

Annual Report 2011-12



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Enhancing Stakeholder Value

An organization exists to deliver value to its stakeholders and to contribute to society, partnering in the progress of the nation.

Driven to excel by our inspiring vision, we continuously strive to attain superior business performance in all our endeavours. Development of people and building a leadership pipeline remain our key thrust areas.

We constantly benchmark ourselves against the best in class global practices, harnessing technology and encouraging our enthusiastic workforce to synergistically achieve stretched targets.

We're committed to exploring opportunities, pioneering initiatives, nurturing relationships and energizing lives, while retaining the competitive edge in a dynamic business environment.

With a firm belief in responsible development, great importance is accorded to health, safety, security and environmental care. We continue our quest for renewable energies, as we're keen to build a better world for future generations.

BPCL . . . the hallmark of excellence !

Dear Shareowners,

I am extremely happy to communicate to you once again and to inform you that your Company has made significant progress on all fronts in the last year. This is reflected in the recently released Fortune Global 500 rankings for the year 2011-12, in which BPCL's ranking at 225 is a substantial improvement over the previous year's rank of 272. BPCL has also cemented its status as one of India's most respected corporate houses, when it was named among India's 50 Most Admired Companies in a recent list published in Fortune India Magazine. Leading companies were surveyed across parameters including corporate governance, innovativeness and talent management. These assessments by independent agencies and the positive financial results have been a vindication of the Company's concerted efforts to enhance stakeholder value. BPCL's excellent performance and consistent growth can be attributed to a strong and focused vision co-created by the employees across the Company, clarity in communication at all levels of the organisation and a meticulous execution plan.

Our foray into the upstream sector has shown great promise and our Exploration & Production arm, Bharat PetroResources Limited had last year reported some very important finds of Oil & Gas in Mozambique, Brazil and Indonesia. The gas finds in Mozambique in particular are truly world class and the consortium is carefully considering options for harnessing its entire potential. Although monetization is still sometime away and would involve large investments, the upstream initiative is looking set to deliver significant value to the stakeholders in the days ahead.

The Company is committed to sustain growth in the downstream sector and towards this end, the Board has recently approved the refinery expansion project at Kochi involving a capital outlay of around ₹ 14,225 crores. The Government of Kerala is actively supporting the project by extending fiscal incentives for the same. The refining capacity at Kochi will increase to 15.5 MMTPA on completion of this project, thereby ensuring that BPCL will be well placed to meet the growing demand for petroleum products in the country. The project will result in the refining facilities being modernised which will enable the refinery to produce Auto fuels conforming to Euro IV / V specifications and also lead to upgradation of the residue streams to produce distillates and petcoke. BPCL is also planning to enter the petrochemicals segment using the raw material to be produced at the refinery on the commissioning of the expansion project.

I am glad to inform you that we have recently signed an MOU with L G Chem, Korea, one of the world's leading players in the petrochemicals business. We are also looking at opportunities to undertake low cost expansion of the Bina Refinery which can take the refining capacity from the existing 6 MMTPA to 9 MMTPA. These projects, when completed, will ultimately transform the organisation and take it to the next level of growth.

Marketing continues to be the core area of our operations and catering to customer aspirations continues to be central to our existence. Taking this forward, BPCL has judiciously increased its retail presence and would continue to commission new retail outlets in markets which show strong growth potential including highways and rural areas. A bouquet of offerings to meet the customer needs including total automation of outlets and world class service to motorists are being made available to enhance customer loyalty.

To consolidate its presence in the LPG business, BPCL has recently commissioned a state-of-the-art Cryogenic LPG Import Terminal at Uran near Mumbai. Given that imports contribute significantly in meeting the requirements of bulk LPG, the terminal will go a long way in handling the growing volumes of LPG imports. Large investments are being planned in the Gas sector as we look at scaling up the business and having better access to the gas distribution infrastructure. The growth in the Indian industrial sector is bolstered by timely supplies from our portfolio of Industrial & Commercial fuels. International bunkering has been initiated through our Joint Venture Company, Matrix Bharat Pte Limited based in Singapore. Our MAK lubricants have regularly innovated to introduce products conforming to global standards and have established a growing presence in Sri Lanka, Nepal, Africa and Bangladesh. The Aviation sector has seen some volatile developments in recent times. However, BPCL has taken proactive steps to consolidate the business and seek fresh avenues for growth and development. Towards this end, BPCL has recently signed an MOU with Kannur International Airport Limited to have an equity stake in the proposed new airport at Kannur in Kerala. Project CUBE (Customer Understanding for Business Excellence) was undertaken with a view to get to know our customers better and ensure that we meet their requirements. Initial results have been encouraging and efforts are currently on to strengthen the relationship with customers across all the businesses.

With demand for petroleum products increasing considerably, there is a need to set up additional storage

and distribution facilities in markets having strong growth potential. An integrated marketing infrastructure plan has been finalised to set up Installations, Depots, Bottling Plants, Aviation Stations and a lube blending plant. In addition, pipelines to transport products in a cost effective manner are being planned in a few locations.

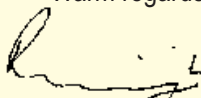
Apart from the fund requirements, we remain conscious of the fact that all the ambitious plans of the Company can be achieved only if we have the right people in the right job. BPCL is therefore, working towards developing a strong talent base and a robust succession plan. This can ensure that people with the requisite skills and expertise are available to take the organisation to the next level of growth. A lot of emphasis is being placed on project management and execution skills in view of the quantum of investments being planned. We are fortunate to have a dedicated team who are passionate about their work and spare no effort in striving for excellence in all their endeavours.

Even as BPCL continues to move forward on the growth path, we remain committed to meeting our social obligations as a caring Company. Our thrust on water conservation and primary education continues and we would like to make a significant contribution in these areas. The community at large is a major stakeholder for BPCL and it is our desire to ensure that we make a difference through our efforts and investments.

As I conclude, I would like to emphasise my abiding faith in the growth potential of India. There is no doubt that the current economic situation is tough; however, the country's strengths far outweigh the weaknesses and therefore, the days ahead should see strong growth in all areas. BPCL is gearing itself to meet the growing demand for energy in the years ahead. At the same time, we would also like to equip ourselves to meet the likely competitive pressures. The future looks very promising and I remain confident that we will be in a position to deliver substantial returns on your investment in the Company. Towards this, we have recently declared a generous bonus issue of equity shares in the ratio of one new share for every share held.

I, along with my fellow Directors, look forward to your continuing support as we embark on a journey which promises to be exciting and rewarding to every stakeholder.

Warm regards



R. K. SINGH

Chairman & Managing Director





R.K. SINGH
Chairman & Managing Director



K. K. GUPTA
Director
(Marketing)



B. K. DATTA
Director (Refineries)
(w.e.f. 1.8.2011)



S. K. JOSHI
Director (Finance)
(up to 31.8.2011)



S. VARADARAJAN
Director (Finance)
(w.e.f. 1.9.2011)



P. K. SINHA
Special Secretary &
Financial Advisor, MOP & NG
(up to 28.2.2012)



R. N. CHOUBEY
Director General
DGH, MOP & NG
(w.e.f. 10.8.2012)



A. K. SHARMA
Secretary (IP)
Government of Kerala



N. VENKITESWARAN
Director



H. M. JAGTIANI
Director



J. R. VARMA
Director
(w.e.f. 10.8.2012)



B. CHAKRABARTI
Director
(w.e.f. 10.8.2012)



S. MOHAN

Director (Human Resources)
(up to 31.10.2011)



S. P. GATHOO

Director (Human Resources)
(w.e.f 3.11.2011)



S. K. BARUA

Director



I. P. S. ANAND

Director

S.V. KULKARNI
Company Secretary

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
Royal Bank of Scotland
ICICI Bank Ltd.
HDFC Bank Ltd.
State Bank of Travancore
IDBI Bank Ltd.
BNP Paribas
Calyon Bank

Auditors

M/s. T. R. Chadha & Co.
M/s. K.Varghese & Co.

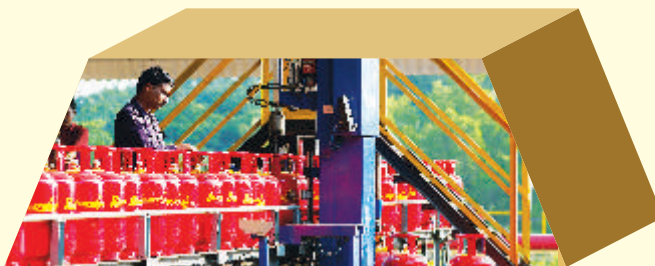
Share Transfer Agent

Data Software Research Co. Pvt. Ltd.
#19, Pycrofts Garden Road,
Nungambakkam, Chennai 600 006

Registered Office






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

Group Performance Highlights








- Sales turnover at ₹ 2,23,315 crores
- Crude throughput at 26.72 MMT
- Market sales including exports at 34.97 MMT
- Exploring opportunities in diverse fields
- Oil and Gas discoveries abroad are poised to deliver value

Vision

-  We are the most admired global energy company leveraging talent and technology
-  We are the first choice of customers, always
-  We exploit profitable growth opportunities outside energy
-  We are the most environment friendly company
-  We are a great organisation to work for
-  We are a learning organisation
-  We are a model corporate entity with social responsibility

Mission

-  Participate prominently in nation-building by meeting its growing energy needs, and to support this endeavour, pursue the creation of economic surplus by efficiently deploying all available resources and aiming towards global competitiveness in the energy sector
-  Strengthen and expand areas of core competencies throughout the country, total quality management in all spheres of business and maintain the status of a leading national company
-  Create awareness among people on the imperatives of energy conservation and efficient consumption of petroleum resources, by disseminating information through appropriate media
-  Availing ourselves of new opportunities for expansion / diversification arising from the liberalization of the economy to achieve a global presence
-  Promote ecology, environmental upgradation and national heritage





(L to R) Mr. S. Varadarajan, Director (Finance), Mr. B.K. Datta, Director (Refineries), Mr. R.K. Singh, Chairman & Managing Director, Mr. K.K. Gupta, Director (Marketing) and Mr. S.P. Gathoo, Director (Human Resources)