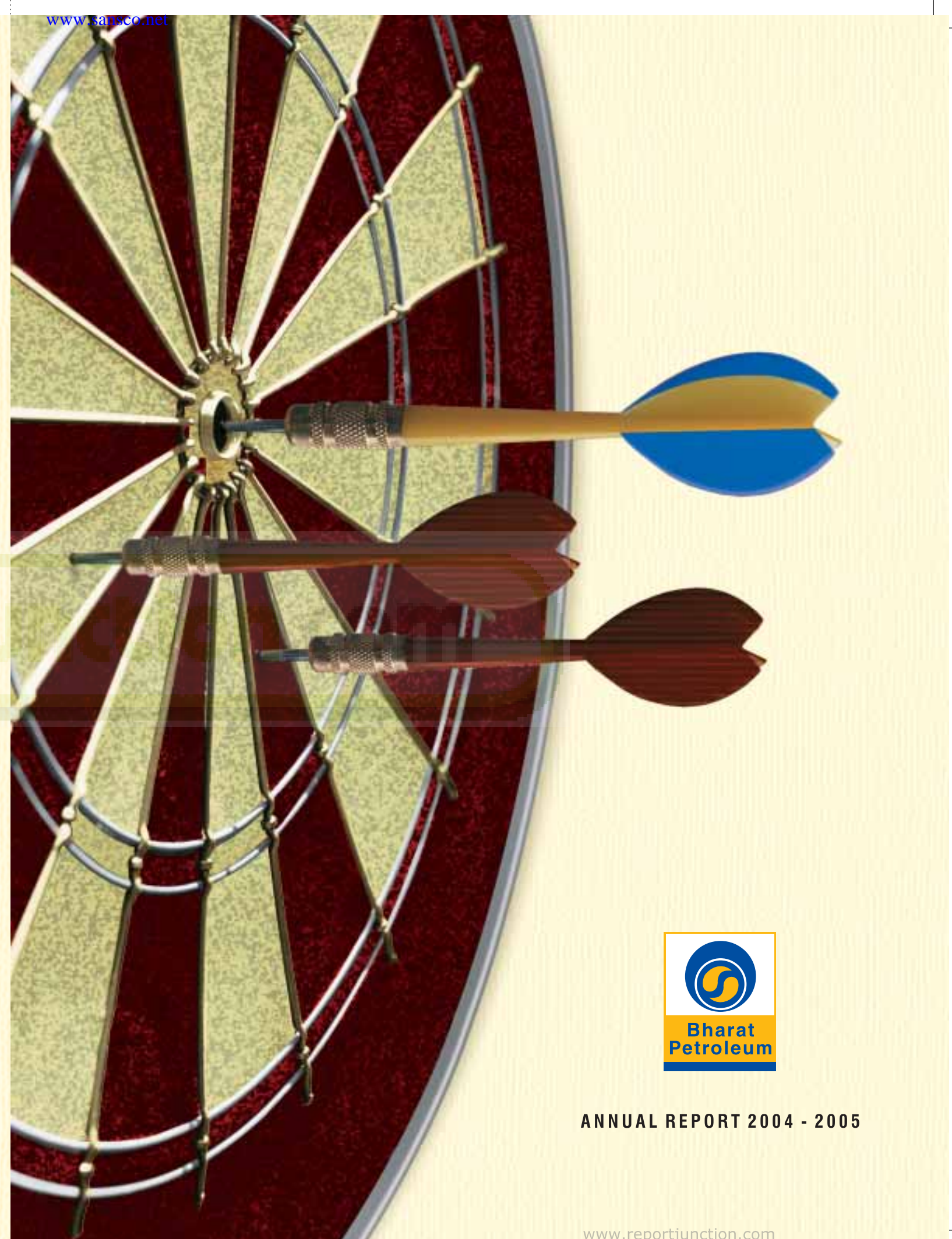


Bharat Petroleum Corporation Limited

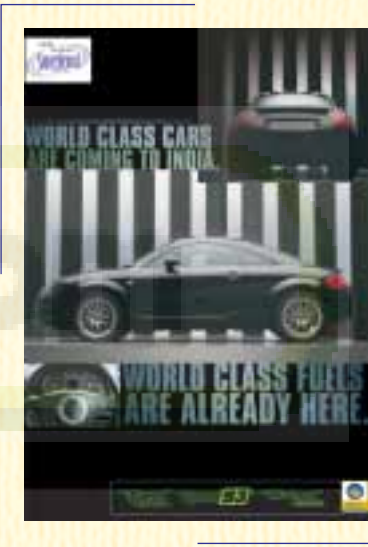
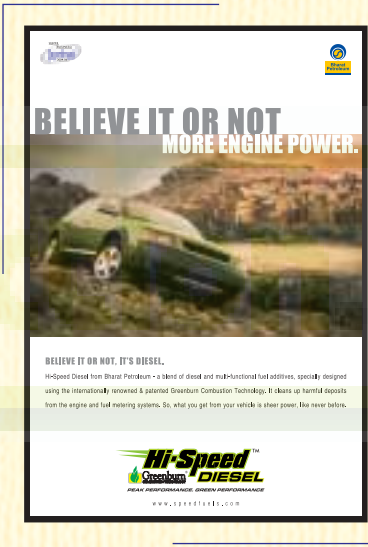


Annual Report 2004-2005



ANNUAL REPORT 2004 - 2005







# *Sustaining Growth Through Value Creation*

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

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

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

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

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

*BPC . . . . . aiming to excel !*

# Group Performance Highlights



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



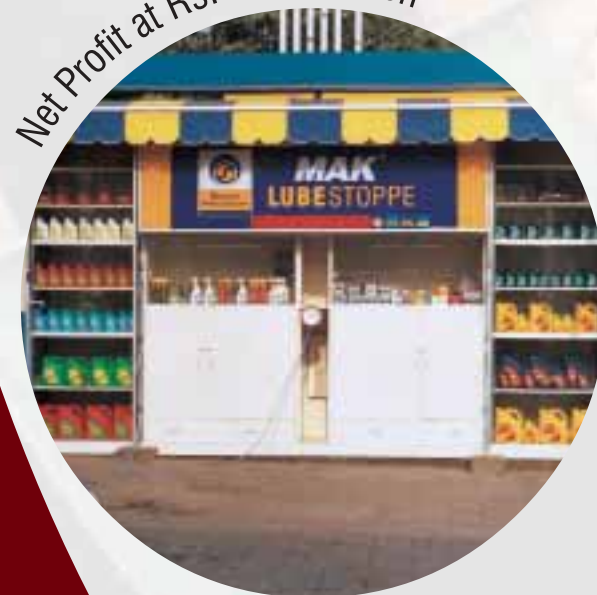
Earnings per share: Rs. 51.40



Sales Turnover surged by 15% touching Rs. 720.37 billion



Crude throughput increased to 19.10 MMT



Net Profit at Rs. 20.74 billion



Market sales including exports zoomed to 23.09 MMT

## Contents

Group Performance Highlights	2
Board of Directors	4
Bankers, Auditors and Registered Office	5
Management Team	7
Notice to Shareholders	8
Management Discussion & Analysis Report	12
Directors' Report	38
Performance Profile	80
Auditors' Report	89
Balance Sheet & Profit and Loss Account	94
Cash Flow Statement	126
Consolidated Financial Statements	129



# Board of Directors



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



**S. BEHURIA**  
*Chairman & Managing Director  
(upto 28.2.2005)*



**S.A. NARAYAN**  
*Director (Human Resources)*



**S. RADHAKRISHNAN**  
*Director (Marketing)*



**M. ROHATGI**  
*Director (Refineries)*



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



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



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



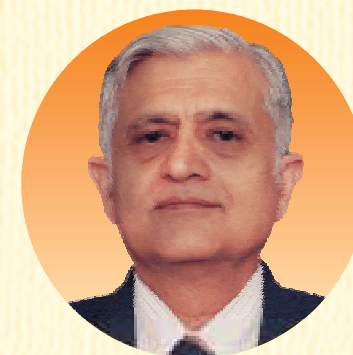
**A. K. SRIVASTAVA**  
*Joint Secretary, Ministry of  
Petroleum & Natural Gas  
(upto 7.3.2005)*



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



**P. C. SEN**



**A. H. KALRO**



**V. D. GUPTA**

**D.M. NAIK BENGRE**  
*Company Secretary*

## Bankers

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

## Auditors

V. Sankar Aiyar & Co.

## Registered Office

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





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

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

# Management Team



NOTICE TO THE MEMBERS

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

A. Ordinary Business

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

B. Special Business

5. Appointment of Director

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

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

6. Appointment of Director

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

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

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

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

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

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

8. Sitting fees to the Non-executive Directors

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

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

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

By Order of the Board of Directors

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

Registered Office:

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

Notes :

- 1. Explanatory statements under Section 173 of the Companies Act, 1956, in respect of the above items of Special Business are annexed hereto.
- 2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies, in the alternative, to attend and vote instead of himself and proxy/proxies need not be a member. Proxies, in order to be effective, should be duly completed & affixed with the revenue stamp of the value of fifteen paise and be deposited at the Registered Office of the Company not less than forty eight hours before commencement of the Meeting.
- 3. In order to help us in providing appropriate answers backed by relevant financial data, the members may please send their queries that they would desire to raise at the Annual General Meeting, at least one week in advance, to the Company Secretary at the Registered Office.





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

**Item No. 5 Appointment of Director**

Shri Ajay Tyagi, Joint Secretary, Ministry of Petroleum & Natural Gas, was appointed as Additional Director, by the Board of Directors, with effect from 21<sup>st</sup> April 2005, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India.

Shri. Ajay Tyagi, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a member, proposing the name of Shri Ajay Tyagi as Director of the Company. A brief resume of Shri Ajay Tyagi, as required under Clause 49(VI)(A) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. Shri Ajay Tyagi does not hold any share in the Company as on the date of appointment. The Directors recommend appointment of Shri Ajay Tyagi as Director of the Company.

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

**Item No. 6 Appointment of Director**

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

Smt. Aditi S. Ray, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a member, proposing the name of Smt. Aditi S. Ray as Director of the Company. A brief resume of Smt. Aditi S. Ray, as required under Clause 49(VI)(A) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. Smt. Aditi S. Ray does not hold any share in the Company as on the date of appointment. The Directors recommend appointment of Smt. Aditi S. Ray as Director of the Company.

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

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

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

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

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

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

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

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

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

The Directors recommend the proposal for approval of the members.

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

By order of the Board of Directors

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

**Registered Office**

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



## INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian economy is poised to register a growth of about 6.9% for the fiscal 2004-05 as against last year's performance of 8.1%.

The main contributor to this fall was the agriculture sector which fell sharply from its 2003-04 level of 9% to 1% primarily because of a bad monsoon. While the industrial sector contributed its bit, the main driver was the services sector with a growth of about 11%.

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

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

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

process a higher quantum of heavy – sour crude oils. After the commissioning of the Refinery Modernisation Project, the BPC Refinery at Mumbai would be processing an increased percentage of heavy – sour crude oils and would be able to reap the advantage of this increased spread.

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

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

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

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

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

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

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

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

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

## OPPORTUNITIES & THREATS

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

The refiners' margin cycle is currently at its peak with the spreads between the products and crude increasing considerably. BPC Refinery would be increasing its capacity and throughput during the next 2 years. The current trends would help in increasing the refinery's profitability to a great extent. In order to ensure that the products from BPC Refinery are consumed domestically and also to address the problems of supply security in the Northern Region, BPC has already embarked on

extension of its pipeline upto Delhi. The project is likely to be completed by end December 2006 and would not only ensure that BPC Refinery retains its fuel margins by way of domestic consumption, but also would reduce transportation costs considerably.

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

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

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

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

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

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

## PERFORMANCE

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



# Refinery

## Refinery

The Mumbai Refinery has completed 50 golden years of creditable service to the nation. It was in March 1955 that the refining facilities were inaugurated by Dr. Sarvapalli Radhakrishnan, the then Vice-President of India. During these years, the refining sector has experienced enormous transformations due to accelerating technological trends, the communication revolution,

liberalized global markets, stringent product quality requirements etc. BPC Refinery has successfully responded to these challenges by continuously improving the efficiency of its existing operations coupled with the adoption of state-of-the-art technologies while growing in capacity from 2 million metric tonnes per annum (MMTPA) in 1955 to 12 MMTPA.

