066	2556	1854	1745	1122
	v) Profit before Tax	**27676**	4072	13563	26355	19935	13268	11131	9369	9783	7197
	vi) Tax	**9553**	1166	4271	9284	7281	4911	2930	2330	2770	1870
	vii) Excess/(Short) provision for Taxation in earlier years written back/provided for	**(68)**	10	366	(125)	(154)	141	126	(22)	48	(113)
	viii) Profit after Tax #	**18055**	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.)

	2006-07	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)	**203099**	185450	140174	125657	109351	97222	88235	76295	62228	50463
ii) Net Fixed Assets (including Capital Work-in-Progress)	**118334**	110855	83487	74535	63662	56016	51663	45916	37886	30050
iii) Net Current Assets (including Investments and Advance for Investments)	**106520**	77834	28904	19083	24136	29434	30712	14958	9004	9832
Total Assets Net (ii + iii)	**224854**	188689	112391	93618	87798	85450	82375	60874	46890	39882
12. What the Company Owed (Rs. Million)										
i) Share Capital	**3615**	3615	3000	3000	3000	3000	3000	1500	1500	1500
ii) Reserves and Surplus	**99120**	87779	60884	55497	44474	36974	37794	33447	28718	23738
iii) Net Worth (i +ii)	**102735**	91394	63884	58497	47474	39974	40794	34947	30218	25238
iv) Borrowings	**108293**	83736	38817	26897	32859	38487	41581	25927	16672	14644
v) Deferred Tax Liability (net)	**13826**	13559	9690	8224	7465	6989	—	—	—	—
Total Funds Employed (iii + iv + v)	**224854**	188689	112391	93618	87798	85450	82375	60874	46890	39882
13. Internal Generation (Rs. Million)	**22177**	10614	12820	17399	12763	10998	12306	10894	8990	8227
14. Value Added (Rs. Million)	**79553**	47808	48766	57743	52031	43716	41448	36925	30018	24447
15. Earnings in Foreign Exchange (Rs. Million)	**55851**	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	**3.8**	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	**18.6**	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	**499.4**	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	**2685.0**	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	**19.2**	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	**12.8**	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)	**8.3**	1.6	9.8	21.3	16.0	10.5	10.9	12.5	17.4	14.6
viii) Debt Equity Ratio	**1.05**	0.92	0.61	0.46	0.69	0.96	1.02	0.7	0.6	0.6
17. Earnings per Share (Rupees)#	**49.94**	8.07	32.19	56.49	41.67	28.33	27.76*	46.78	47.07	34.76
18. Book Value per Share (Rupees)	**284.19**	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: The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

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

	2006-07	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*	**18055**	2916	9658	16946	12500	8498	8326	7017	7061	5214	4076
Capital Grants received / (reversed) (Net of amortisation)	**(10)**	31	—	—	—	—	—	—	—	—	—
Depreciation	**10560**	7706	5966	5618	4785	4829	6459	6165	4011	3838	2251
Investment	—	—	2998	1292	2332	—	—	231	5139	—	—
Shareholders' Investment	—	—	—	—	—	—	—	—	—	—	—
Deferred Tax Provision	**268**	1025	1466	758	477	971	—	—	—	—	—
BORROWINGS											
Loans (net)	**24556**	37147	11919	—	—	—	15655	9254	2029	1036	8364
LPG Deposits	**1544**	1502	1702	2381	1827	1981	3847	3449	1683	2473	1205
Decrease in Working Capital	**13825**	—	—	1379	1138	8618	—	—	—	7746	—
Adjustment on account of Deletion/ Re-classification, etc.	**44**	73	170	34	63	59	141	28	17	25	18
	68842	50400	33879	28409	23123	24956	34428	26144	19940	20332	15914
APPLICATION OF FUNDS											
Capital Expenditure	**18083**	20091	15087	16525	12494	9241	12347	14223	11865	11151	7091
Dividend	**5785**	904	3750	5250	4500	3300	2250	1875	1875	750	495
Tax on distributed profits	**919**	127	520	673	500	—	230	413	206	75	49
Repayment of Loans (net)	—	—	—	5961	5629	3094	—	—	—	—	—
Investment	**44055**	27882	—	—	—	9321	8638	—	—	8356	790
Increase in Working Capital	—	1396	14522	—	—	—	10963	9633	5994	—	7489
	68842	50400	33879	28409	23123	24956	34428	26144	19940	20332	15914

* After adjusting prior period tax

Note : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

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)

	2006-07		2005-06		2004-05		2003-04		2002-03	
	Sales	**Market Share (%)**	Sales	Market Share (%)	Sales	Market Share (%)	Sales	Market Share (%)	Sales	Market Share (%)
Light Distillates :										
Naphtha	**1136**	**22.2**	1307	25.4	1047	16.0	1373	19.4	1263	17.2
LPG (Bulk & Packed)	**2734**	**26.3**	2586	26.1	2593	26.1	2329	25.6	2030	24.9
Motor Spirit	**2635**	**29.9**	2475	30.0	2460	30.0	2453	30.9	2384	31.3
Special Boiling Point Spirit/Hexane	**35**	**27.2**	36	17.5	24	16.9	30	19.0	34	38.2
Benzene	**101**	**98.5**	59	88.5	48	53.2	46	52.9	66	55.0
Toluene	**40**	**89.4**	44	92.6	11	20.3	8	20.7	19	30.2
Polypropylene Feedstock	**46**		38		49		17		5	
Regasified - LNG	**679**		479		250		—		—	
Others	**167**		122		79		51		26	
Sub Total	**7573**		7146		6561		6307		5827	
Middle Distillates :										
Aviation Turbine Fuel	**880**	**21.9**	680	20.6	587	20.6	566	22.5	517	22.4
Superior Kerosene Oil	**1643**	**17.1**	1626	16.9	1619	16.8	1614	16.7	1656	16.6
High Speed Diesel	**9922**	**24.4**	8551	23.5	9112	23.9	9023	24.3	8853	24.1
Light Diesel Oil	**113**	**15.7**	156	18.7	158	14.5	146	12.3	181	12.6
Mineral Turpentine Oil	**113**	**59.9**	124	61.9	85	36.8	93	41.7	101	42.1
Others					7		21		17	
Sub Total	**12671**		11137		11568		11463		11325	
Others :										
Furnace Oil	**1923**	**23.6**	1944	23.7	1671	20.7	1366	19.1	1331	19.6
Low Sulphur Heavy Stock	**585**	**17.5**	753	19.3	708	16.2	741	16.1	801	17.0
Bitumen	**490**	**12.8**	480	13.8	387	11.7	371	10.9	444	15.8
Lubricants	**133**	**14.6**	116	13.0	117	14.1	111	12.6	117	12.3
Others	**77**		54		14		10		11	
Sub Total	**3208**		3347		2897		2599		2704	
Grand Total	**23452**	**22.63**	21630	22.37	21026	21.92	20369	22.07	19856	22.0

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

Note 2 : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

PRODUCTION ('000 MT)

	2006-07	2005-06	2004-05	2003-04	2002-03
Light Distillates :					
Naphtha	**1810**	1957	1125	1106	1072
LPG	**822**	739	359	367	377
Motor Spirit	**1856**	1632	929	878	901
Special Boiling Point Spirit/Hexane	**37**	44	24	30	31
Benzene	**104**	61	44	43	70
Toluene	**40**	43	10	13	20
Polypropylene Feedstock	**46**	38	48	16	7
Others	**3**	3	0	5	7
Sub Total	**4718**	4517	2539	2458	2485
Middle Distillates :					
Aviation Turbine Fuel	**706**	536	329	336	298
Superior Kerosene Oil	**1745**	1551	772	762	807
High Speed Diesel	**6939**	5785	2828	2746	2824
Light Diesel Oil	**151**	165	164	132	199
Mineral Turpentine Oil	**115**	128	85	92	105
Lube Oil Base Stock	**105**	0	0	0	0
Sub Total	**9762**	8165	4178	4068	4233
Heavy Ends :					
Furnace Oil	**2871**	2209	1041	990	608
Low Sulphur Heavy Stock	**569**	706	518	455	522
Sulphur	**71**	48	15	10	12
Bitumen	**481**	439	307	278	361
Sub Total	**3993**	3402	1881	1733	1503
Grand Total	**18472**	16084	8598	8259	8221

Lubricants Production (MT)

	2006-07	2005-06	2004-05	2003-04	2002-03
	116337	100461	106287	101245	112730

Quantity of LPG Filled in Cylinders (MT)

	2006-07	2005-06	2004-05	2003-04	2002-03
	2444639	2322096	2330185	2111173	1871631

Note : The figures for the years 2005-06 and onwards are merged figures including erstwhile KRL.

HOW VALUE IS GENERATED

Rs. Million

	2006-07	2005-06
Value of Production (Refinery)	**480028**	360813
Less : Direct Materials Consumed	**(421430)**	(323189)
Added Value	**58598**	37624
Marketing Operations	**20945**	33652
Value added by Manufacturing & Trading Operations	**79543**	71276
Add : Other Income and prior period items	**6129**	4819
Total Value Generated	**85672**	76095

HOW VALUE IS DISTRIBUTED

Rs. Million

		2006-07		2005-06
1. OPERATIONS				
Operating & Service Costs		**34154**		29585
2. EMPLOYEES' BENEFITS				
Salaries, Wages & Bonus	**7561**		6529	
Other Benefits	**2476**	**10037**	2287	8816
3. PROVIDERS OF CAPITAL				
Interest on Borrowings	**4774**		2474	
Dividend	**6703**	**11477**	1031	3505
4. INCOME TAX		**9354**		130
5. RE-INVESTMENT IN BUSINESS				
Depreciation	**9041**		7680	
Deferred Tax	**268**		1025	
Retained Profit	**11341**	**20650**	25354	34059
Total Value Distributed		**85672**		76095

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, 2007 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 Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

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

   (v) On the basis of written representations received from the Directors, other than Government nominee Directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. The Department of Company Affairs vide their General Circular No.8/2002 dated 22nd March, 2002 have clarified that Government nominated Directors are exempted from the provision of Section 274(1)(g) of the Companies Act, 1956;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes and the significant accounting policies thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

   (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;

   (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 : 24th May, 2007.

ANNEXURE TO AUDITORS' REPORT

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

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for items like pipes, valves, meters, instruments and other similar items peculiar to a continuous process industry.

(b) We are informed that fixed assets, other than LPG cylinders with customers, are verified by the Marketing Division over a two-year period and by the Refineries 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.

(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.

(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.

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, 2007, 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 Rs. Million)

Nature of 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 Duty	1995 to 2000	8.20	-	188.91	24.37	51.30	-	-	272.77
	2000 to 2005	-	-	93.84	96.29	56.13	-	-	246.26
Customs Duty Total		**8.20**	**-**	**282.76**	**120.66**	**107.42**	**-**	**-**	**519.03**
Excise Duty	1985 to 1990	-	-	0.66	-	-	-	-	0.66
	1990 to 1995	-	-	3.38	2.87	-	-	-	6.25
	1995 to 2000	7.38	-	119.67	110.44	-	-	-	237.49
	2000 to 2005	-	-	10,309.73	53.60	-	17.75	8.31	10,389.39
	2005 to 2007	-	-	1,072.08	33.28	-	1.40	-	1,106.76
Excise Duty Total		**7.38**	**-**	**11,505.53**	**200.18**	**-**	**19.16**	**8.31**	**11,740.55**
Sales Tax	1980 to 1985	-	0.37	0.92	-	-	-	-	1.29
	1985 to 1990	-	25.14	57.20	2.04	7.96	0.19	-	92.52
	1990 to 1995	-	134.08	95.48	72.11	381.29	-	-	682.97
	1995 to 2000	-	3.18	2,878.25	6,378.97	676.65	-	-	9,937.05
	2000 to 2005	-	877.38	56.90	5,224.82	542.75	-	-	6,701.85
	2005 to 2007	-	126,74	-	5.81	-	-	-	132.55
Sales Tax Total		**-**	**1,166.89**	**3,088.74**	**11,683.75**	**1,608.65**	**0.19**	**-**	**17,548.23**
Works Contract Tax	1990 to 1995	-	-	-	0.78	-	-	-	0.78
Works Contract Tax Total		**-**	**-**	**-**	**0.78**	**-**	**-**	**-**	**0.78**
Income Tax Act, 1961	1985 to 1990	-	44.13	-	-	-	-	-	44.13
	1990 to 1995	-	25.77	2.18	-	-	-	-	27.96
	1995 to 2000	-	-	-	13.52	-	-	-	13.52
	2000 to 2005	-	-	44.59	13.35	-	-	-	57.95
Income Tax Total		**-**	**69.90**	**46.78**	**26.88**	**-**	**-**	**-**	**143.56**
Land Revenue	1975 to 1980	-	0.29	-	-	-	-	-	0.29
	1980 to 1985	-	0.37	-	-	-	-	-	0.37
	1985 to 1990	-	1.40	-	-	-	-	-	1.40
	1990 to 1995	-	4.03	-	-	-	-	-	4.03
	1995 to 2000	-	5.19	-	-	-	-	-	5.19
	2000 to 2005	-	10.38	-	-	-	-	-	10.38
	2005 to 2007	-	5.44	-	-	-	-	-	5.44
Land Revenue Total		**-**	**27.08**	**-**	**-**	**-**	**-**	**-**	**27.08**
Municipal Tax	2000 to 2005	-	-	-	-	0.75	-	-	0.75
Municipal Tax Total		**-**	**-**	**-**	**-**	**0.75**	**-**	**-**	**0.75**
Property Tax	2005 to 2007	-	-	-	-	1.40	-	-	1.40
Property Tax Total		**-**	**-**	**-**	**-**	**1.40**	**-**	**-**	**1.40**
Grand Total		**15.58**	**1,263.88**	**14,923.80**	**12,032.25**	**1,718.62**	**19.35**	**8.31**	**29,981.39**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

xxi. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

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

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

Place : Mumbai
Dated : 24th May, 2007.

BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	Rs. Million	31/03/2006 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,615.42**	3,000.00
Share Capital Suspense Account	AA	**—**	615.42
Share Application Money Suspense Account		**0.02**	0.02
		3,615.44	3,615.44
Reserves and Surplus	B	**99,119.97**	87,778.83
		102,735.41	91,394.27
2. Loan funds :	C		
Secured Loans		**25,939.59**	30,713.17
Unsecured Loans		**82,352.76**	53,022.79
		108,292.35	83,735.96
3. Deferred tax liability (net)		**13,825.94**	13,558.41
TOTAL		**224,853.70**	188,688.64
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**194,575.77**	173,768.44
Less : Depreciation and amortisation		**(84,765.33)**	(74,594.79)
Net block		**109,810.44**	99,173.65
Capital work-in-progress	E	**8,523.43**	11,681.08
		118,333.87	110,854.73
2. Investments	F	**73,854.24**	38,774.20
3. Advance for Investments	FA	**9,094.77**	119.48
4. Current assets, loans and advances :			
Inventories	G	**86,612.59**	90,447.73
Sundry debtors	H	**15,187.34**	13,158.88
Cash and bank balances	I	**8,639.68**	4,920.96
Other current assets	J	**10,057.82**	7,735.90
Loans and advances	K	**15,840.19**	16,746.43
		136,337.62	133,009.90
Less : Current liabilities and provisions :			
Liabilities	L	**102,006.14**	88,944.81
Provisions	M	**10,760.66**	5,124.86
		112,766.80	94,069.67
Net current assets		**23,570.82**	38,940.23
TOTAL		**224,853.70**	188,688.64
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/-
N. VISWAKUMAR
Company Secretary

As per our attached report of even date

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

Sd/-
S. VENKATRAMAN
Partner
Membership No. 34319

Place : Mumbai
Dated : 24th May, 2007

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULE	Rs. Million	2005-06 Rs. Million
INCOME			
Sale of products & related income	N	**1,074,522.70**	851,496.22
Less: Excise Duty Paid		**(98,920.49)**	(81,136.98)
		975,602.21	770,359.24
Miscellaneous income	O	**7,332.19**	4,653.19
Increase/(Decrease) in Inventory	P	**2,054.45**	7,543.98
TOTAL		**984,988.85**	782,556.41
EXPENDITURE			
Purchase of products for resale		**463,904.37**	389,844.37
Raw materials consumed	Q	**422,033.36**	323,659.84
Packages consumed		**778.17**	669.87
Excise Duty on Inventory differential		**2,281.46**	2,207.07
Other Duties, taxes etc. and other charges applicable to products		**7,752.23**	12,819.18
Transportation		**18,758.02**	16,355.48
Consumption of stores, spares and materials	R	**736.01**	439.82
Power and Fuel	S	**666.44**	477.15
Employees' remuneration and other benefits	T	**10,036.99**	8,816.09
Interest	U	**4,773.52**	2,474.14
Other operating and administration expenses	V	**15,347.68**	13,207.33
Depreciation and amortisation		**9,041.12**	7,680.06
TOTAL		**956,109.37**	778,650.40
Profit		**28,879.48**	3,906.01
Prior period income/(expenses) net	W	**(1,203.04)**	165.94
Profit before tax		**27,676.44**	4,071.95
Provision for Taxation			
- Current Tax		**9,168.50**	246.40
- Less: MAT Credit		**—**	(240.00)
- Fringe Benefit Tax		**117.30**	133.82
- Deferred Tax (Net)		**267.53**	1,025.34
Excess/(Short) provision for Taxation in earlier years written back/provided for		**(68.36)**	10.07
Profit after tax		**18,054.75**	2,916.46
Transfer from / (to) Debenture Redemption Reserve		**4,450.00**	(1,890.00)
Balance brought forward		**26,829.10**	6,281.74
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		**49,333.85**	28,151.38
Appropriations:			
Interim dividend paid		**2,169.25**	—
Proposed dividend		**3,615.42**	903.86
Corporate Dividend Tax on interim and proposed dividend		**918.68**	126.77
		6,703.35	1,030.63
Transfer to General Reserve		**42,630.49**	291.65
Balance Carried to Balance Sheet		**0.01**	26,829.10
Earnings per Share			
- Basic		**49.94**	8.07
- Diluted		**49.94**	8.07
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/-
N. VISWAKUMAR
Company Secretary

Place : Mumbai
Dated : 24th May, 2007

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	31/03/2006 Rs. Million
Authorised		
450,000,000 equity shares of Rs.10 each	**4,500.00**	4,500.00
	4,500.00	4,500.00
Issued, subscribed and paid-up		
361,542,124 (previous year 300,000,000) equity shares of Rs.10 each fully paid-up *	**3,615.42**	3,000.00
Total	**3,615.42**	3,000.00

* Includes :

i) 22,950,000 equity 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) 277,000,000 equity shares of Rs. 10 each allotted as fully paid bonus shares by capitalisation of Capital Reserve and General Reserve.

iii) 61,542,124 equity shares of Rs. 10 each issued as fully paid-up to the Shareholders of erstwhile Kochi Refineries Limited as per the Scheme of Amalgamation.

SCHEDULE 'AA' — SHARE CAPITAL SUSPENSE ACCOUNT

	Rs. Million	31/03/2006 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. (since issued)	—	615.42
Total	—	615.42

SCHEDULE 'B' — RESERVES AND SURPLUS

	Rs. Million	31/03/2006 Rs. Million
Capital Reserve		
As per last Balance Sheet	**161.80**	7.72
Add/(Less) : Grant received/(reversed) during the year	**(9.24)**	31.18
Less : Amortisation of Capital Grant	**(1.02)**	(0.42)
Add : Transferred on Amalgamation	**—**	123.32
	151.54	161.80
Debenture Redemption Reserve		
As per last Balance Sheet	**4,450.00**	2,560.00
Less: Transfer to Profit & Loss Account	**(4,450.00)**	—
Add : Transfer from Profit & Loss Account	**—**	1,890.00
	—	4,450.00
General Reserve		
As per last Balance Sheet	**56,337.93**	52,034.80
Add : Transferred on Amalgamation:		
(i) Balance as at 1st April 2004	**—**	2,400.08
(ii) Surplus on Amalgamation	**—**	769.28
	—	3,169.36
(iii) From Profit & Loss Account in 2004-05	**—**	842.12
	—	4,011.48
Add : Transfer from Profit & Loss Account	**42,630.49**	291.65
	98,968.42	56,337.93
Surplus as per Profit & Loss Account	**0.01**	26,829.10
Total	**99,119.97**	87,778.83

SCHEDULE ‘C’ — LOAN FUNDS

	Rs. Million	31/03/2006 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
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)	**17,134.32**	17,573.53
Collateralised Borrowing and Lending Obligation (CBLO) through Clearing Corporation of India Limited	**8,660.00**	8,650.00
[Secured by Oil Marketing Companies GOI Special Bonds of **Rs. 17,453.90 million** (previous year Rs. 14,440.60 million)]		
Interest accrued and due	**145.27**	39.64
	25,939.59	30,713.17
Unsecured Loans		
Syndicated Loans from various banks (repayable in foreign currency) [Due for repayment within one year **Rs. Nil** (previous year Rs. Nil)]	**13,148.81**	4,539.44
Public deposits	**626.11**	970.34
[Due for repayment within one year **Rs. 313.98 million** (previous year Rs. 351.63 million)]		
Short Term (From Banks)		
Rupee Loans	**36,440.00**	22,740.00
Foreign Currency Loans	**24,456.44**	18,242.61
OIDB		
[Due for repayment within one year **Rs. 1,149.00 million** (previous year Rs. 1,149.00 million)]	**7,681.40**	6,530.40
	82,352.76	53,022.79
Total	**108,292.35**	83,735.96

* Call option exercised on 1st June 2006.

SCHEDULE 'D' — FIXED ASSETS

Rs. Million

PARTICULARS	GROSS BLOCK					DEPRECIATION AND AMORTISATION					NET BLOCK	
	AS AT 01-04-2006	ASSETS TRANSFERRED ON AMALGAMATION	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFI-CATIONS	**AS AT 31-03-2007**	UPTO 31-03-2006	DEPRECIATION TRANSFERRED ON AMALGAMATION	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFI-CATIONS	**UPTO 31-03-2007**	**AS AT 31-03-2007**	AS AT 31-03-2006
(1)	(2)	(3)	(4)	(5)	**(6)**	(7)	(8)	(9)	(10)	**(11)**	**(12)**	(13)
1. LAND												
(a) Freehold	3,436.94	-	216.34	35.90	**3,617.38**	-	-	-	-	**-**	**3,617.38**	3,436.94
(b) Leasehold	836.79	-	11.16	(0.24)	**848.19**	116.46	-	17.16	0.26	**133.36**	**714.83**	720.33
2. BUILDINGS	28,722.58	-	3,508.51	148.19	**32,082.90**	3,166.50	-	670.74	29.53	**3,807.71**	**28,275.19**	25,556.08
3. RAILWAY SIDINGS	2,035.26	-	126.98	0.43	**2,161.81**	802.07	-	103.38	0.28	**905.17**	**1,256.64**	1,233.19
4. PLANT and MACHINERY	58,529.03	-	4,438.16	209.03	**62,758.16**	19,852.24	-	3,201.49	(194.65)	**23,248.38**	**39,509.78**	38,676.79
5. TANKS and PIPELINES	26,089.11	-	6,962.00	29.31	**33,021.80**	11,321.87	-	2,942.20	10.41	**14,253.66**	**18,768.14**	14,767.24
6. FURNITURE and FITTINGS	1,100.56	-	171.10	(28.13)	**1,299.79**	468.79	-	107.96	9.67	**567.08**	**732.71**	631.77
7. VEHICLES	1,103.76	-	59.16	(4.33)	**1,167.25**	576.50	-	101.76	13.61	**664.65**	**502.60**	527.26
8. OTHER ASSETS												
(a) Dispensing Pumps	8,795.76	-	2,133.59	11.93	**10,917.42**	1,878.35	-	443.58	14.78	**2,307.15**	**8,610.27**	6,917.41
(b) LPG Cylinders and Allied Equipment	30,882.69	-	1,802.92	59.75	**32,625.86**	30,882.69	-	1,802.92	59.75	**32,625.86**	**-**	-
(c) Sundries	11,824.51	-	1,807.04	226.60	**13,404.95**	5,392.50	-	1,138.26	494.75	**6,036.01**	**7,368.94**	6,432.01
9. INTANGIBLE ASSETS (refer note 20 of Schedule 'X' B)	411.45	-	258.81	-	**670.26**	136.82	-	79.48	-	**216.30**	**453.96**	274.63
TOTAL	**173,768.44**	**-**	**21,495.77**	**688.44**	**194,575.77**	**74,594.79**	**-**	**10,608.93**	**438.39**	**84,765.33**	**109,810.44**	**99,173.65**
PREVIOUS YEAR	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

NOTES:-

1) Land :-
   a) Freehold land includes **Rs. 375.20 million** (previous year Rs. 381.71 million) with more than 99 years lease period.
   b) Freehold land includes **Rs. 805.70 million** (previous year Rs. 783.20 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. 6.00 million** (previous year Rs. 6.00 million), Net Block **Rs. 4.97 million** (previous year Rs. 5.03 million).
   d) Freehold land includes **Rs. 21.27 million** (previous year Rs. 21.27 million) which is in the process of being surrendered to competent authority.
   e) Freehold land includes **Rs. 42.70 million** (previous year Rs. 50.33 million) in respect of which mutation is pending.
2) Buildings include :-
   a) Ownership flats of **Rs. 147.41 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. 314.05 million** (previous year Rs. 324.79 million), Net Block **Rs. 300.90 million** (previous year Rs. 315.43 million).
3) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned in varying extent with other Oil Companies / Railways :- Gross Block **Rs. 1,788.30 million** (previous year Rs. 1,699.08 million), Cumulative Depreciation **Rs. 586.74 million** (previous year Rs. 502.33 million), Net Block **Rs. 1,201.56 million** (previous year Rs. 1,196.75 million).
4) Buildings, Plant & Machinery and Sundries includes **Rs. 128.25 million** (previous year Rs. 128.25 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. 9.58 million** (previous year Rs. 10.46 million).
5) Deduction from Gross Block (column 5) includes :-
   a) Write back of excess capitalisation of **Rs. 254.53 million** (previous year Rs. 99.48 million).
   b) Deletions during the year **Rs. 433.91 million** (previous year Rs. 572.96 million).
6) Depreciation for the year (column 9) includes :-
   a) Charged to Profit & Loss account **Rs. 9,041.12 million** (previous year Rs. 7,680.06 million).
   b) Charged to Prior Period expenses **Rs. 1,565.78 million** (previous year Rs. 26.97 million).
   c) Charged to Capital Work-in-Progress **Rs. 2.03 million** (previous year Rs. 3.35 million).
7) Deductions from depreciation (column 10) includes withdrawal of depreciation :-
   a) On excess capitalisation **Rs. 18.92 million** (previous year Rs. 4.82 million).
   b) On deletion during the year **Rs. 389.59 million** (previous year Rs. 499.77 million).
   c) On reclassification of assets **Rs. 29.88 million** (previous year Rs. Nil)
8) Gross Block includes **Rs. 213.82 million** (previous year Rs. 104.63 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. 109.07 million** (previous year Rs. 47.24 million).

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS

		31/03/2006	Rs. Million	31/03/2006 Rs. Million
Capital work-in-progress (at Cost)				
Work-in-progress			**6,158.40**	7,837.80
Capital Advances (Unsecured, Considered good)			**527.89**	290.96
Capital stores including lying with contractors			**1,398.79**	2,295.61
Capital goods in transit			**56.52**	864.49
Intangible assets pending amortisation (refer note 20 of Schedule 'X'-B)			**1.67**	43.23
Construction period expenses		31/03/2006		
Opening balance	**348.99**	777.99		
Add: Transferred on Amalgamation	**—**	118.06		
	348.99	896.05		
Add : **Expenditure during the year**				
Establishment charges	**94.42**	137.96		
Interest	**171.10**	142.85		
Depreciation	**2.03**	3.35		
Others	**186.68**	102.04		
	803.22	1,282.25		
Less : Allocated to assets during the year	**(423.06)**	(933.26)		
Balance pending allocation at the end of the year			**380.16**	348.99
Total			**8,523.43**	11,681.08

SCHEDULE 'F' — INVESTMENTS

		No.	Face Value Rs. Million	Book Value Rs. Million	Book Value 31/03/2006 Rs. Million
	CURRENT				
	IN GOVERNMENT SECURITIES				
	NON TRADE - QUOTED				
1.	6.96% Oil Marketing Companies GOI Special Bonds 2009		**370.00**	**370.00**	370.00
2.	7.00% Oil Marketing Companies GOI Special Bonds 2012		**13,083.90**	**13,083.90**	13,083.90
3.	7.47% Oil Marketing Companies GOI Special Bonds 2012		**4,000.00**	**4,000.00**	4,000.00
4.	7.61% Oil Marketing Companies GOI Special Bonds 2015		**8.10**	**8.10**	3,008.10
5.	7.07% Oil Marketing Companies GOI Special Bonds 2009		**—**	**—**	4,000.00
6.	7.44% Oil Marketing Companies GOI Special Bonds 2012		**—**	**—**	4,000.00
7.	7.59% Oil Marketing Companies GOI Special Bonds 2015		**23.10**	**23.10**	2,623.10
8.	8.13% Oil Marketing Companies GOI Special Bonds 2021		**8,733.00**	**8,733.00**	—
9.	7.75% Oil Marketing Companies GOI Special Bonds 2021		**11,350.00**	**11,350.00**	—
10.	8.01% Oil Marketing Companies GOI Special Bonds 2023		**9,410.00**	**9,410.00**	—
11.	8.20% Oil Marketing Companies GOI Special Bonds 2024		**10,400.30**	**10,400.30**	—
12.	8.40% Oil Marketing Companies GOI Special Bonds 2026		**9,968.70**	**9,968.70**	—
				67,347.10	31,085.10
	Less : Provision for diminution in value of investment				
	in 6.96% Oil Marketing Companies GOI Special Bonds 2009			**(8.82)**	(2.37)
	in 7.00% Oil Marketing Companies GOI Special Bonds 2012			**(510.52)**	(257.75)
	in 7.47% Oil Marketing Companies GOI Special Bonds 2012			**(62.28)**	—
	in 7.61% Oil Marketing Companies GOI Special Bonds 2015			**(0.39)**	—
	in 7.59% Oil Marketing Companies GOI Special Bonds 2015			**(1.14)**	—
	in 8.13% Oil Marketing Companies GOI Special Bonds 2021			**(131.00)**	—
	in 7.75% Oil Marketing Companies GOI Special Bonds 2021			**(392.19)**	—
	in 8.01% Oil Marketing Companies GOI Special Bonds 2023			**(142.92)**	—
				(1,249.26)	(260.12)
				66,097.84	30,824.98
	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	31/03/2006 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	**10,500,000** (5,250,000)	**105.00**	**105.00**	52.50
5.	Equity Shares of Rs.10 each (fully paid up) of Petronet CCK Limited	**49,000,000** (49,000,000)	**490.00**	**490.00**	490.00
6.	Equity Shares of Rs.10 each (fully paid up) of Petronet CI Limited	**1,584,000** (451,000)	**15.84**	**15.84**	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
9.	Equity Shares of Rs.10 each (fully paid up) of Central UP Gas Limited	**1,347,500** (-)	**134.75**	**134.75**	—
10.	Equity Shares of Premier Oil Cachar B.V. Face value of Euro 453.78 each (fully paid up)	**40** (-)	**1.04**	**1.04**	—
11.	Equity Shares of Rs.10 each (fully paid up) of Sabarmati Gas Limited	**12,500** (-)	**0.13**	**0.13**	—
12.	Equity Shares of Rs.10 each (fully paid up) of Maharashtra Natural Gas Limited	**12,500** (-)	**0.13**	**0.13**	—
				3,285.39	3,085.51
	Less : Provision for diminution in value of investment				
	in Petroleum Infrastructure Limited			**(75.00)**	(75.00)
	in Petronet CI Limited			**(15.84)**	(4.51)
	in Petronet India Limited			**(160.00)**	—
	in Petronet CCK Limited			**(234.95)**	—
	in VI e Trans Private Limited			**(1.00)**	—
				(486.79)	(79.51)
				2,798.60	3,006.00

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

SCHEDULE 'F' — INVESTMENTS (CONTD.)

		No.	Face Value Rs. Million	Book Value Rs. Million	31/03/2006 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 Limited	**6** (6)	**0.01**	**0.02**	0.02
3.	Shares of Kochi Refineries Employees Consumer Co-operative Society Limited (Fully paid up)	**500** (500)		*	*
				0.08	0.08
	IN SUBSIDIARY COMPANIES				
	UNQUOTED				
1.	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
2.	Equity Shares of Rs.10 each (fully paid up) of Bharat PetroResources Limited	**49,940** (-)	**0.50**	**0.50**	-
				4,632.39	4,631.89
	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 2006 (31st March 2005)			**235.20**	221.12
				236.20	222.12
	Member Companies ##				
	Bharat Petroleum Corporation Limited				
	Bongaigaon Refinery & Petrochemicals Limited				
	Engineers India Limited				
	Hindustan Petroleum Corporation Limited				
	IBP Company Limited				
	Indian Oil Corporation Limited				
	Indian Petrochemicals Corporation Limited				
	Chennai Petroleum Corporation Limited				
	Oil and Natural Gas Corporation Limited				
	Total			**73,854.24**	38,774.20

* 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. 6,364.77 million** (Rs. 6,557.59 million).
Aggregate value of Quoted Securities **Rs. 67,489.47 million** (Rs. 32,216.61 million).
Market value of Quoted Securities **Rs. 73,692.97 million** (Rs. 40,735.04 million).

SCHEDULE 'FA' — ADVANCE FOR INVESTMENTS

		Rs. Million	31/03/2006 Rs. Million
1.	**SHARE APPLICATION MONEY/ADVANCE TOWARDS EQUITY PENDING ALLOTMENT**		
	Central UP Gas Limited	**0.25**	112.25
	Maharashtra Natural Gas Limited	**50.00**	7.23
	Bharat PetroResources Limited	**24.52**	—
	Sabarmati Gas Limited	**20.00**	—
	Petronet CI Limited	**—**	11.33
		94.77	130.81
	Less : Provision towards share application pending allotment	**—**	(11.33)
		—	(11.33)
		94.77	119.48
2.	**DEBENTURE APPLICATION MONEY PENDING ALLOTMENT**		
	Bharat Oman Refineries Limited	**9,000.00**	—
	Total	**9,094.77**	119.48

SCHEDULE 'G' — INVENTORIES

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

	Rs. Million	31/03/2006 Rs. Million
Stores and spares	**1,149.10**	1,475.36
[including in transit **Rs. 12.95 million** (previous year Rs. 89.62 million)]		
Raw materials	**14,574.71**	20,116.55
[including in transit **Rs. 4,236.61 million** (previous year Rs. 5,712.44 million)]		
Stock in process	**4,790.01**	4,634.23
Finished products	**66,061.92**	64,163.25
[including in transit **Rs. 0.10 million** (previous year Rs. Nil)]		
Packages	**36.85**	58.34
Total	**86,612.59**	90,447.73

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

SCHEDULE 'H' — SUNDRY DEBTORS

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2006 Rs. Million
Debts outstanding for over six months :		
Considered good *	**2,494.84**	1,017.72
Considered doubtful	**1,834.15**	1,688.32
	4,328.99	2,706.04
Other debts	**12,692.50**	12,141.16
	17,021.49	14,847.20
Less : Provision for doubtful debts	**(1,834.15)**	(1,688.32)
Total	**15,187.34**	13,158.88

* Includes **Rs. 48.77 million** (previous year Rs. 7.10 million) which are secured.

SCHEDULE ‘I’ — CASH AND BANK BALANCES

	Rs. Million	31/03/2006 Rs. Million
Cash on Hand	**4,088.91**	2,309.54
[Includes drafts and cheques on hand of **Rs. 3,890.65 million** (previous year Rs. 2,158.67 million)]		
With Scheduled banks :		
In current accounts	**4,440.38**	2,456.28
In deposit accounts*	**9.14**	9.09
Remittances in transit	**101.25**	146.05
Total	**8,639.68**	4,920.96

* Includes deposit of

(a) **Rs. 0.04 million** (previous year 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	31/03/2006 Rs. Million
Interest accrued on investments	**1,046.93**	110.48
Interest accrued on bank deposits	**0.53**	0.53
Deferred premium (foreign exchange forward contract)	**2,419.34**	1,033.87
Others [refer note 5(b) of Schedule ‘X’-B]	**6,591.02**	6,591.02
Total	**10,057.82**	7,735.90

SCHEDULE 'K' — LOANS AND ADVANCES

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2006 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less : Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**6,317.63**	6,215.49
Loans:		
To companies		
Considered good	**—**	31.96
Considered doubtful	**62.37**	28.08
Less : Provision for doubtful loans	**(62.37)**	(28.08)
To others	**308.63**	249.44
Advances:		
Advances recoverable in cash, or in kind or for value to be received	**2,781.44**	2,623.96
Advances considered doubtful	**16.83**	15.85
Less : Provision for doubtful advances	**(16.83)**	(15.85)
	9,407.70	9,120.85
Material given on Loan (Secured)	**4.64**	4.64
Less : Deposits Received	**(4.64)**	(4.64)
Dues from Petroleum Planning & Analysis Cell - Government of India	**145.89**	321.88
Claims :		
Considered good	**2,997.81**	2,953.31
Considered doubtful	**578.11**	211.99
Less : Provision for doubtful claims	**(578.11)**	(211.99)
	2,997.81	2,953.31
Advance Income Tax (Net of provision for taxation)	**1,648.19**	3,303.23
MAT Credit Entitlement	**—**	240.00
Deposits :		
With Customs/Excise/Port Trust etc.	**995.65**	401.70
Others**	**644.95**	405.46
	1,640.60	807.16
Considered doubtful	**0.19**	0.19
Less: Provision for doubtful deposits	**(0.19)**	(0.19)
	1,640.60	807.16
Total	**15,840.19**	16,746.43

* Includes :

Dues from Officers : **Rs. 42.07 million** (previous year Rs. 34.62 million)

Maximum balances : **Rs. 51.15 million** (previous year Rs. 40.69 million)

Dues from Directors : **Rs. 0.83 million** (previous year Rs. 0.41 million)

Maximum balances : **Rs. 0.91 million** (previous year Rs. 1.25 million)

** Includes **Rs. 82.68 million** (previous year Rs. 78.98 million) alongwith interest of **Rs. 83.96 million** (previous year Rs. 81.98 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES

		31/03/2006	Rs. Million	31/03/2006 Rs. Million
Current Liabilities :				
Sundry creditors				
Total outstanding dues to Small Scale Industries (SSI's)	**222.02**	159.43		
Total outstanding dues to creditors other than SSI's	**59,365.05**	48,635.68	**59,587.07**	48,795.11
Due to Subsidiaries			**1,633.29**	2,146.78
Materials taken on loan	**0.04**	0.05		
Less : Deposits given	**(0.04)**	(0.05)	**—**	—
Deposits from Customers			**84.94**	68.29
Deposits for Containers			**28,744.26**	27,199.98
Advance received towards sale of investments			**377.13**	—
Investors Education & Protection Fund shall be credited by the following amount*				
Unclaimed Dividend			**33.05**	31.60
Unclaimed Deposits			**9.10**	13.00
Unclaimed Interest on Deposits			**1.67**	1.82
Other liabilities			**11,349.61**	10,245.71
Interest on loans (accrued but not due)			**186.02**	442.52
Total			**102,006.14**	88,944.81

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

SCHEDULE 'M' — PROVISIONS

	Rs. Million	31/03/2006 Rs. Million
Provision for Taxation (Net of Tax paid)	**2,717.85**	967.48
Proposed dividend	**3,615.42**	903.86
Corporate Dividend Tax on proposed dividend	**614.44**	126.77
Provision for retirement benefits	**3,812.95**	3,126.75
Total	**10,760.66**	5,124.86

SCHEDULE 'N' — SALE OF PRODUCTS

	Rs. Million	2005-06 Rs. Million
Sales	**1,016,750.34**	824,691.91
Subsidy on LPG (Domestic) & SKO (PDS)	**5,293.36**	5,151.67
Receipt of Oil Marketing Companies GOI Special Bonds (refer note 4 of Schedule 'X'-B)	**52,479.00**	21,631.20
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**—**	21.44
Total	**1,074,522.70**	851,496.22

SCHEDULE 'O' — MISCELLANEOUS INCOME

		2005-06
	Rs. Million	Rs. Million
Interest on bank deposits and others *	**722.42**	333.16
Tax deducted at source - **Rs. 56.64 million** (previous year Rs. 13.48 million)		
Income from Investments		
Current		
Interest on Oil Marketing Companies GOI Special Bonds	**2,873.04**	645.12
Dividend	**4.07**	—
Long Term		
Interest	**16.83**	0.55
Dividend		
from subsidiaries	**880.06**	1,037.86
from others	**84.00**	80.61
From AOP (Petroleum India International)	**36.58**	20.58
Write back (net)	**6.36**	2.05
Profit on sale/write off of fixed assets (net)	**—**	35.07
Other income #	**2,708.83**	2,498.19
Tax deducted at source - **Rs. 40.97 million** (previous year Rs. 31.03 million)		
Total	**7,332.19**	4,653.19

* Includes interest received from Income tax authorities **Rs. 280.47 million** (previous year Rs. 18.82 million).

Includes amortisation of capital grants **Rs 1.02 million** (previous year Rs 0.42 million).

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

		31/03/2006	**Rs. Million**	2005-06 Rs. Million
Value of closing stock of				
Finished goods	**66,061.92**	64,163.25		
Stock in process	**4,790.01**	4,634.23	**70,851.93**	68,797.48
			70,851.93	68,797.48
Less :				
Value of opening stock of				
Finished goods	**64,163.25**	52,393.26		
Add: Transferred on Amalgamation	**—**	5,014.97		
	64,163.25	57,408.23		
Stock in process	**4,634.23**	1,324.53		
Add: Transferred on Amalgamation	**—**	2,520.74		
	4,634.23	3,845.27	**68,797.48**	61,253.50
Total			**2,054.45**	7,543.98

SCHEDULE 'Q' — RAW MATERIALS CONSUMED

		2005-06
	Rs. Million	Rs. Million
Opening Stock	**20,116.55**	8,287.67
Add: Transferred on Amalgamation	**—**	5,682.22
Add : Purchases	**416,491.52**	329,806.50
Less: Closing Stock	**(14,574.71)**	(20,116.55)
Total	**422,033.36**	323,659.84

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

	Rs. Million	2005-06 Rs. Million
Stores, spares and materials	**1,768.61**	1,286.19
Less : Charged to other revenue accounts	**(1,032.60)**	(846.37)
Total	**736.01**	439.82

SCHEDULE 'S' — POWER AND FUEL

	Rs. Million	2005-06 Rs. Million
Power and Fuel	**20,750.72**	16,722.85
Less: Consumption of fuel out of own production	**(20,084.28)**	(16,245.70)
Total	**666.44**	477.15

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS

	Rs. Million	2005-06 Rs. Million
Salaries and wages*	**7,560.96**	6,529.27
Contribution to provident fund and other funds	**892.51**	562.63
Contribution to gratuity fund	**135.44**	161.45
Welfare expenses	**1,448.08**	1,562.74
Total	**10,036.99**	8,816.09

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

SCHEDULE 'U' — INTEREST

	Rs. Million	2005-06 Rs. Million
On Bonds	**73.91**	442.28
On Fixed Loans	**1,265.43**	633.70
Others	**3,434.18**	1,398.16
Total	**4,773.52**	2,474.14

SCHEDULE 'V' - OTHER OPERATING AND ADMINISTRATION EXPENSES

	Rs. Million	2005-06 Rs. Million
Repairs and maintenance :		
Machinery	**2,434.32**	2,052.68
Building	**202.08**	166.32
Others	**869.64**	847.42
	3,506.04	3,066.42
Insurance	**270.76**	345.32
Rent	**1,461.95**	1,123.71
Rates and taxes	**373.92**	377.36
Charities and donations	**15.70**	5.66
Remuneration to auditors	**2.72**	2.76
Utilities	**845.19**	755.09
Write off :		
Bad debts and Claims	**0.47**	19.48
Less : Provision made earlier	**—**	(2.65)
Others	**157.39**	6.59
Less : Provision made earlier	**(51.56)**	—
Provision for :		
Doubtful debts and advances	**547.22**	353.35
Diminution in value of investments	**1,385.09**	260.12
Charges paid to other oil companies	**571.00**	667.45
Travelling and conveyance	**935.53**	868.52
Telephone, Telex, Cables, Postage etc.	**246.13**	237.61
Loss on sale/maturity of Investments (net)	**421.69**	4.70
Loss on sale / write off of fixed assets (net)	**9.20**	—
Brokerage on Public Deposit	**0.16**	2.09
Other expenses	**4,649.08**	5,113.75
Total	**15,347.68**	13,207.33

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

	Rs. Million	2005-06 Rs. Million
Sale of products	**144.54**	(65.46)
Miscellaneous Income	**(6.58)**	65.39
Purchase of product for resale	**69.49**	106.69
Raw Materials Consumed	**65.89**	5.67
Duties taxes etc. and other product charges	**(5.97)**	74.09
Transportation	**39.42**	(2.30)
Consumption of stores spares and materials	**(11.41)**	2.85
Rent, Rates & Taxes	**(16.93)**	0.31
Employees' remuneration and other benefits	**—**	(3.70)
Other operating and administration expenses	**37.85**	23.26
Interest	**(2.36)**	(18.38)
Depreciation	**(1,516.98)**	(22.48)
Total	**(1,203.04)**	165.94

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007

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

5. BORROWING COSTS

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

6. DEPRECIATION

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

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

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

6.4 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 are valued at cost. Cost is determined as follows:

8.1.1 Raw materials on weighted average cost.

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

8.3 Stores are valued at weighted average cost. Obsolete stores and slow moving stores/ other materials 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 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. CLASSIFICATION OF INCOME/EXPENSES

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

12.2 Being not material:

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

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

12.2.3 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.

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

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

13. RETIREMENT BENEFITS

13.1 Contribution to Provident Fund is charged to revenue.

13.2 Gratuity, leave encashment and other retirement benefits are provided for in the accounts based on actuarial valuation as at the end of the year.

14. DUTIES ON BONDED STOCKS

14.1 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.

14.2 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.

15. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

15.1 Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction.

15.2 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.

15.3 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.

15.4 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.

16. GOVERNMENT GRANTS

16.1 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.

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

17. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

17.1 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.

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

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

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

18. TAXES ON INCOME

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

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

19. OIL & GAS EXPLORATION ACTIVITIES

19.1 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

19.2 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) Change In Accounting Policy

Determination of cost of inventory

During the year 2006-07 the Corporation has changed the method of determination of cost of inventories from 'FIFO' to 'Weighted Average' in respect of crude oil and finished products (except lubricants which were being valued at Weighted Average). This has resulted in reduction in value of inventory of crude oil by Rs.56.01 million and finished products including intermediates by Rs.443.63 million with consequential reduction in profits for the year by Rs. 499.64 million.

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 asset debited to Profit during the year is **Rs.267.53 million** (previous year Rs.1,025.34 million). The year end position of Deferred Tax Liability and Asset is given below:

Rs. Million

	31-3-2007	31-3-2006
DEFERRED TAX LIABILITY		
Depreciation	**16,765.46**	15,702.37
Other Timing differences	**42.09**	16.42
Total	**16,807.55**	15,718.79
DEFERRED TAX ASSET		
Provisions for doubtful debts/ claims/ investments	**1,437.35**	799.18
Disallowed u/s 43B of Income Tax Act, 1961	**1,488.25**	813.65
Expenditure on Voluntary Retirement Scheme	**56.01**	82.39
Unabsorbed Depreciation	—	445.55
Other Timing differences	—	19.61
Total	**2,981.61**	2,160.38
Net Deferred Tax Liability	**13,825.94**	13,558.41

3) 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. 37,137.43 million** (previous year Rs. 30,209.22 million) discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) **Rs. 7,484.62 million** (previous year Rs. 5,609.73 million) discounts received on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

4) In lieu of the under-recoveries on sale of LPG (Domestic) and SKO (PDS) during 2006-07, the Corporation has received Oil Marketing Companies GOI Special Bonds amounting to **Rs. 52,479.00 million** (previous year Rs.21,631.20 million) from the Government of India during the year and the same has been treated as income.

5) In accordance with the sanctioned Scheme of Amalgamation (the Scheme) of the erstwhile subsidiary Kochi Refineries Limited (KRL) with the Corporation

a) 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) during 2005-06.

b) The equity shares held by the Corporation in the erstwhile KRL has been transferred to a trust for the benefit of the Corporation during 2006-07. The equity shares 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.

One shareholder of the erstwhile KRL has challenged the amalgamation before the Delhi High Court that is pending adjudication.

The income distributed by the trust during the year 2006-07 amounting to **Rs.286.69 million** (previous year Rs. Nil) has been included in 'Other income' in Schedule 'O' – Miscellaneous 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. It is assumed that suitable mechanism would be in place, in line with earlier/ current year(s), to provide compensation towards under-recoveries of margin, if any, on account of sale of MS, HSD, LPG (Dom) and SKO (PDS) in subsequent years. Hence, 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 2007. 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.6.50 million** (previous year Rs. 6.40 million) towards wealth tax.

8) During the year 2006-07, extra shift depreciation has been charged on certain pipelines with retrospective effect. The additional depreciation on account of this for the period till March 2006 amounting to Rs. 1,285.76 million has been included in 'Depreciation' in Schedule 'W' – Prior Period Income/(Expenses) (Net).

9) 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.

10) 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.

11) 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.

12) Earnings per share

		2006-07	2005-06
Profit after Tax	Rs. Million	**18,054.75**	2,916.46
Weighted average shares outstanding during the year			
(a) Number of Shares	Million nos.	**361.54**	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**	361.54
Basic earnings per share	Rs.	**49.94**	8.07
Diluted earnings per share	Rs.	**49.94**	8.07

SCHEDULE 'X' — (CONTD.)

13) Pending finalisation of the revision in salary of workmen at Mumbai Refinery and all Management staff w.e.f. 1st January 2007, the additional liability arising from such revision is unascertainable and hence no provision towards the same has been made in the accounts.

14) The Corporation has entered into upstream activities relating to Exploration and Production (Hydrocarbon). During the year the Corporation has formed a 100% subsidiary viz. Bharat PetroResources Limited (BPRL) to carry out the Exploration and Production activities. The Board of BPCL has approved transfer of the Exploration and Production assets, liabilities and investments along with the commitments and expenditures through the assignment of BPCL's participating interests in Production Sharing Contract (PSC) to BPRL. Pending consent/ approval of the PSC consortium members/ Government, towards assignment of the participating interests to BPRL, no adjustments have been made in the accounts for the year ended 31st March 2007.

In compliance with 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 2007			Year ended 31st March 2006		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue	**978,317.40**	—	**978,317.40**	772,894.55	—	772,894.55
Inter Segment Revenue	—	—	—	—	—	—
Total Revenue	**978,317.40**	—	**978,317.40**	772,894.55	—	772,894.55
Result						
Segment Results	**30,034.85**	**(395.11)**	**29,639.74**	4,838.41	(145.38)	4,693.03
Unallocated Corporate Expenses	—	—	—	—	—	—
Operating profit	**30,034.85**	**(395.11)**	**29,639.74**	4,838.41	(145.38)	4,693.03
Add:						
Interest / Dividend Income			**4,617.00**			2,117.88
Less:						
Interest Expenditure			**4,773.52**			2,474.14
Loss on sale / maturity of Investments			**421.69**			4.70
Diminution in value of Investments			**1,385.09**			260.12
Income Tax (including deferred Tax)			**9,621.69**			1,155.49
Profit after Tax			**18,054.75**			2,916.46
Other Information						
Segment Assets	**246,431.56**	**0.72**	**246,432.28**	233,730.38	—	233,730.38
Unallocated Corporate Assets			**91,188.22**			49,027.93
Total Assets			**337,620.50**			282,758.31
Segment Laibilities	**102,006.14**	—	**102,006.14**	88,883.43	61.38	88,944.81
Unallocated Corporate Liabilities			**132,878.95**			102,419.23
Total Liabilities			**234,885.09**			191,364.04
Capital Expenditure	**18,338.12**	—	**18,338.12**	20,190.84	—	20,190.84
Depreciation/ Amortisation	**9,041.12**	—	**9,041.12**	7,680.06	—	7,680.06
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, Accel Icim Frontline Limited, Acme Fabrik Plast Co., Acme Soap Works, Acoustics India Pvt Ltd, Akshay LPG Valves, Altaas Traders, Altime Power Systems Pvt.Ltd., Amarsingh & Sons Pvt.Ltd., Aqua Chemicals & Systems (Mfg.) Ltd, Balaji Asbestos, Balaji Electrical Engg Works, Bangalore Spemach Pvt. Ltd., Blow Packaging (India)Limited, BSJ Shau Manufacturers (India), C.S. Diesel Engg. Pvt. Ltd., Chandawat Udyog Cyls.Ltd., Chandra Engg. & Mech. Pvt Ltd., Chemtrols Engg.Ltd., Chennai Valves, Chhabi Electricals Pvt. Ltd., Commercial Supplying Agency, Crescent Valves Mfg.Co.Pvt. Ltd., Cylinvalve Industries, Daya Lubricants Pvt. Ltd., Deepthi Ads, Del Pd Pumps And Gears (P) Ltd., Delta Corporation, Dembla Valves Pvt. Ltd., De's Technico, Dessma Engg Pvt Ltd., Detection Instruments (I) P. Ltd., Dil Udyog Electronics Pvt. Ltd., Divya Constructions, Eby Fastners, Electronics & Controls Power, Elgin Process Equipment Pvt. Ltd., Elite Engineers, Emerson Process Management, Encon (India), Evergreen Engg. Co.Ltd., Explotech (India), FCG Power Industries P. Ltd., Featherlite Office Systems (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, Genlite Engineering, Georgeson Industrial Works, Global Engineers, Global Gas Cylinders Ltd., Gluck (I) Mfg. Co., Goel Power Systems, Goldstar Polymers Ltd., Goodrich Gasket Private Limited, Grand Prix Fab (P) Ltd., Gratex Industries Ltd., Gujarat Gas Equips. Pvt Ltd., Gujarat Infrapipes Pvt Ltd., Gunnebo India Limited., Gurunanak Engineering Works, H.Guru Instruments (S.I.) P.Ltd, Hi Rel Electronics Ltd., Hindustan Closures, Hi-Teck Engineering And Eco, Hyd-Air Engineering Works, Hyderabad Cylinders Pvt Ltd, ICP (India) Private Limited, IGA Tech Industrial Electronics, IGP Engineers Pvt. Ltd., Industrial Carbon Pvt. Ltd., Industrial Control & Appliance Ltd., Inmarco Industries Private Limited, International Cylinders Pvt Ltd., Jesmajo Indtl.Fabrications - Karnat, Jindal Forging Pvt. Ltd., Jorss Rubber Polymers, Joseph Leslie Drager Manufacturing, Kanyaka Parameshwari Engg. Pvt Ltd., Karnataka Pressure Vessels (Pvt.)Lt, Kartik Steels Limited, Kayees Lubes Private Ltd, Konark Cylinders & Containers(P)Ltd, Kunj Forgings, Kunthara Industries, Lalit Pipes & Pipes Limited, Lama Enterprises, Laraon Engineers & Consultants, Lunar Engineering Work Work, M Techno Engg (India) Pvt Ltd, M.Veeraiah, Madras Industrial Product, Mahaveer Cylinders Ltd., Mas Sealing Systems (P) Ltd., Max Engineering, Meerut Packaging Industries, Mercantile & Industrial, Metal Forge (India), Metcraft Engg Corporation, Mikroflo Filters (P) Ltd., Minar Prefab Pvt. Ltd., Mipa Electronic & Electrical Co, Multitex Filteration Engineers, Nagardas Kanji Shah, Nagman Instruments & Electronics, New Age Hose Manufacturing Co., New Fire Engineers, Newage Industries, Nirma Pipes & Fittings Industries, Nitin Fire Protection Industries, North Bengal Refrigeration, Nucon Zander (India) Pvt Ltd, Om D Signs, P.Obul Reddy & Sons, Padavi Engineers & Pressure Vessels, Pall India Private Limited, Paramount Forge, Parmar Technoforge, Paws Pest Aways, PCP Chemicals Pvt. Ltd, Peedee Tiles, Pennant Engg. (P) Ltd., Pipe Supports India Private Limited, Piping & Energy Products Pvt.Ltd., Placka Instruments India Pvt. Ltd, Plastic Processers, Plastools, Pratima Industries Pvt Ltd., Premier Grinders & Packers Pvt.Ltd., Premier Packagings Pvt.Ltd, Presidency Rubber Mills Pvt. Ltd., R.K.Metal & Plastic Pvt. Ltd., R.M. Cylinders (P) Ltd, Ravat Engg. Works, Ravi Techno System Pvt. Ltd., Rubicon Leather Industries, S.S.Industrial Corporation, Safess Quality Management Pvt Ltd, Safety Services, Sahuwala Cylinders Ltd., Sai Construction, Sainest Tubes Pvt. Ltd., Sangeetha Engineering Works, Sanghvi Cylinders Ltd., SDN.Prasad, Shemil Laboratories, Shreyas Instruments Private Ltd., Shri Sainath Enterprises, Shri Shakti Cyls Pvt Ltd., Shrisrini Tecreaators, Siepmann'S Card Systems Pvt. Ltd., Sign And Display Systems, Southern Cylinders Pvt Ltd., Special Steel Components Corp, Spiraseal Gaskets Private Limited, Sridhar Engineering And Rubber, Standard Castings Pvt.Ltd., Starflex Sealing India Pvt. Ltd., Sudershan Cylinder Industries, Super Fire Engineering Pvt. Ltd., Super Gasket Industries, Super Precast & Granites, Superflow Filters Pvt. Ltd., Supreme lectroplast Industries, Swelore Engg Pvt. Ltd, Syndicate Engineering Industries., T&D Galiakot Containers Pvt. Ltd., Taurian Tubes, Teekay Tubes Pvt. Ltd., Texel India, The Coimbatore Combustion Equipment, The Punjab Steel Works, Tip Top Packaging, Triangle Simulation P. Ltd., Tribotech, Tube Bend (Calcutta) Pvt. Ltd., Unique Ceramic Industries, Universal Instruments Mfg. Co Pvt L, Varall Engineers, Verny Containers Private Limited, Victory Signarts, Vidarbha Gas Vessels Pvt Ltd, Vijay Sabre Safety Ltd., Vimal Fire Controls Pvt. Ltd., Vishvakarma Forging Ind. Pvt. Ltd, Vitco Tiles, Voltamp Transformers Limited, Vyara Tiles Pvt. Ltd., Waaree Instruments Ltd., Wadia Body Builders, Zenith Fire Services (India) Pvt Limited.

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

16) The Corporation has not received any intimation from the "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and therefore no disclosure as required under the said Act is being made.

17) In compliance with 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 others as follows:

Name	**Participating Interest of BPCL**	
	31/03/2007	31/03/2006
IN INDIA		
Under NELP – IV Block		
KG/DWN/2002/1	**10.00%**	10.00%
MN/DWN/2002/1	**10.00%**	10.00%
CY/ONN/2002/2	**40.00%**	40.00%
Under NELP – VI Block		
KG/DWN/2004/2	**10.00%**	—
KG/DWN/2004/5	**10.00%**	—
CY/ONN/2004/1	**20.00%**	—
CY/ONN/2004/2	**20.00%**	—
RJ/ONN/2004/1	**10.00%**	—
OUTSIDE INDIA		
Block No 56- Oman	**12.50%**	—
WA/388/P- Australia	**20.00%**	—
JPDA 06/103- Timor/Australia	**25.00%**	—
AC/P32- Australia	**20.00%**	—
48/1b & 2c – North Sea	**25.00%**	—

b) Jointly controlled entities:

	Country of Incorporation	**Percentage of ownership interest as on 31/03/2007**	Percentage of ownership interest as on 31/03/2006
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
Petroleum Infrastructure 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**	22.50
Sabarmati Gas Limited	India	**22.50**	—
Premier Oil Cachar B.V.	Netherlands	**50.00**	—

Company under liquidation

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

			(Rs. Million)
		31/03/2007	31/03/2006
(i)	Assets		
	- Long Term Assets	**8,230.24**	5,813.78
	- Investments	**996.74**	444.33
	- Current Assets	**5,617.95**	1,612.67
(ii)	Liabilities		
	- Loans (Secured & Unsecured)	**8,445.20**	3,165.25
	- Current Liabilities and Provisions	**1,526.23**	724.77
	- Deferred Tax	**362.46**	172.73
(iii)	Income	**10,748.71**	7,886.25
(iv)	Expenses	**10,045.99**	7,403.88
(v)	Contingent Liabilities	**241.24**	229.15
(vi)	Capital Commitments	**19,481.46**	2,875.66

18) 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 Private Limited, Petroleum Infrastructure Limited, Cochin International Airport Limited, Maharashtra Natural Gas Limited, Central UP Gas Limited, Sabarmati Gas Limited, Premier Oil Cachar B.V.
Key Management Personnel	:	M/s. Ashok Sinha (Chairman & Managing Director), S. A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), S. K. Joshi (Director Finance), R. K. Singh (Director Refineries)

Nature of Transactions

		Rs. Million
	2006-07	2005-06
a. Purchase of goods	**9,525.40**	4,060.86
b. Sale of goods	**4.92**	4.00
c. Rendering of Services	**7.64**	4.48
d. Receiving of Services	**359.84**	338.01
e. Interest Income	**131.58**	16.51
f. Dividend Received	**84.00**	68.25
g. Equity contribution	**139.30**	119.23
h. Advance for Investments	**9,000.00**	—

	2006-07	Rs. Million 2005-06
i. Loans and advances	**318.20**	297.60
j. Outstandings as on 31.3.2007		
- Receivables	**531.44**	421.69
- Payables	**44.05**	60.15
k. Management Contracts (Employees on deputation to JVC)	**58.39**	24.94
l. Lease Rentals	**2.19**	1.99

Key Management Personnel (Whole time directors)
Details of remuneration to directors are given in note 23 of Notes to Accounts.

19) DISCLOSURE AS REQUIRED BY CLAUSE 32 OF LISTING AGREEMENT

Rs. Million

	Balance as on		**Maximum amount outstanding during the year**	
	31/03/2007	31/03/2006	**2006-07**	2005-06
a) Loans and advances in the nature of loans to subsidiary company	**—**	—	**—**	—
b) Loans and advances in the nature of loans to associates	**—**	—	**—**	—
c) Loans and advances in the nature of loans where there is				
i) No repayment schedule or repayment beyond seven years				
- Petronet CCK Limited	**227.70**	142.70	**227.70**	142.70
ii) No interest or interest below section 372A of Companies Act	**—**	—	**—**	—
d) Loans and advances in the nature of loans to firms/ companies in which directors are interested				
- Bharat Oman Refineries Limited	**233.20**	284.38	**2,972.95**	284.38
- VI eTrans Private Limited	**21.00**	21.00	**21.00**	21.00
e) Investment by the loanee in the shares of BPCL and its subsidiary company	**—**	—	**—**	—

SCHEDULE 'X' — (CONTD.)

20. 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. Miilion

PARTICULARS	USEFUL LIFE	GROSS AMOUNT					AMORTISATION				NET AMOUNT	
	(NO. OF MONTHS)	AS AT 01-04-2006	ASSETS TRANS-FERRED ON AMAL-GAMATION	ADDITIONS	DELETIONS RE-CLASSI-FICATION	**AS AT 31-03-2007**	UPTO 31-03-2006	AMORTI-SATION TRANS-FERRED ON AMAL-GAMATION	THIS YEAR	**UPTO 31-03-2007**	**AS AT 31-03-2007**	AS AT 31-03-2006
(1)	(2)	(3)	(4)	(5)	(6)	**(7)**	(8)	(9)	(10)	**(11)**	**(12)**	(13)
1. RIGHT OF WAY	PERENNIAL	100.03	—	82.16	—	**182.19**	—	—	—	—	**182.19**	100.03
2. SOFTWARE	36	111.87	—	—	—	**111.87**	10472	—	7.15	**111.87**	—	7.15
3. SOFTWARE	60	48.34	—	—	—	**48.34**	9.67	—	9.67	**19.34**	**29.00**	38.67
4. DEVELOPMENT RIGHTS	60	14.97	—	—	—	**14.97**	3.74	—	2.99	**6.73**	**8.24**	11.23
5. PROCESS LICENSE	60	136.24	—	176.65	—	**312.89**	18.69	—	59.67	**78.36**	**234.53**	117.55
TOTAL		**411.45**	—	**258.81**	—	**670.26**	**136.82**	—	**79.48**	**216.30**	**453.96**	**274.63**
PREVIOUS YEAR		150.63	81.53	179.29	—	**411.45**	13.92	51.53	71.37	**136.82**	**274.63**	136.71

(b) Intangible assets pending amortisation*

Rs. Miilion

PARTICULARS	USEFUL LIFE	GROSS AMOUNT					AMORTISATION				NET AMOUNT	
	(NO. OF MONTHS)	AS AT 01-04-2006	ASSETS TRANS-FERRED ON AMAL-GAMATION	ADDITIONS	CAPITALI-SATIONS	**AS AT 31-03-2007**	UPTO 31-03-2006	AMORTI-SATION TRANS-FERRED ON AMAL-GAMATION	THIS YEAR	**UPTO 31-03-2007**	**AS AT 31-03-2007**	AS AT 31-03-2006
(1)	(2)	(3)	(4)	(5)	(6)	**(7)**	(8)	(9)	(10)	**(11)**	**(12)**	(13)
1. PROCESS LICENSE		43.23	—	—	43.23	—	—	—	—	—	—	43.23
2. SOFTWARE		—	—	1.67	—	**1.67**	—	—	—	—	**1.67**	—
TOTAL		**43.23**	—	**1.67**	**43.23**	**1.67**	—	—	—	—	**1.67**	**43.23**
PREVIOUS YEAR		69.63	—	—	26.40	**43.23**	—	—	—	—	**43.23**	69.63

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

Note : There are no internally generated Intangible Assets.

SCHEDULE 'X' — (CONTD.)

21. Capital Commitments and Contingent Liabilities :

		Rs. Million	31/03/2006 Rs. Million
21.1	**Capital Commitments :**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for	**7,798.08**	7,227.51
21.2	**Contingent Liabilities :**		
	(a) In respect of taxation matters of prior years	**249.34**	268.46
	(b) Other Matters :		
	i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,042.43**	1,317.45
	ii) Claims against the Corporation not acknowledged as debts :		
	(a) Excise and customs matters	**2,890.66**	1,834.79
	(b) Sales tax matters	**17,698.59**	10,886.53
	(c) Others	**6,216.90**	5,980.08
	These include **Rs. 2,976.43 million** (previous year Rs. 4,114.34 million) against which the Corporation has a recourse for recovery and **Rs. 2,414.88 million** (previous year Rs. 1,122.94 million) on capital account.		
	iii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	**10.24**	0.75

22. 22.1 The net amount of exchange difference debited to the Profit and Loss Account is **Rs. 360.46 million** (previous year debited Rs. 1,337.08 million)

22.2 The amount of exchange difference credited to the carrying cost of fixed assets is **Rs. 6.05 million** (previous year credited Rs. 3.06 million)

22.3 The exchange difference amounting to **Rs. 2,419.34 million** (previous year Rs. 1,033.87 million) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more subsequent accounting periods.

22.4 The Corporation has on the Balance Sheet date, outstanding forward contracts amounting to **USD 184.02 million** (previous year USD 132.23 million) to hedge the foreign currency exposure towards loans; this includes **USD 25 million** (previous year USD 25 million) in respect of long term 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 exposures as on 31.03.2007:

Exposure Type	**31/03/2007 USD Million**	31/03/2006 USD Million
Import of Crude oil	**465.58**	451.60
Buyers Credit Loan (Short Term)	**339.63**	254.78
ECB (Long Term)	**282.50**	82.50

SCHEDULE 'X' — (CONTD.)

22.5 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	1.10 million barrels

23. Managerial Remuneration :

	Rs. Million	2005-06 Rs. Million
Salary and allowances	**3.80**	2.29
Contributions to Provident Fund and other funds	**0.45**	0.50
Other benefits	**4.05**	2.33
	8.30	5.12

24. Remuneration to Auditors :

	Rs. Million	2005-06 Rs. Million
(a) Audit fees		
- Statutory Auditor	**1.55**	1.00
- Branch Auditor	—	0.35
(b) Fees for other services-certification.		
- Statutory Auditor	**1.11**	1.18
- Branch Auditor	—	0.15
(c) Reimbursement of out of pocket expenses		
- Statutory Auditor	**0.06**	0.06
- Branch Auditor	—	0.02
	2.72	2.76

25. 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** (19.50)	**19.78** (17.24)
(ii) Production in kilolitres (KL)			
Light distillates	—	—	**6,248,058** (6,017,617)
Middle distillates	—	—	**11,863,352** (9,983,289)
Others	—	—	**4,042,483** (3,436,741)

SCHEDULE 'X' — (CONTD.)

	Licensed Capacity	Installed Capacity	Actual Production
(b) Aromatics (in MT)			
(i) Benzene	**185,500**	**192,900**	**103,585**
	(185,500)	(192,900)	(61,335)
(ii) Toluene	**67,600**	**73,100**	**39,544**
	(67,600)	(73,100)	(43,051)
(iii) Mixed Aromatic Solvent	**15,000**	**15,000**	**—**
	(15,000)	(15,000)	—
(c) MTBE in M.T. *	**NA**	**30,000**	**18,564**
	(NA)	(30,000)	(23,837)
(d) New Solvent Unit			
(i) Solvent (SBP 55-115) in M.T.	**NA**	**40,000**	**3,077**
	(NA)	(40,000)	(5,378)
(ii) Solvent (Food Grade Hexane) in M.T.	**NA**	**25,000**	**27,633**
	(NA)	(25,000)	(30,462)
(e) Poly Proplyene Feedstock in M.T.	**NA**	**60,000**	**46,133**
	(NA)	(60,000)	(38,120)
(f) Lubricants in M.T.	**NA**	**181,000**	**116,337**
	(NA)	(181,000)	(100,461)
(g) Lube Oil Base Stock (LOBS) in M.T. **	**NA**	**180,000**	**104,905**
	(NA)	(NA)	(NA)
(h) Sulphur in M.T.	**NA**	**117,667**	**71,429**
	(41,000)	(117,667)	(47,533)
(i) Natural Rubber Modified Bitumen in M.T.	**NA**	**65,000**	**27,679**
	(65,000)	(65,000)	(31,574)
(j) Bitumen Emulsion (Single Shift) in M.T.	**50,000**	**27,600**	**1,791**
	(50,000)	(27,600)	(931)
(k) Diesel Additive (Single Shift) in M.T.	**5,000**	**1,500**	**—**
	(5,000)	(1,500)	—
(l) Propylene in M.T.	**65,000**	**15,000**	—
	(15,000)	(15,000)	—
(m) Petroleum Hydrocarbon Solvent in M.T.	**10,000**	**8,820**	**6,546**
	(10,000)	(8,820)	(7,461)
(n) Poly Iso Butene in M.T.	**5,000**	**5,000**	**3,098**
	(5,000)	(5,000)	(2,534)
(o) Cable Jelly (Poly Isobutene Unit) in M.T.	**6,500**	**2,500**	**—**
	(6,500)	(2,500)	—
(p) Others (Poly Isobutene Unit) in M.T.	**14,000**	**1,000**	**—**
	(14,000)	(1,000)	—

* MTBE is used for own manufacture of Motor Spirit.
** Production commenced from May 2006.

26. Raw materials consumed :

	Quantity KL	Quantity MT	Value Rs. Million
Crude Oil	—	**19,784,427**	**417,382.72**
		(17,221,007)	(319,646.42)
Base Oil	**67,695**	—	**2,719.98**
	(97,316)		(2,638.08)
Additive		**10,477**	**973.49**
		(8,454)	(660.46)
Ethanol	**20,499**		**526.39**
	(7,857)		(202.22)
Others	—	**12,183**	**430.78**
		(17,814)	(512.66)
			422,033.36
			(323,659.84)

SCHEDULE 'X' — (CONTD.)

27. Finished goods purchased, sold and stocked :

	Opening Stock		Purchases	
Petroleum Products	**Quantity MT**	**Value Rs. Million**	**Quantity MT**	**Value Rs. Million**
Light Distillates	**705,567**	**22,066.49**	**4,746,403**	**149,148.19**
	(610,713)	(19,047.30)	(4,448,049)	(132,217.02)
Middle Distillates	**1,337,455**	**36,105.12**	**8,774,546**	**310,229.46**
	(1,397,994)	(34,847.83)	(7,806,625)	(249,427.28)
Others	**281,065**	**4,839.05**	**179,514**	**3,154.58**
	(212,744)	(2,491.85)	(290,415)	(5,035.10)
Aromatics				
(a) Benzene	**4,521**	**170.19**	—	—
	(1,551)	(55.11)	—	—
(b) Toluene	**2,011**	**76.01**	—	—
	(2,603)	(86.71)	(8)	(0.38)
Lubricants	**15,803**	**904.65**	**7,875**	**393.56**
	(16,592)	(877.91)	(9,552)	(380.64)
Crude Oil	—	—	**72,495**	**1,289.48**
	—	—	(156,480)	(2,881.52)
Others (Grocery)	—	**1.75**	—	**12.41**
	—	(1.52)	—	(11.06)
		64,163.25		**464,227.68**
		(57,408.23)		(389,953.00)

	Sales		Closing Stock	
Petroleum Products	**Quantity MT**	**Value Rs. Million**	**Quantity MT**	**Value Rs. Million**
Light Distillates	**9,329,596**	**327,042.42**	**672,461**	**23,288.89**
	(8,862,926)	(284,259.63)	(705,567)	(22,066.49)
Middle Distillates	**18,328,911**	**603,361.54**	**1,286,349**	**35,012.96**
	(16,143,082)	(473,939.33)	(1,337,455)	(36,105.12)
Others	**4,078,024**	**72,000.26**	**318,614**	**5,055.41**
	(3,624,348)	(57,075.20)	(281,065)	(4,839.05)
Aromatics				
(a) Benzene	**105,838**	**5,393.46**	**2,271**	**94.77**
	(58,366)	(2,357.95)	(4,521)	(170.19)
(b) Toluene	**39,832**	**2,037.87**	**1,725**	**65.44**
	(43,602)	(1,733.27)	(2,011)	(76.01)
Lubricants	**132,573**	**10,904.17**	**54,832**	**2,542.92**
	(115,717)	(7,609.52)	(15,803)	(904.65)
Crude Oil	**72,495**	**1,289.48**	—	—
	(156,480)	(2,881.52)	—	—
Others (Grocery)	—	**14.50**	—	**1.53**
	—	(8.61)	—	(1.75)
		1,022,043.70		**66,061.92**
		(829,865.02)		(64,163.25)

(a) Purchases excludes inter product transfers.

(b) Purchases of petroleum products exclude payments to third parties for processing fees **Rs. 342.27 million** (previous year Rs. 229.63 million) but include own consumption and samples **Rs. 665.58 million** (previous year Rs.338.26 million).

(c) Sales exclude Oil Marketing Companies GOI Special Bonds worth **Rs.52,479.00 million** (previous year Rs.21,631.20 million) issued by Government of India.

SCHEDULE 'X' — (CONTD.)

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

		Rs. Million	2005-06 Rs. Million
(a)	Raw Materials (including crude oil)	**280,513.16**	222,368.44
(b)	Capital goods	**1,577.03**	1,151.75
(c)	Components and spare parts (including packages, chemicals and catalysts)	**404.96**	266.53

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

		Rs. Million	2005-06 Rs. Million
(a)	Purchase of products	**6,893.25**	11,208.20
(b)	Know-how	**4.24**	12.52
(c)	Professional Consultancy Fees	**109.56**	88.29
(d)	Royalty	**90.77**	135.66
(e)	Interest	**96.85**	157.44
(f)	Other matters	**3,529.21**	1,990.60

30. 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	**304,202.98**	**72.88**	**113,179.74**	**27.12**	**417,382.72**
	(231,123.10)	(72.31)	(88,523.32)	(27.69)	(319,646.42)
Base Oil	**43.82**	**1.61**	**2,676.16**	**98.39**	**2,719.98**
	(239.70)	(9.09)	(2,398.38)	(90.91)	(2,638.08)
Additive	**60.67**	**6.23**	**912.82**	**93.77**	**973.49**
	(49.89)	(7.55)	(610.58)	(92.45)	(660.46)
Ethanol	**—**	**—**	**526.39**	**100.00**	**526.39**
	—	—	(202.22)	(100.00)	(202.22)
Others	**148.80**	**34.54**	**281.98**	**65.46**	**430.78**
	(81.12)	(15.82)	(431.54)	(84.18)	(512.66)
Stores/Spare parts and Components (including	**302.00**	**11.86**	**2,244.78**	**88.14**	**2,546.78**
packages,chemicals & catalysts)	(266.92)	(14.45)	(1,580.85)	(85.55)	(1,847.78)

31. Earnings in foreign exchange :

	Rs. Million	2005-06 Rs. Million
Exports on own account #	**55,842.96**	42,856.39
Management contract	**8.36**	10.33

\# Includes receipt of **Rs. 6,460.48 million** (previous year Rs. 5,516.66 million) in Indian currency out of the repatriable funds of foreign airline customers and **Rs. 63.59 million** (previous year Rs. 81.44 million) of INR exports to Nepal and Bhutan. Includes **Rs.8,129.63 million** (previous year Rs.2,874.83 million) on CFR basis.

32. Expenditure on social overheads :

		Rs. Million	2005-06 Rs. Million
(a)	Expenditure on township [net of recovery **Rs.7.41 million** (previous year Rs.7.22 million)]	**18.02**	15.33
(b)	Medical facilities over and above statutory requirements	**4.60**	3.18
(c)	Social and cultural activities	**61.25**	73.74
(d)	Depreciation on capital assets	**13.29**	12.33

33. Profit and Loss Account includes expenditure on :

	Rs. Million	2005-06 Rs. Million
(a) Entertainment	**7.28**	5.75
(b) Public relations and publicity	**37.05**	45.58
(c) Remuneration to staff employed for public relations work	**15.52**	13.47

34. Research and development

	Rs. Million	2005-06 Rs. Million
(a) Revenue expenditure	**109.12**	121.68
(b) Capital expenditure	**75.05**	67.07

	Rs. Million	2005-06 Rs. Million
35. Value Added	**79 ,552.62**	47,807.86

36. 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) 2007 (Year)

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

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

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

	Total Liabilities: 337620.50	Total Assets: 337620.50
Sources of Funds (excluding deferred tax liability)	Paid-up Capital: 3615.44 #	Reserves & Surplus: 99119.97
	Secured Loans: 25939.59	Unsecured Loans: 82352.76

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

Application of Funds:	Net Fixed Assets: 118333.87 *	Investments: 82949.01
	Net Current Assets: 23570.82	Misc. Expenditure: NIL
	Accumulated Losses: NIL	

*Includes Capital work-in-progress

SCHEDULE 'X' — (CONTD.)

IV. Performance of Company (Rs. million)

Turnover	Total Expenditure
1081854.89 *	1054178.45
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
+ 27676.44	+ 18054.75
Earning per Share in Rs.	Dividend rate %
49.94	160

* 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.

37. 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/-
N. VISWAKUMAR
Company Secretary

Place : Mumbai
Dated : 24th May 2007

CASH FLOW STATEMENT

For the year ended 31st March	Notes	2007 Rs. Million	2006 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		**28,879.48**	3,906.01
Adjustments for :			
Depreciation		**9,041.12**	7,680.06
Interest paid		**4,773.52**	2,474.14
Foreign Exchange Fluctuations	Note 3	**(418.81)**	490.21
(Profit) / Loss on Sale of fixed assets		**9.20**	(35.07)
(Profit) / Loss on Sale of investments		**421.69**	4.70
Income from Investments		**(3,372.47)**	(666.25)
Dividend Received		**(964.06)**	(1,118.47)
Other Non-Cash items	Note 4	**2,040.55**	636.47
Operating Profit before Working Capital Changes		**40,410.22**	13,371.80
Invested in :			
Trade Receivables		**(2,541.93)**	6,099.56
Other receivables		**(3,724.91)**	18,329.83
Inventory		**3,729.31**	(14,037.92)
Current Liabilities & Payables		**13,988.66**	(8,663.46)
Cash generated from Operations		**51,861.35**	15,099.81
Direct Taxes paid		**(5,708.75)**	(1,638.39)
Cash flow before prior period items		**46,152.60**	13,461.42
Prior Period Items		**(1,203.04)**	165.94
Non Cash items		**1,516.98**	22.48
Net Cash from Operating Activities		**46,466.54**	13,649.84

CASH FLOW STATEMENT — (CONTD.)

For the year ended 31st March	Notes	**2007 Rs. Million**	2006 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets	Note 5	**(17,908.40)**	(19,945.49)
Sale of fixed assets		**35.12**	108.26
Capital Grant Received		**21.93**	—
Investment in Joint Venture Companies			
Petroleum India International		**—**	(6.60)
Central UP Gas Ltd.		**(22.75)**	—
Premier Oil Cachar BV		**(1.04)**	—
Sabarmati Gas Ltd.		**(0.13)**	—
Maharashtra Natural Gas Ltd.		**(0.13)**	—
Cochin Airport		**(52.50)**	—
Advance for Investments		**(8,706.36)**	(119.48)
Purchase of Investments		**(52,493.55)**	(34,715.10)
Sale of Investments		**15,795.31**	6,575.30
Income from Investment		**3,372.47**	666.25
Dividend Received		**964.06**	1,118.47
		(58,995.97)	(46,318.39)
C Net Cash Flow on Financing Activities			
Long term Borrowings		**(3,643.23)**	1,649.34
Repayment of loans		**8,799.67**	(2,105.78)
Interest paid		**(5,095.65)**	(2,646.76)
Interim Dividend Paid		**(2,169.25)**	—
Dividend Paid		**(902.41)**	(2,684.54)
Corporate Dividend Tax		**(431.01)**	(379.65)
Realised gains of exchange differences on foreign currency loans		**205.41**	(93.83)
Net Cash Flow on Financing Activities		**(3,236.47)**	(6,261.22)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		**(15,765.90)**	(38,929.77)

CASH FLOW STATEMENT — (CONTD.)

Cash and Cash equivalents as at 31st March	**2006 Rs. Million**	2005 Rs. Million
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)
Cash and Cash equivalents as at 31st March of erstwhile KRL consequent to amalgamation	**—**	(778.30)
	(62,285.18)	(23,355.41)
Cash and Cash equivalents as at 31st March	**2007**	2006
Cash in Hand	**4,088.91**	2,309.54
Cash at Bank	**4,449.52**	2,465.37
Cash in transit	**101.25**	146.05
Cash Credit from scheduled banks	**(17,134.32)**	(17,573.53)
CBLOs	**(8,660.00)**	(8,650.00)
Unsecured loans from scheduled banks / ICDs / CPs	**(60,896.44)**	(40,982.61)
	(78,051.08)	(62,285.18)
Net change in Cash and Cash equivalents	**(15,765.90)**	(38,929.77)

Explanatory notes to Cash Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 prescribed by the Institute of Chartered Accountants of India.
2. In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
3. The net profit / loss arising due to conversion of current assets / current liabilities, receivable / payable in foreign currency is furnished under the head “Foreign Exchange Fluctuations”.
4. “Other Non-Cash items” include excess provisions written back, foreign exchange adjustments, diminution in value of investment, amortisation of Capital grant, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. “Purchase of Fixed Assets” include reduction in liability of **Rs.5.90 million** (2005-06 - reduction in liability of Rs.3.06 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

Place: Mumbai
Dated: 24th May, 2007

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

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, 2007 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 financial statements of the Company's Subsidiary and seven joint ventures, whose financial statements in the aggregate, reflect total assets of Rs.47,707.54 million (net) as at 31st March, 2007 and total revenues of Rs.83,695.61 million for the year ended on that date. The financial statements and other information of the subsidiary company and joint ventures except for Bharat Shell Ltd. (BSL) 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. As regards BSL we have relied upon the unaudited financial statements prepared by the said Company. 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, 2007;

(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 : Mumbai
Date : July 27, 2007.

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

		SCHEDULE	Rs. Million	31/03/2006 Rs. Million
I.	**SOURCES OF FUNDS**			
	1. Shareholders' funds :			
	Share Capital	**A**	**3,615.42**	3,000.00
	Share Capital Suspense Account	**AA**	**—**	615.42
	Share Application Money Suspense Account		**0.02**	0.02
			3,615.44	3,615.44
	Reserves and Surplus	**B**	**110,094.05**	95,575.25
			113,709.49	99,190.69
	2. Minority Interest :			
	Share Capital		**2,724.43**	2,724.43
	Reserves and Surplus		**4,849.67**	3,539.79
			7,574.10	6,264.22
	3. Loan funds :	**C**		
	Secured Loans		**30,143.08**	38,088.36
	Unsecured Loans		**83,523.16**	54,593.86
			113,666.24	92,682.22
	4. Deferred tax liability (net)		**17,625.38**	17,686.43
	TOTAL		**252,575.21**	215,823.56
II.	**APPLICATION OF FUNDS**			
	1. Fixed Assets :	**D**		
	Gross block		**230,625.83**	206,421.67
	Less : Depreciation and amortisation		**(96,114.75)**	(83,150.57)
	Net block		**134,511.08**	123,271.10
	Capital work-in-progress	**E**	**12,767.45**	15,736.64
			147,278.53	139,007.74
	2. Investments	**F**	**67,788.99**	32,207.41
	3. Advance for Investments	**FA**	**4,552.35**	82.97
	4. Current assets, loans and advances :			
	Inventories	**G**	**95,323.03**	98,958.66
	Sundry debtors	**H**	**16,332.47**	14,060.17
	Cash and bank balances	**I**	**16,240.40**	5,623.02
	Other current assets	**J**	**10,096.21**	7,743.51
	Loans and advances	**K**	**17,268.85**	17,592.26
			155,260.96	143,977.62
	Less : Current liabilities and provisions :			
	Liabilities	**L**	**110,337.24**	93,506.67
	Provisions	**M**	**11,976.91**	5,953.17
			122,314.15	99,459.84
	Net current assets		**32,946.81**	44,517.78
	5. Miscellaneous Expenditure to the extent not written off or adjusted		**8.53**	7.66
	TOTAL		**252,575.21**	215,823.56
	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 : Mumbai
Date : 27th July, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULE	Rs. Million	2005-06 Rs. Million
INCOME			
Sale of products & related income	N	**1,090,789.38**	862,229.01
Less: Excise Duty Paid		**(106,597.07)**	(87,068.28)
		984,192.31	775,160.73
Miscellaneous income	O	**6,698.34**	3,994.42
Increase/(Decrease) in Inventory	P	**1,211.26**	8,517.68
TOTAL		**992,101.91**	787,672.83
EXPENDITURE			
Purchase of products for resale		**391,693.48**	334,948.52
Raw materials consumed	Q	**486,893.28**	371,703.39
Packages consumed		**893.47**	784.97
Excise Duty on Inventory differential		**2,506.01**	2,257.81
Other Duties, taxes etc. and other charges applicable to products		**9,792.57**	14,395.04
Transportation		**19,722.42**	17,577.76
Consumption of stores, spares and materials	R	**867.41**	727.39
Power and Fuel	S	**771.61**	563.87
Employees' remuneration and other benefits	T	**10,675.76**	9,351.64
Interest	U	**5,203.66**	3,052.22
Other operating and administration expenses	V	**16,390.63**	14,326.23
Depreciation and amortisation		**11,020.77**	9,457.92
Miscellaneous Expenditure Written off		**1.10**	0.79
TOTAL		**956,432.17**	779,147.55
Profit		**35,669.74**	8,525.28
Prior period income/(expenses) net	W	**(1,974.46)**	191.33
Profit before tax		**33,695.28**	8,716.61
Provision for Taxation			
- Current Tax		**10,055.98**	815.83
- MAT Credit		**(66.63)**	(271.25)
- Fringe Benefit Tax		**139.62**	157.22
- Deferred Tax (Net)		**(60.94)**	989.06
Excess/(Short) provision for Taxation in earlier years written back/provided for		**(68.45)**	10.07
Profit after tax		**23,558.80**	7,035.82
Minority Interest		**2,106.85**	1,662.85
Net Income of the Group		**21,451.95**	5,372.97
Transfer from / (to) Debenture Redemption Reserve		**4,450.00**	(1,890.00)
Balance brought forward		**28,379.61**	7,340.23
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		**56,388.41**	33,329.23
Appropriations:			
Interim dividend paid		**2,169.25**	—
Proposed dividend		**4,296.62**	1,421.57
Corporate Dividend Tax on interim and proposed dividend		**1,267.21**	333.84
		7,733.08	1,755.41
Transfer to General Reserve		**46,207.71**	3,211.14
Balance Carried to Balance Sheet		**2,447.62**	28,362.68
Earnings per Share			
- Basic		**59.33**	14.86
- Diluted		**59.33**	14.86
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 : Mumbai
Date : 27th July, 2007

SCHEDULE 'A' — SHARE CAPITAL (CONSOLIDATED)

	Rs. Million	31/03/2006 Rs. Million
Authorised		
450,000,000 equity shares of Rs.10 each	**4,500.00**	4,500.00
	4,500.00	4,500.00
Issued, subscribed and paid-up		
361,542,124 (previous year 300,000,000) equity shares of Rs.10 each fully paid-up	**3,615.42**	3,000.00
Total	**3,615.42**	3,000.00

SCHEDULE 'AA' — SHARE CAPITAL SUSPENSE ACCOUNT (CONSOLIDATED)

	Rs. Million	31/03/2006 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. (since issued)	—	615.42
Total	—	615.42

SCHEDULE 'B' — RESERVES AND SURPLUS (CONSOLIDATED)

	Rs. Million	31/03/2006 Rs. Million
Capital Reserve		
As per last Balance Sheet	**532.10**	378.02
Add/(Less): Grant received / (reversed) during the year	**(9.24)**	31.18
Less : Amortisation of Capital Grant	**(1.02)**	(0.42)
Add : Transferred on Amalgamation	**—**	123.32
	521.84	532.10
Capital Reserve on acquisition of subsidiaries	**678.64**	678.64
Debenture Redemption Reserve		
As per last Balance Sheet	**4,450.00**	2,560.00
Less: Transfer to Profit & Loss Account	**(4,450.00)**	—
Add : Transfer from Profit & Loss Account	**—**	1,890.00
	—	4,450.00
General Reserve		
As per last Balance Sheet	**64,894.79**	57,696.05
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	**46,166.89**	3,187.26
	111,061.68	64,894.79
Surplus as per Profit & Loss Account	**1,152.69**	27,658.64
	113,414.85	98,214.17
Less: Minority Interest	**(4,849.67)**	(3,539.79)
	108,565.18	94,674.38
Share of interest in Joint Ventures		
General Reserve	**89.59**	48.76
Surplus as per Profit & Loss Account	**1,294.93**	704.04
Capital Reserve	**0.01**	—
Special Reserve	**—**	3.73
Securities Premium	**144.34**	144.34
	1,528.87	900.87
Total	**110,094.05**	95,575.25

SCHEDULE 'C' — LOAN FUNDS (CONSOLIDATED)

		31/03/2006
	Rs. Million	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
Banks		
Term Loans	**750.00**	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. 750 million** (previous year Rs. 1,800 million)]		
Working Capital Loans/Cash Credit	**17,492.56**	19,205.42
(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. **17,453.90 million**	**8,660.00**	8,650.00
(previous year Rs. 14,440.60 million)]		
Interest accrued and due	**147.25**	56.34
	27,049.81	35,436.76
Share of interest in Joint Ventures	**3,093.27**	2,651.60
	30,143.08	38,088.36

* Call option exercised on 1st June 2006

SCHEDULE 'C' - LOAN FUNDS (CONSOLIDATED) (CONTD.)

	Rs. Million	31/03/2006 Rs. Million
Unsecured Loans		
Syndicated Loans from various banks (repayable in foreign currency)	**13,148.81**	4,539.44
[Due for repayment within one year **Rs. Nil** (previous year Rs. Nil)]		
Public deposits	**626.11**	970.34
[Due for repayment within one year **Rs. 313.98 million** (previous year Rs. 351.63 million)]		
Short Term (From Banks)		
Rupee Loans	**36,454.04**	22,751.86
Foreign Currency Loans	**24,456.44**	18,242.61
OIDB	**8,719.70**	7,768.70
[Due for repayment within one year **Rs. 1,428.79 million** (previous year Rs. 1,349.00 million)]		
	83,405.10	54,272.95
Share of interest in Joint Ventures	**118.06**	320.91
	83,523.16	54,593.86
Total	**113,666.24**	92,682.22

SCHEDULE 'D' - FIXED ASSETS (CONSOLIDATED)

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	AS AT 01-04-2006	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFICATIONS	**AS AT 31-03-2007**	UPTO 31-03-2006	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT / RECLASSIFICATIONS	**UPTO 31-03-2007**	**AS AT 31-03-2007**	AS AT 31-03-2006
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a)Freehold	3,608.50	251.66	35.90	**3,824.26**	-	-	-	**-**	**3,824.26**	3,608.50
(b)Leasehold	836.79	11.16	(0.24)	**848.19**	116.46	17.16	0.26	**133.36**	**714.83**	720.33
2. BUILDINGS	31,388.61	4,018.42	150.09	**35,256.94**	3,410.67	735.05	29.53	**4,116.19**	**31,140.75**	27,977.94
3. RAILWAY SIDINGS	2,341.00	126.98	0.43	**2,467.55**	881.82	117.90	0.28	**999.44**	**1,468.11**	1,459.18
4. PLANT and MACHINERY	79,530.55	6,914.51	209.38	**86,235.68**	26,118.84	4,459.07	(194.65)	**30,772.56**	**55,463.12**	53,411.71
5. TANKS and PIPELINES	27,889.70	7,052.73	29.31	**34,913.12**	11,791.80	3,923.22	10.41	**15,704.61**	**19,208.51**	16,097.90
6. FURNITURE and FITTINGS	1,149.59	173.02	(27.40)	**1,350.01**	497.62	110.52	9.94	**598.20**	**751.81**	651.97
7. VEHICLES	1,263.78	60.43	(3.57)	**1,327.78**	693.69	119.97	13.74	**799.92**	**527.86**	570.09
8. OTHER ASSETS										
(a)Dispensing Pumps	8,881.61	2,165.36	12.03	**11,034.94**	1,879.69	448.16	14.78	**2,313.07**	**8,721.87**	7,001.92
(b)LPG Cylinders and Allied Equipment	30,882.69	1,802.92	59.75	**32,625.86**	30,882.69	1,802.92	59.75	**32,625.86**	**-**	-
(c)Sundries	12,254.12	1,991.38	366.99	**13,878.51**	5,558.20	1,203.35	495.61	**6,265.94**	**7,612.57**	6,695.92
9. INTANGIBLE ASSETS (refer note 17 (a) of Schedule 'X' B)	495.37	276.75	3.41	**768.71**	148.56	98.98	1.70	**245.84**	**522.87**	346.81
TOTAL	**200,522.31**	**24,845.32**	**836.08**	**224,531.55**	**81,980.04**	**13,036.30**	**441.35**	**94,574.99**	**129,956.56**	**118,542.27**
Share of interest in Joint Ventures	**5,889.28**	**214.17**	**9.17**	**6,094.28**	**1,162.64**	**383.23**	**6.11**	**1,539.76**	**4,554.52**	**4,726.64**
GRAND TOTAL	**206,411.59**	**25,059.49**	**845.25**	**230,625.83**	**83,142.68**	**13,419.53**	**447.46**	**96,114.75**	**134,511.08**	**123,268.91**
Total 2005-06	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 2005-06	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

NOTES:-

1) Land:-
   a) Freehold land of the group includes **Rs. 832.17 million** (previous year Rs. 814.58 million) for which conveyance deed / registration / execution of title deeds are pending.
   b) Leasehold land of the group includes gross block **Rs. 15.09 million** (previous year Rs. 16.17 million) which though in 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 surrendered to competent authority.
   d) Freehold land includes **Rs. 42.70 million** (previous year Rs. 50.33 million) in respect of which mutation is pending.
2) Buildings pertaining to BPCL include:-
   a) Ownership flats of **Rs. 147.41 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. 314.05 million** (previous year Rs. 324.79 million), Net Block **Rs. 300.90 million** (previous year Rs. 315.43 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. 1,788.30 million** (previous year Rs. 1,699.08 million), Cumulative Depreciation **Rs. 586.74 million** (previous year Rs. 502.33 million), Net Block **Rs. 1,201.56 million** (previous year Rs. 1,196.75 million).
4) Buildings, Plant & Machinery and Sundries includes **Rs. 182.74 million** (previous year Rs. 180.40 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. 9.87 million** (previous year Rs. 10.47 million).
5) Gross Block of the group includes **Rs. 213.82 million** (previous year Rs. 104.63 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. 109.07 million** (previous year Rs. 47.24 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)

		31/03/2006
	Rs. Million	Rs. Million
Capital work-in-progress (at Cost)		
Work-in-progress	**6,883.04**	9,770.57
Capital Advances (Unsecured, Considered good)	**608.91**	664.45
Capital Stores including lying with contractors	**1,521.22**	2,780.51
Capital goods in transit	**65.14**	864.49
Intangible assets pending amortisation (refer note 17 (b) of Schedule 'X' - B)	**1.67**	43.23
Construction period expenses		
Opening balance	**528.44**	971.08
Add : Expenditure during the year		
Establishment charges	**99.83**	173.22
Interest	**208.58**	205.81
Depreciation	**2.26**	3.35
Others	**207.91**	114.09
	1,047.02	1,467.55
Less : Allocated to assets during the year	**(627.28)**	(939.11)
Balance pending allocation at the end of the year	**419.74**	528.44
Share of interest in Joint Ventures	**3,267.73**	1,084.95
Total	**12,767.45**	15,736.64

SCHEDULE 'F' — INVESTMENTS (CONSOLIDATED)

	Rs. Million	31/03/2006 Rs. Million
CURRENT		
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**67,347.10**	31,085.10
Less : Provision for diminution in value of investment	**(1,249.26)**	(260.12)
	66,097.84	30,824.98
LONG TERM		
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**643.47**	643.47
Less : Provision for diminution in value of investment	**(25.10)**	—
	618.37	643.47
IN SHARES, DEBENTURES AND BONDS		
TRADE - UNQUOTED	**364.88**	132.01
Less : Provision for diminution in value of investment	**(251.84)**	(79.51)
	113.04	52.50
IN OTHER SECURITIES		
NON TRADE - QUOTED	**88.75**	88.75
	88.75	88.75
NON TRADE - UNQUOTED	**0.08**	0.08
	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 2006 (31st March 2005)	**235.20**	221.12
	67,154.28	31,831.90
Share of interest in Joint Ventures - UNQUOTED	**634.71**	375.51
Total	**67,788.99**	32,207.41

Aggregate value of Unquoted Securities **Rs. 984.03 million** (previous year Rs. 650.21 million).
Aggregate value of Quoted Securities **Rs. 66,804.96 million** (previous year Rs. 31,557.20 million).
Market value of Quoted Securities **Rs. 72,867.83 million** (previous year Rs. 31,633.75 million).

SCHEDULE 'FA' — ADVANCE FOR INVESTMENTS (CONSOLIDATED)

	Rs. Million	31/03/2006 Rs. Million
1. **SHARE APPLICATION MONEY/ADVANCE TOWARDS EQUITY PENDING ALLOTMENT**	**52.35**	94.30
Less: Provision towards share application pending allotment	**—**	(11.33)
	52.35	82.97
2. **DEBENTURE APPLICATION MONEY PENDING ALLOTMENT**		
Bharat Oman Refineries Limited	**4,500.00**	—
Share of interest in Joint Ventures	**—**	—
Total	**4,552.35**	82.97

SCHEDULE 'G' — INVENTORIES (CONSOLIDATED)

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

	Rs. Million	31/03/2006 Rs. Million
Stores and spares [Including in transit **Rs. 64.00 million** (previous year Rs. 150.32 million)]	**1,621.20**	1,962.99
Raw materials [Including in transit **Rs. 4,236.61 million** (previous year Rs. 5,712.44 million)]	**16,413.46**	21,066.28
Stock in process	**5,669.55**	5,424.44
Finished products [Including in transit **Rs. 0.10 million** (previous year Rs. Nil)]	**70,890.80**	69,915.10
Packages	**36.85**	58.34
	94,631.86	98,427.15
Share of interest in Joint Ventures	**691.17**	531.51
Total	**95,323.03**	98,958.66

@ Inventory valuation is as per Significant Accounting Policy no. 9

SCHEDULE 'H' — SUNDRY DEBTORS (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2006 Rs. Million
Debts outstanding for over six months :		
Considered good *	**2,501.33**	1,020.61
Considered doubtful	**1,834.15**	1,688.32
	4,335.48	2,708.93
Other debts	**13,156.35**	12,667.81
	17,491.83	15,376.74
Less : Provision for doubtful debts	**(1,834.15)**	(1,688.32)
	15,657.68	13,688.42
Share of interest in Joint Ventures	**674.79**	371.75
Total	**16,332.47**	14,060.17

* Includes **Rs. 48.77 million** (previous year Rs. 7.10 million) which are secured.

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

	Rs. Million	31/03/2006 Rs. Million
Cash on Hand	**4,089.08**	2,309.73
[Includes drafts and cheques on hand of **Rs. 3,890.65 million** (previous year Rs. 2,158.67 million)]		
With Scheduled banks :		
In current accounts	**4,493.28**	2,465.11
In deposit accounts *	**3,859.14**	309.09
Remittances in transit	**101.25**	146.05
	12,542.75	5,229.98
Share of interest in Joint Ventures	**3,697.65**	393.04
Total	**16,240.40**	5,623.02

* Includes deposit of

(a) **Rs. 0.04 million** (previous year 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	31/03/2006 Rs. Million
Interest accrued on investments	**1,044.22**	113.13
Interest accrued on bank deposits	**37.54**	0.64
Interest accrued on other loans	**0.14**	—
Deferred premium (foreign exchange forward contract)	**2,419.34**	1,033.87
Others [refer Note 6(b) of Schedule 'X' - B]	**6,591.02**	6,591.02
	10,092.26	7,738.66
Share of interest in Joint Ventures	**3.95**	4.85
Total	**10,096.21**	7,743.51

SCHEDULE 'K' — LOANS AND ADVANCES (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2006 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less:Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**6,523.79**	6,393.47
Loans:		
To companies		
Considered good	**—**	31.96
Considered doubtful	**62.37**	28.08
Less:Provision for doubtful loans	**(62.37)**	(28.08)
To others	**308.63**	249.44
Advances:		
Advances recoverable in cash, or in kind or for value to be received	**2,684.13**	2,451.09
Advances considered doubtful	**16.83**	15.85
Less : Provision for doubtful advances	**(16.83)**	(15.85)
	9,516.55	9,125.96
Material given on Loan (Secured)	**4.64**	4.64
Less : Deposits Received	**(4.64)**	(4.64)
Dues from Petroleum Planning & Analysis Cell - Government of India	**145.89**	321.88
Claims :		
Considered good	**3,098.54**	3,064.37
Considered doubtful	**606.61**	230.18
Less : Provision for doubtful claims	**(606.61)**	(230.18)
	3,098.54	3,064.37
Advance Income Tax (Net of provision for taxation)	**1,946.14**	3,275.75
MAT Credit Entitlement	**—**	240.00
Deposits :		
With Customs/Excise/Port Trust etc. @	**1,325.26**	401.70
Others**	**725.30**	809.34
	2,050.56	1,211.04
Considered doubtful	**0.19**	0.19
Less: Provision for doubtful deposits	**(0.19)**	(0.19)
	2,050.56	1,211.04
	16,757.68	17,239.00
Share of interest in Joint Ventures	**511.17**	353.26
Total	**17,268.85**	17,592.26

* Include :
Due from Officers : **Rs. 182.74 million** (previous year Rs. 167.51 million)
Maximum balances :**Rs. 191.82 million** (previous year Rs. 179.45 million)

Due from Directors : **Rs. 1.50 million** (previous year Rs. 1.16 million)
Maximum balances : **Rs. 1.99 million** (previous year Rs. 2.80 million)

@ Deposit with Excise includes Rs. 209.70 million regarding Cenvat credit on capital goods withheld by Excise Department for utilisation and under litigation and service tax deposit under protest Rs. 3.16 million.

** Includes an amount of **Rs. 82.68 million** (previous year Rs. 78.98 million) alongwith interest of **Rs. 83.96 million** (previous year Rs. 81.98 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES (CONSOLIDATED)

	Rs. Million	31/03/2006 Rs. Million
Current Liabilities :		
Sundry creditors		
Total outstanding dues to Small Scale Industries (SSI's)	**209.37**	159.43
Total outstanding dues to creditors other than SSI's	**66,374.40**	53,563.89
Materials taken on loan	**0.04**	0.05
Less : Deposits given	**(0.04)**	(0.05)
Deposits from Customers	**93.27**	68.29
Deposits for Containers	**28,744.26**	27,199.98
Advance received towards sale of investments	**377.13**	—
Investors Education & Protection Fund shall be credited by the following amount*		
Unclaimed Dividend	**33.05**	31.60
Unclaimed Deposits	**9.10**	13.00
Unclaimed Interest on Deposits	**1.67**	1.82
Other liabilities	**13,205.56**	11,437.20
Interest on loans (accrued but not due)	**188.81**	442.52
	109,236.62	92,917.73
Share of interest in Joint Ventures	**1,100.62**	588.94
Total	**110,337.24**	93,506.67

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

SCHEDULE 'M' — PROVISIONS (CONSOLIDATED)

	Rs. Million	31/03/2006 Rs. Million
Provision for Taxation (Net of Tax paid)	**2,717.85**	967.48
Proposed dividend	**4,296.62**	1,421.57
Corporate Dividend Tax on proposed dividend	**926.99**	322.80
Provision for retirement benefits	**3,888.53**	3,192.31
	11,829.99	5,904.16
Share of interest in Joint Ventures	**146.92**	49.01
Total	**11,976.91**	5,953.17

SCHEDULE 'N' — SALE OF PRODUCTS (CONSOLIDATED)

	Rs. Million	2005-06 Rs. Million
Sales	**1,023,289.64**	827,856.60
Subsidy on LPG (Domestic) & SKO (PDS)	**5,293.36**	5,151.67
Receipt of Oil Marketing Companies GOI Special Bonds (refer note 5 of Schedule 'X'-B)	**52,479.00**	21,631.20
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**—**	64.95
	1,081,062.00	854,704.42
Share of interest in Joint Ventures	**9,727.38**	7,524.59
Total	**1,090,789.38**	862,229.01

SCHEDULE 'O' — MISCELLANEOUS INCOME (CONSOLIDATED)

	Rs. Million	2005-06 Rs. Million
Interest on bank deposits and others*	**811.56**	339.22
Tax deducted at source - **Rs. 56.64 million** (previous year Rs. 13.48 million)		
Income from Investments		
Current		
Interest on Oil Marketing Companies GOI Special Bonds	**2,873.04**	645.12
Interest - Others	**15.72**	—
Dividend	**4.07**	—
Long Term		
Interest	**61.85**	25.71
Dividend	**5.25**	268.05
From AOP (Petroleum India International)	**36.58**	20.58
Excess provision for expenses written back	**—**	32.47
Write back (net)	**6.36**	2.05
Profit on sale / write off of fixed assets (net)	**—**	28.48
Other income #	**2,775.11**	2,557.96
	6,589.54	3,919.64
Share of interest in Joint Ventures	**108.80**	74.78
Total	**6,698.34**	3,994.42

* Includes interest received from Income tax authorities **Rs. 280.47 million** (previous year Rs. 18.82 million)
# Includes amortisation of capital grants **Rs. 1.02 million** (previous year Rs. 0.42 million)

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

	Rs. Million	2005-06 Rs. Million
Value of closing stock of		
Finished goods	**70,890.80**	69,915.10
Stock in process	**5,669.55**	5,424.44
	76,560.35	75,339.54
Less :		
Value of opening stock of		
Finished goods	**(69,915.10)**	(62,033.95)
Stock in process	**(5,424.44)**	(4,823.76)
	(75,339.54)	(66,857.71)
	1,220.81	8,481.83
Share of interest in Joint Ventures	**(9.55)**	35.85
Total	**1,211.26**	8,517.68

SCHEDULE 'Q' — RAW MATERIALS CONSUMED (CONSOLIDATED)

	Rs. Million	2005-06 Rs. Million
Opening Stock	**21,066.28**	14,857.77
Add : Purchases	**474,514.32**	372,474.50
Less: Closing Stock	**(16,413.46)**	(21,066.28)
	479,167.14	366,265.99
Share of interest in Joint Ventures	**7,726.14**	5,437.40
Total	**486,893.28**	371,703.39

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

	Rs. Million	2005-06 Rs. Million
Stores, spares and materials	**2,009.37**	1,593.28
Less : Charged to other revenue accounts	**(1,184.38)**	(899.99)
	824.99	693.29
Share of interest in Joint Ventures	**42.42**	34.10
Total	**867.41**	727.39

SCHEDULE 'S' — POWER AND FUEL (CONSOLIDATED)

	Rs. Million	2005-06 Rs. Million
Power and Fuel	**22,719.14**	18,809.12
Less: Consumption of fuel out of own production	**(22,037.60)**	(18,319.71)
	681.54	489.41
Share of interest in Joint Ventures	**90.07**	74.46
Total	**771.61**	563.87

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

	Rs. Million	2005-06 Rs. Million
Salaries and wages*	**7,899.35**	6,810.81
Contribution to provident fund and other funds	**919.02**	585.50
Contribution to gratuity fund	**138.55**	164.15
Welfare expenses	**1,558.32**	1,629.76
	10,515.24	9,190.22
Share of interest in Joint Ventures	**160.52**	161.42
Total	**10,675.76**	9,351.64

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

SCHEDULE 'U' — INTEREST (CONSOLIDATED)

	Rs. Million	2005-06 Rs. Million
On Bonds	**73.91**	442.28
On Fixed Loans	**1,422.22**	843.68
Others	**3,482.96**	1,535.29
	4,979.09	2,821.25
Share of interest in Joint Ventures	**224.57**	230.97
Total	**5,203.66**	3,052.22

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

	Rs. Million	2005-06 Rs. Million
Repairs and maintenance :		
Machinery	**2,600.51**	2,189.17
Building	**203.53**	175.78
Others	**1,012.07**	1,059.69
	3,816.11	3,424.64
Insurance	**312.47**	413.95
Rent	**1,489.58**	1,138.95
Rates and taxes	**378.36**	375.04
Charities and donations	**48.61**	20.61
Remuneration to auditors	**2.92**	3.02
Utilities	**848.46**	758.90
Write off :		
Bad debts and Claims	**0.47**	19.48
Less : Provision made earlier	**—**	(2.65)
Others	**157.39**	6.59
Less : Provision made earlier	**(51.56)**	—
Provision for :		
Doubtful debts and advances	**547.22**	353.35
Diminution in value of investments	**1,175.24**	260.12
Charges paid to other oil companies	**571.00**	778.19
Travelling and conveyance	**1,016.58**	934.77
Telephone, Telex, Cables, Postage etc.	**254.54**	245.30
Loss on sale / maturity of Investments (net)	**421.69**	4.70
Loss on sale / write off of Fixed Assets(net)	**12.00**	—
Brokerage on Public Deposit	**0.16**	2.09
Other expenses	**4,942.59**	5,170.12
	15,943.83	13,907.17
Share of interest in Joint Ventures	**446.80**	419.06
Total	**16,390.63**	14,326.23

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

	Rs. Million	2005-06 Rs. Million
Sale of products	**143.66**	(65.46)
Miscellaneous Income	**(6.58)**	65.39
Purchase of product for resale	**74.34**	106.69
Raw Materials Consumed	**43.08**	5.67
Duties taxes etc. and other product charges	**(5.97)**	74.09
Transportation	**39.42**	(2.30)
Consumption of stores spares and materials	**(11.41)**	(1.01)
Rent, Rates & Taxes	**(16.93)**	0.31
Employees' remuneration and other benefits	**—**	(3.70)
Other operating and administration expenses	**116.75**	36.36
Interest	**(2.36)**	(18.38)
Depreciation	**(2,348.46)**	(3.67)
	(1,974.46)	193.99
Share of interest in Joint Ventures	**—**	(2.66)
Total	**(1,974.46)**	191.33

SCHEDULE 'X' - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007 (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, 2007.

(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 2007 are as under :

	Percentage of ownership interest as on		Country of Incorporation
	31/03/2007	31/03/2006	
Subsidiary			
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	India
Bharat Shell Limited	**49.00**	49.00	India
Petronet CCK Limited	**49.00**	49.00	India
Petronet LNG Limited	**12.50**	12.50	India
Bharat Oman Refineries Limited	**50.00**	50.00	India
VI eTrans Private Limited	*	33.33	India
Central UP Gas Limited	**22.50**	22.50	India
Maharashtra Natural Gas Limited	**22.50**	22.50	India
Sabarmati Gas Limited	**22.50**	—	India

* Proportionate consolidation in respect of Investments in Petronet India Limited and VI eTrans Private Limited has been discontinued in the preparation of Consolidated Financial Statements as the Management has provided for full diminution in the value of Investment. As a result, the opening balance of current year may not match with previous year's figures.

Note:

(i) Proportionate consolidation in respect of Investment in Premier Oil Cachar B.V. has not been incorporated in the preparation of Consolidated Financial Statements as the investment in the joint venture is held for disposal.

(ii) During the year, the Corporation has formed a 100% subsidiary viz. Bharat PetroResources Limited (BPRL) to carry out Exploration & Production activities and since the first financial result would be for period ending 31st March 2008, no effect has been given in the Consolidated Financial Statements.

(iii) The accounts of Bharat Shell Limited are yet to be audited and hence the unaudited accounts have been considered for the purpose of preparation of Consolidated Financial Statements.

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.

4.5 INTANGIBLE ASSETS

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

4.5.2 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.

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

5. 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.

6. 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.

7. DEPRECIATION

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

7.2 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.

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

7.4 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.

7.5 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

7.6 In case of Bharat Shell Limited, 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

7.7 In case of Maharashtra Natural Gas Limited, depreciation is charged on a pro-rata basis on the straight line method over the estimated useful lives of the assets determined as follows:

(a) Mother Compressors, Online Compressors and Booster Compressors – 7 years
(b) Bunk hoses – 5 years
(c) Signages – 10 years
(d) Computers and Mobile Phones – 4 years

7.8 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 Bharat Oman Refineries 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.

8. INVESTMENTS

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

8.2 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.

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

9. INVENTORY

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

9.1.1 Raw materials on weighted average cost.

9.1.2 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.

9.2 Finished products are valued at weighted average cost or at net realisable value, whichever is lower, except in case of Indraprastha Gas Limited, Maharashtra Natural Gas Limited and Central UP Gas Limited where the valuation is on the basis of first-in-first-out or at net realisable value, whichever is lower.

9.3 Stores are valued at weighted average cost except Maharashtra Natural Gas Limited and Petronet CCK Limited where the valuation is on the basis of first-in-first-out. Obsolete stores and slow moving stores/ other materials identified as surplus are valued at Re. Nil.

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

10. CENVAT

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

11. 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.

12. 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.

13. RAW MATERIALS CONSUMED

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

14. CLASSIFICATION OF INCOME/EXPENSES

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

14.2 Being not material :

14.2.1 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 Limited, Indraprastha Gas Limited, Petronet LNG Limited, Petronet CCK Limited, Bharat Oman Refineries Limited, Central UP Gas Limited, Maharashtra Natural Gas Limited and Sabarmati Gas Limited wherein no such policy exists.

14.2.2 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 LNG Limited, Central UP Gas Limited, Maharashtra Natural Gas Limited and Sabarmati Gas Limited wherein no such policy exists.

14.2.3 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 Limited, Petronet LNG Limited, Central UP Gas Limited, Maharashtra Natural Gas Limited and Sabarmati Gas Limited wherein no such policy exists.

14.2.4 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 Limited, Petronet LNG Limited, Petronet CCK Limited, Central UP Gas Limited and Sabarmati Gas Limited wherein no such policy exists.

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

15. RETIREMENT BENEFITS

15.1 Contribution to Provident Fund is charged to revenue.

15.2 Gratuity, leave encashment and other retirement benefits are actuarially valued at the year end and provided for in the accounts except in case of Bharat Shell Limited, Petronet CCK Limited and Petronet LNG Limited towards superannuation where the method of valuation is other than acturial.

16. DUTIES ON BONDED STOCKS

16.1 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.

16.2 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.

17. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

17.1 Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction.

17.2 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.

17.3 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.

17.4 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.

18. GOVERNMENT GRANTS

18.1 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.

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

19. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

19.1 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.

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

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

a) in case of Petronet LNG Limited wherein Contingent liabilities, which are considered significant and material by the company, are disclosed

b) in case of Bharat Shell Limited, Indraprastha Gas Limited, Petronet CCK Limited and Sabarmati Gas Limited the same are disclosed in full.

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

20. TAXES ON INCOME

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

20.2 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.

21. OIL & GAS EXPLORATION ACTIVITIES

21.1 "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.

21.2 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. Change in Accounting Policy

Determination of cost of inventory

During the year 2006-07 BPCL and NRL have changed the method of determination of cost of inventories from 'FIFO' to 'Weighted Average' in respect of crude oil and finished products (except lubricants which were being valued at Weighted Average). This has resulted in reduction in value of inventory of crude oil by Rs.68.27 million and finished products including intermediates by Rs.255.12 million with consequential reduction in profits for the year by Rs. 323.39 million.

In case of Indraprastha Gas Limited, the company has changed the method of valuation of stores and spares from 'FIFO' to 'Weighted Average'. The impact on the Profit & Loss Account due to the change in the method of valuation from 'FIFO' to 'Weighted Average' is not ascertainable, although it is not expected to be significant.

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 asset credited to Profit during the year is **Rs. 60.94 million** (previous year debited Rs. 989.06 million). The year end position of Deferred Tax Liability and Assets is given below :

	Rs. Million	31/03/2006 Rs. Million
DEFERRED TAX LIABILITY		
Depreciation	**20,222.30**	19,666.63
Other Timing Differences	**42.09**	16.42
Share of Interest in Joint Ventures	**417.58**	306.92
Total	**20,681.97**	19,989.97
DEFERRED TAX ASSETS		
Provisions for doubtful debts / claims / investments	**1,448.27**	805.30
Disallowances u/s 43B of Income Tax Act,1961	**1,491.13**	816.50
Expenditure on Voluntary Retirement Scheme	**56.01**	82.39
Unabsorbed Depreciation	—	445.55
Other Timing Differences	**8.53**	19.61
Share of Interest in Joint Ventures	**52.65**	134.20
Total	**3,056.59**	2,303.55
Net Deferred Tax Liability	**17,625.38**	17,686.43

3. Provision for current taxation includes **Rs. 6.80 million** (previous year Rs. 3.97 million) (proportionate share) in respect of Bharat Shell Limited and **Rs. 66.63 million** (previous year Rs. 31.25 million) (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.

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, BPCL has accounted the discount received as follows:

a) **Rs. 37,137.43 million** (previous year Rs. 30,209.22 million) discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) **Rs. 7,484.62 million** (previous year Rs. 5,609.73 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 2006-07, BPCL has received Oil Marketing Companies GOI Special Bonds amounting to **Rs. 52,479.00 million** (previous year Rs. 21,631.20 million) from the Government of India during the year and the same has been treated as income.

6. In accordance with the sanctioned Scheme of Amalgamation (the Scheme) of the erstwhile subsidiary Kochi Refineries Limited (KRL) with the Corporation

a) 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) during 2005-06.

b) The equity shares held by the Corporation in the erstwhile KRL has been transferred to a trust for the benefit of the Corporation during 2006-07. The equity shares 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.

One shareholder of the erstwhile KRL has challenged the amalgamation before the Delhi High Court that is pending adjudication.

The income distributed by the trust during the year 2006-07 amounting to **Rs.286.69 million** (previous year Rs. Nil) has been included in 'Other income' in Schedule 'O' – Miscellaneous 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 2007. 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. 8.04 million** (previous year Rs. 7.48 million) towards wealth tax.

9. Change in Depreciation / Amortisation Policy:

a) During the year 2006-07, based on the review of the estimated useful lives of certain assets such as computer equipments and peripherals, mobile phones, furniture provided at the residence of management staff, etc. NRL has increased the rate of depreciation on these assets. This has resulted in additional depreciation of Rs. 2.48 million during the year out of which Rs.2.00 million is for the period up to March 2006.

Further, pursuant to change in accounting policy of NRL, Intangible Assets up to a value of Rs. 5 million has been charged off to Profit & Loss Account, thereby reducing the profit for the year by Rs. 1.70 million.

b) In case of Petronet CCK Limited, based on a technical assessment, the useful life of computers and peripherals (other than servers and hubs) and mobile phones has been reduced to 4 years. In accordance with the requirements of Accounting Standard – 6 on Depreciation Accounting, the unamortised depreciable amount of such assets as at 31st March 2006 has been charged over the revised remaining useful life of assets. This revision has resulted in depreciation for the year being higher by an amount of Rs.43.39 million.

c) During the year, the management of Bharat Shell Limited has re-estimated the useful life of certain items of Plant and Machinery to be 5 years and 10 years against the earlier policy of providing depreciation at the rates in Schedule XIV of the 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. 13.58 million.

10. During the year 2006-07, in case of BPCL, extra shift depreciation has been charged on certain pipelines with retrospective effect. The additional depreciation on account of this for the period till March 2006 amounting to Rs. 1,285.76 million has been included in 'Depreciation' in Schedule 'W' – Prior Period Income/(Expenses) (Net).

11. 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.

12. 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 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

		2006-07	2005-06
Profit after Tax	Rs. Million	**21,451.95**	5,372.97
Weighted average shares outstanding during the year			
(a) Number of Shares	million nos.	**361.54**	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**	361.54
Basic earnings per share	Rs.	**59.33**	14.86
Diluted earnings per share	Rs.	**59.33**	14.86

14. Pending finalisation of the revision in salary of workmen at Mumbai Refinery of BPCL and all Management staff of BPCL w.e.f. 1st January 2007, the additional liability arising from such revision is unascertainable and hence no provision towards the same has been made in the accounts.

15. BPCL has entered into upstream activities relating to Exploration and Production (Hydrocarbon). During the year the Corporation has formed a 100% subsidiary viz. Bharat PetroResources Limited (BPRL) to carry out the Exploration and Production activities. The Board of BPCL has approved transfer of the Exploration and Production assets, liabilities and investments along with the commitments and expenditures through the assignment of BPCL's participating interests in Production Sharing Contract (PSC) to BPRL. Pending consent/ approval of the PSC consortium members/ Government, towards assignment of the participating interests to BPRL, no adjustments have been made in the accounts for the year ended 31st March 2007.

In compliance with 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 2007			**Year ended 31st March 2006**		
	Downstream Petroleum	**E&P**	**Total**	Downstream Petroleum	E&P	Total
Revenue						
External Revenue	987,082.58	—	987,082.58	777,856.47	—	777,856.47
Inter Segment Revenue	—	—	—	—	—	—
Total Revenue	**987,082.58**	—	**987,082.58**	777,856.47	—	777,856.47
Result						
Segment Results	**37,082.91**	**(395.11)**	**36,687.80**	10,880.35	(145.38)	10,734.97
Unallocated Corporate Expenses	—	—	—	—	—	—
Operating profit	**37,082.91**	**(395.11)**	**36,687.80**	10,880.35	(145.38)	10,734.97
Add:						
Interest / Dividend Income			**3,808.07**			1,298.68
Less:						
Interest Expenditure			**5,203.66**			3,052.22
Loss on sale / maturity of Investments			**421.69**			4.70
Diminution in value of Investments			**1,175.24**			260.12
Income Tax (including deferred Tax)			**10,136.48**			1,680.79
Profit after Tax			**23,558.80**			7,035.82
Other Information						
Segment Assets	**294,001.61**	**0.72**	**294,002.33**	272,878.59	—	272,878.59
Unallocated Corporate Assets			**80,887.03**			42,404.81
Total Assets			**374,889.36**			315,283.40
Segment Liabilities	**110,337.24**	—	**110,337.24**	93,445.29	61.38	93,506.67
Unallocated Corporate Liabilities			**143,268.53**			116,321.82
Total Liabilities			**253,605.77**			209,828.49
Capital Expenditure	**22,090.30**	—	**22,090.30**	22,555.19	—	22,555.19
Depreciation/ Amortisation	**11,020.77**	—	**11,020.77**	9,457.92	—	9,457.92
Non-cash expenses other than depreciation			**1.10**			0.79

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.

16. 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), S. K. Joshi (Director Finance), R. K. Singh (Director Refineries)

ii) Remuneration to key management personnel: **Rs 8.42 million** (previous year Rs. 5.25 million)

17. 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 01-04-2006	Additions	Deletions/ Reclassi-fications	As At 31-03-2007	AMORTISATION Upto 31-03-2006	This Year	Deletions/ Reclassi-fications	Upto 31-03-2007	NET AMOUNT As At 31-03-2007	As At 31-03-2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.Right Of Way	**Perennial**	100.03	82.16	—	**182.19**	—	—	—	—	**182.19**	100.03
2.Software	**36**	111.87	—	—	**111.87**	104.72	7.15	—	**111.87**	—	7.15
3.Software	**60**	128.85	2.83	—	**131.68**	20.39	26.22	—	**46.61**	**85.07**	108.46
4.Development Rights	**60**	14.97	—	—	**14.97**	3.74	2.99	—	**6.73**	**8.24**	11.23
5. Process License	**60**	139.65	191.76	3.41	**328.00**	19.71	62.62	1.70	**80.63**	**247.37**	119.94
Total		**495.37**	**276.75**	**3.41**	**768.71**	**148.56**	**98.98**	**1.70**	**245.84**	**522.87**	**346.81**
Share Of Interest In Joint Ventures		**86.72**	**10.63**	—	**97.35**	**2.00**	**2.71**	—	**4.71**	**92.64**	**84.72**
Grand Total		**582.09**	**287.38**	**3.41**	**866.06**	**150.56**	**101.69**	**1.70**	**250.55**	**615.51**	**431.53**
Previous Year		235.57	259.80	—	**495.37**	65.79	82.77	—	**148.56**	**346.81**	169.78
Share Of Interest In Joint Venture 2005-06		87.00	—	0.28	**86.72**	0.59	1.42	—	**2.00**	**84.72**	86.41
Grand Total 2005-06		322.57	259.80	0.28	**582.09**	66.38	84.19	—	**150.56**	**431.53**	256.19

B) Intangible Assets- Pending Amortisation*

Rs. Million

Particulars	USEFUL LIFE (No. Of Months)	GROSS AMOUNT As At 01-04-2006	Additions	Capitali-sations	As At 31-03-2007	AMORTISATION Upto 31-03-2006	This Year	Deletions/ Reclassifi-cations	Upto 31-03-2007	NET AMOUNT As At 31-03-2007	As At 31-03-2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Process License		43.23	—	43.23	—	—	—	—	—	—	43.23
2. Software		1.67	—	1.67	—	—	—	—	—	**1.67**	—
Total		**43.23**	**1.67**	**43.23**	**1.67**	—	—	—	—	**1.67**	**43.23**
Previous Year		69.63	—	26.40	**43.23**	—	—	—	—	**43.23**	69.63

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

Note : There are no internally generated Intangible Assets

18. 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.

19. 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(BRPL). 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, 2004-05 and 2005-06 credit amounting to Rs.908.64 million has been taken in the accounts for the year and adjusted in the crude consumption.

20. In case of NRL, due to consideration of North East Excise relief as part of net realisable value this year, the finished stock inventory and profit for the year has increased by Rs.78.24 million. Further, consequent to change in the method of valuation of surplus materials including project surplus materials full provision has been made and thereby profit has decreased by Rs.133.51 million.

21. In case of NRL, purchase of Crude oil from ONGC and Oil India Limited has been accounted for provisionally pending finalization of agreements with respective parties. Adjustments if any, will be made on finalisation of agreements. However, an amount of Rs. 1,544.73 million has been provided for during the current year towards transportation cost and sales tax reimbursement applicable for crude oil purchases from Oil India Limited for the year 2006-07 as per directive from MOP&NG.

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

23. Petronet LNG Limited has raised Rs. 3,914.70 million through public issue of shares in 2003-04 and the entire amount has been utilised till 31.3.2007 (previous year Rs. 2,364.70 million) for project payments and balance amount remaining was **Rs. Nil** (previous year Rs.1,550.00 million deposited in debt based mutual funds).

24. In terms of the provisions contained in the LNG Port Terminal Concession Agreement, Petronet LNG Limited has to develop a Solid Cargo Port along with the LNG Terminal. A joint venture company "Adani Petronet (Dahej) Port Private Ltd" (APPPL) has been formed for development of Solid Cargo Port. The Company has acquired 50% Equity in APPPL. Expenses to the extent of Rs. 23.80 million have been incurred on this which includes a deposit of Rs.17.00 million with the Gujarat Industrial Development Corporation classified under "Loans & Advances".

25. The accounts of Maharashtra Natural Gas Limited have been prepared for the period of 14 months 19 days i.e. from the date of incorporation 13th January 2006 to 31st March 2007.

26. The accounts of Sabarmati Gas Limited have been prepared for the period from 6th June 2006 to 31st March 2007.

27. 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.

28. 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**	
	31.03.2007	31.03.2006
IN INDIA		
Under NELP – IV Block		
KG/DWN/2002/1	**10.00%**	10.00%
MN/DWN/2002/1	**10.00%**	10.00%
CY/ONN/2002/2	**40.00%**	40.00%
Under NELP – VI Block		
KG/DWN/2004/2	**10.00%**	—

KG/DWN/2004/5	**10.00%**	—
CY/ONN/2004/1	**20.00%**	—
CY/ONN/2004/2	**20.00%**	—
RJ/ONN/2004/1	**10.00%**	—
OUTSIDE INDIA		
Block No 56- Oman	**12.50%**	—
WA/388/P- Australia	**20.00%**	—
JPDA 06/103- Timor/Australia	**25.00%**	—
AC/P32- Australia	**20.00%**	—
48/1b & 2c – North Sea	**25.00%**	—

29. Interests in Joint Ventures

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

(Rs. in Million)

	As at 31/03/2007	As at 31/03/2006
I ASSETS		
1. Fixed Assets		
- Gross Block	**6,094.28**	5,899.35
- Less: Depreciation	**(1,539.76)**	(1,170.54)
- Net Block	**4,554.52**	4,728.81
2. Capital work-in-progress	**3,267.73**	1,084.95
3. Investments	**634.71**	375.51
4. Current Assets, Loans and Advances		
a) Inventories	**691.17**	531.51
b) Sundry Debtors	**674.79**	371.75
c) Cash and Bank Balances	**3,697.65**	393.04
d) Other Current Assets	**3.95**	4.85
e) Loans & Advances	**511.17**	353.26
5. Miscellaneous Expenditure to the extent not written off or adjusted	**8.53**	7.66
II LIABILITIES		
1. Shareholders Funds – Reserves & Surplus	**1,528.87**	900.87
2. Loan Fund		
a) Secured Funds	**3,093.27**	2,651.60
b) Unsecured Funds	**118.06**	320.91
3. Deferred Tax – Liability	**364.93**	172.73
4. Current Liabilities & Provisions		
a) Liabilities	**1,100.62**	588.94
b) Provisions	**146.92**	49.01

(Rs. in Million)

	2006-07	2005-06
III INCOME		
1. Sales and related income	**9,727.38**	7,524.59
Excise Duty	**(497.94)**	(408.04)
	9,229.44	7,116.55
2. Miscellaneous Income	**108.80**	74.78
3. Increase/(Decrease) in Inventory	**(9.55)**	35.85

(Rs. in Million)

		2006-07	2005-06
IV	**EXPENSES**		
1.	Purchase of Products for Resale	**310.51**	225.41
2.	Raw Material Consumed	**7,726.14**	5,437.40
3.	Packages Consumed	**115.30**	115.10
4.	Excise Duty on Inventory differential	**8.38**	11.32
5.	Transportation	**104.00**	91.32
6.	Consumption of stores, spares and materials	**42.42**	34.10
7.	Power and Fuel	**90.07**	74.46
8.	Employees' remuneration and other benefits	**160.52**	161.42
9.	Interest	**224.57**	230.97
10.	Other operating and administration expenses	**446.80**	419.06
11.	Depreciation / Amortisation	**382.28**	371.84
12.	Miscellaneous Expenditure Written off	**1.10**	0.79
13.	Prior period income/(expenses) net	**—**	(2.66)
14.	Profit before Taxation	**(283.40)**	51.34
15.	Provision for Taxation		
	a) Current Tax	**237.14**	163.13
	b) MAT Credit	**(66.63)**	(31.25)
	c) Fringe Benefit Tax	**8.82**	11.49
	d) Deferred Tax (Net)	**192.31**	114.93
16.	Excess/(Short) provision for Taxation in earlier years written back/provided for	**(0.09)**	—
17.	Profit after Taxation	**(655.13)**	(206.96)

(Rs. in Million)

		As at 31/03/2007	As at 31/03/2006
V	**OTHER MATTERS**		
1.	Contingent Liabilities	**220.92**	225.79
2.	Capital Commitments	**19,293.53**	2,875.66

30. Capital Commitments and Contingent Liabilities :

		Rs. Million	31/03/2006 Rs. Million
30.1	**Capital Commitments :**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for	**9,988.09**	8,207.29
	Share of interest in Joint Ventures	**19,293.53**	2,875.66
	Total	**29,281.62**	11,082.95
30.2	**Contingent Liabilities :**		
	(a) In respect of taxation matters of prior years	**1,631.82**	1,799.25
	(b) Other Matters :		
	i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,042.43**	1,317.45
	ii) Claims against the Corporation not acknowledged as debts :		
	(a) Excise and customs matters	**2,890.66**	1,834.79
	(b) Sales tax matters	**17,698.59**	10,886.53

		Rs. Million	31/03/2006 Rs. Million
	(c) Others These include **Rs. 2,976.43 million** (previous year Rs. 4,111.34 million) against which the Corporation has a recourse for recovery and **Rs. 2,414.88 million** (previous year Rs. 1,122.94 million) on capital account.	**7,848.73**	7,430.24
iii)	Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	**10.24**	0.75
(c)	Share of interest in Joint Ventures	**220.92**	225.79

31. **31.1** The net amount of exchange difference debited to the Profit and Loss Account is **Rs. 360.46 million including Rs. Nil pertaining to share of interest in joint ventures** (previous year Rs. 1,337.67 million including Rs. Nil pertaing to share of interest in joint ventures)

31.2 The amount of exchange difference credited to the carrying cost of fixed assets is **Rs. 6.05 million including Rs. Nil pertaining to share of interest in joint ventures** (previous year Rs. 3.06 million including Rs. Nil pertaining to share of interest in joint ventures)

31.3 The exchange difference amounting to **Rs. 2,419.34 million including Rs. Nil pertaining to share of interest in joint ventures** (previous year Rs. 1,033.87 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 subseqent accounting periods.

32. **Managerial Remuneration :**

	Rs. Million	2005-06 Rs. Million
Salary and allowances	**8.48**	4.67
Contributions to Provident Fund and other funds	**0.77**	0.71
Other benefits	**5.61**	3.64
Share of interest in Joint Ventures	**5.20**	6.73
	20.06	15.75

33. **Remuneration to Auditors :**

		Rs. Million	2005-06 Rs. Million
(a)	Audit fees		
	— Statutory Auditor	**1.63**	1.08
	— Branch Auditor	**—**	0.35
(b)	Fees for other services-certification		
	— Statutory Auditor	**1.16**	1.24
	— Branch Auditor	**—**	0.15
(c)	Reimbursement of out of pocket expenses		
	— Statutory Auditor	**0.13**	0.12
	— Branch Auditor	**—**	0.02
(d)	Share of Interest in Joint Ventures	**0.97**	0.84
		3.89	3.80

34. **Research and development :**

		Rs. Million	2005-06 Rs. Million
(a)	Revenue Expenditure	**109.12**	121.68
(b)	Capital Expenditure	**75.05**	67.07
		184.17	188.75

35. Figures have been regrouped wherever necessary

CASH FLOW STATEMENT - (CONSOLIDATED)

	For the year ended 31st March	Notes	2007	2006
			Rs. Million	Rs. Million
A	**Cash Flow from Operating Activities**			
	Net Profit Before tax and prior period items		**35,669.74**	8,525.28
	Adjustments for :			
	Depreciation		**11,020.77**	9,457.92
	Interest paid		**5,203.66**	3,052.22
	Foreign Exchange Fluctuations	Note 3	**(419.09)**	490.12
	(Profit) / Loss on Sale of fixed assets		**12.25**	(28.12)
	(Profit) / Loss on Sale of investments		**421.69**	4.70
	Income from Investments		**(3,574.08)**	(721.41)
	Dividend Received		**(5.25)**	(268.05)
	Other Non-Cash items		**3,505.33**	701.56
	Interest Income		**(7.19)**	(5.31)
	Operating Profit before Working Capital Changes		**51,827.83**	21,208.91
	Invested in :			
	Trade Receivables		**(2,266.62)**	7,265.66
	Other Receivables		**(4,103.51)**	19,149.43
	Inventory		**3,367.97**	(15,439.45)
	Current Liabilities & Payables		**17,308.96**	(10,958.44)
	Cash generated from Operations		**66,134.63**	21,226.11
	Direct Taxes paid		**(6,940.45)**	(2,181.26)
	Cash flow before prior period items		**59,194.18**	19,044.85
	Prior Period Items		**(1,974.46)**	191.33
	Net Cash from Operating Activities		**57,219.72**	19,236.18

CASH FLOW STATEMENT (CONSOLIDATED) — (Contd.)

For the year ended 31st March	Notes	2007 Rs. Million	2006 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets		**(20,478.89)**	(22,120.41)
Adjustment for retirement/reclassification of Fixed Assets		**377.68**	(68.57)
Sale of fixed assets		**36.89**	111.70
Capital Grant Received		**21.93**	31.18
Miscellaneous Expenses written off		**(1.68)**	—
Adjustments to Pre Operating Expenses		**(511.06)**	(77.03)
Investment in JVC :			
Petroleum India International		**—**	(6.60)
Premier Oil Cachar BV		**(1.04)**	—
Cochin Airport		**(52.50)**	—
Advance for Investments		**(4,353.18)**	(119.48)
Purchase of Investment		**(52,932.13)**	(35,387.27)
Sale of Investments		**15,795.31**	6,574.02
Income from Investment		**3,573.32**	721.41
Dividend Received		**5.25**	268.05
Interest Received		**7.19**	5.31
Net Cash Flow on Investing Activities		**(58,512.91)**	(50,067.69)
C Net Cash Flow on Financing Activities			
Equity Investment		**93.86**	11.31
Long term Borrowings		**9,551.89**	6,361.04
Repayment of loans		**(6,462.94)**	(6,767.39)
Interest paid		**(5,547.81)**	(3,480.23)
Interim Dividend Paid		**(2,169.25)**	—
Dividend Paid		**(1,431.10)**	(3,156.53)
Corporate Dividend Tax		**(627.04)**	(555.04)
Exchange difference on forward contracts		**205.41**	(93.82)
Net Cash Flow on Financing Activities		**(6,386.98)**	(7,680.66)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		**(7,680.17)**	(38,512.17)

	Rs. Million	Rs. Million
Cash and Cash equivalents as at 31st March	**2006**	2005
Cash in Hand	**2,309.77**	1,551.23
Cash at Bank	**3,251.59**	5,631.58
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)**	—
	(63,142.48)	(24,619.05)
Cash and Cash equivalents as at 31st March	**2007**	2006
Cash in Hand	**4,094.90**	2,309.80
Cash at Bank	**12,044.23**	3,262.82
Cash in transit	**101.26**	146.05
Cash Credit from scheduled banks	**(17,492.56)**	(19,205.42)
Unsecured loans from scheduled banks / ICDs / CPs	**(60,910.48)**	(40,994.47)
CBLOs	**(8,660.00)**	(8,650.00)
	(70,822.65)	(63,131.22)
Net change in Cash and Cash equivalents	**(7,680.17)**	(38,512.17)

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.5.90 million** (2005-06 - reduction in liability of Rs.3.06 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
Membership No. 34319

Place : Mumbai
Date : 27th July, 2007

ANNEXURE E

DETAILS OF SUBSIDIARY COMPANY
NUMALIGARH REFINERY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

	Rs. Million
I. SOURCES OF FUNDS	
1. Shareholders' funds :	
Share Capital	7,356.32
Reserves and Surplus	13,093.36
	20,449.68
2. Loan funds :	
Secured Loans	1,110.22
Unsecured Loans	1,038.30
	2,148.52
3. Deferred tax liability (net)	3,434.51
TOTAL	26,032.71
II. APPLICATION OF FUNDS	
1. Fixed Assets :	
Gross block	29,955.78
Less : Depreciation and amortisation	9,809.66
Net block	20,146.12
Capital work-in-progress	976.29
	21,122.41
2. Investments	617.99
3. Current assets, loans and advances :	
Inventories	8,210.42
Sundry debtors	2,103.84
Cash and bank balances	3,903.07
Other current assets	39.80
Loans and advances	1,153.29
	15,410.42
Less : Current liabilities and provisions :	
Liabilities	8,890.90
Provisions	2,227.21
	11,118.11
Net current assets	4,292.31
TOTAL	26,032.71

DETAILS OF SUBSIDIARY COMPANY
NUMALIGARH REFINERY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Rs. Million
INCOME	
Sale of products & related income	**79,303.22**
Less: Excise Duty Paid	**(7,178.65)**
	72,124.57
Miscellaneous income	**285.21**
Increase/(Decrease) in Inventory	**(645.08)**
TOTAL	**71,764.70**
EXPENDITURE	
Purchase of products for resale	**1,457.92**
Raw materials consumed	**57,133.78**
Excise Duty on Inventory differential	**216.17**
Other Duties, taxes etc. and other charges applicable to products	**2,040.34**
Transportation	**1,036.21**
Consumption of stores, spares and materials	**93.13**
Power and Fuel	**15.10**
Employees' remuneration and other benefits	**485.07**
Interest	**205.57**
Other operating and administration expenses	**902.74**
Depreciation and Amortisation	**1,576.16**
TOTAL	**65,162.19**
Profit	**6,602.51**
Prior period income/(expenses) net	**(771.42)**
Profit before tax	**5,831.09**
Provision for Taxation	
- Current Tax	**650.34**
- Fringe Benefit Tax	**13.50**
- Deferred Tax (Net)	**(520.78)**
Profit after tax	**5,688.03**
Balance brought forward	**0.10**
Disposable Profit	**5,688.13**
Appropriations:	
Proposed dividend	**1,839.08**
Corporate Dividend Tax on proposed dividend	**312.55**
	2,151.63
Transfer to General Reserve	**3,536.40**
Balance Carried to Balance Sheet	**0.10**
Earnings per Share	
- Basic & Diluted	**7.73**

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	**Financial Year ending of the Subsidiary Company**	**No. of shares held by BPCL as on 31.3.2007**	**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 31.3.2007 (Rs. in Million)	For the previous financial years since it became a Subsidiary Company (Rs. in Million)	For the financial year ended on 31.3.2007 (Rs. in Million)	For the previous financial years since it became a Subsidiary Company (Rs. in Million)
Numaligarh Refinery Ltd. (NRL) (w.e.f. 31.3.2001)	31.3.2007	463188856 shares of Rs.10/- each fully paid up.	62.96% #	3506.67	5943.45	880.06	1806.44
Bharat PetroResources Ltd. (BPRL) (w.e.f. 17.10.2006)	*	49940 @ shares of Rs.10/- each fully paid up.	100%	*	*	*	*
Bharat PetroResources JPDA Ltd. (BP JPDA) (w.e.f. 28.10.2006)	*	49940 @ shares of Rs.10/- each fully paid up.	100%	*	*	*	*

The Corporation has sold 1.31% shares of NRL to Oil India Ltd. on 22.6.2007.

* BPRL and BP JPDA have been incorporated during the year. Necessary applications have been made for the extension of the first financial year ending of these Companies to 31st March 2008

@ In addition, six individuals, who are nominees of BPCL, each holds ten shares of Rs.10/- each in the Company.

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: 6th August 2007