



energising lives

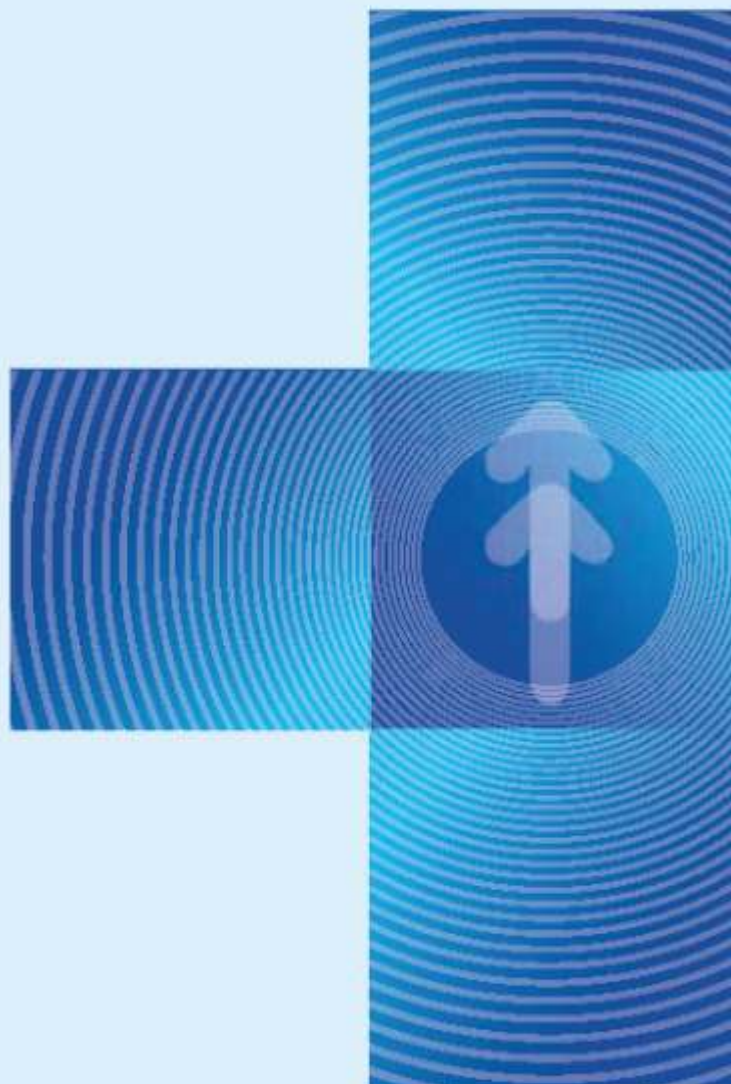
# Annual Report 2012-13





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# In Pursuit of Excellence

With our inspiring vision as our lodestar, and strategic leadership as our guiding force, we've set off on our journey of growth and development, attaining new peaks of performance.

Governance and value creation have been the bedrock of our progress, scripting our success story in a challenging environment.

With major projects on the anvil, we seek to consolidate our infrastructure and employ it as a launching pad for our ambitious plans for the future.

We transcend boundaries while exploring opportunities on a global canvas, integrating solutions to help maximize business gains.

On a growth trajectory, we leverage technology and our creative workforce to pioneer initiatives and surpass customers' expectations throughout.

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

We're committed to energising lives and making a difference to our customers, our stakeholders and society.

## BPCL . . . scaling new heights







## Chairman's Letter

Dear Shareowners,

It gives me great pleasure to be writing to you at the end of what has been a phenomenal year for BPCL in terms of performance. Both the refineries and the marketing businesses have delivered exceptional results, which have contributed to the company recording its highest level of net profit in a single financial year. Amongst the public sector oil companies, BPCL has achieved the highest average Gross Refining Margin during 2012-13. BPCL's growth in market sales is also the highest amongst the public sector oil marketing companies. It has been our endeavour to excel in all areas of operations and our employees across the country have worked diligently and with a high degree of cohesiveness.

I am happy to inform you that the new refinery at Bina set up by Bharat Oman Refineries Limited has stabilised and is now operating at its full capacity, thereby helping BPCL meet its growing product requirements. The upstream Exploration & Production initiative is progressing well and based on current trends, will generate substantial value to BPCL and concomitantly, its shareholders. The capital markets have recognised our inherent strengths and potential by placing a premium on the company's valuation when compared to its peers. The confidence was also very evident when BPCL's maiden bond offering in the international market received an overwhelming response, due to which the bonds could be priced at a very fine rate.

While there are many positives to draw from the superlative all-round performance, we recognise the major challenges that lie ahead of us. The overall economic environment remains tough. The volatility in the markets is a cause for concern. The current global environment, along with the sharp depreciation in the rupee and sluggish economic growth, will have an impact on the prospects for the oil and gas industry in the current year. Notwithstanding the difficult situation, I remain fully confident about the country's growth potential and the huge opportunities for BPCL to grow and create value for all its stakeholders.

BPCL is rapidly forging ahead with the implementation of its long term investment plans. Work on the Integrated Refinery Expansion Project at Kochi, which will involve an outlay of ₹ 14,225 crores, is progressing well and the project team is working towards meeting the aggressive timelines. The Government of Kerala has extended its full support in the implementation of what will be BPCL's single largest project. In addition to the grant of fiscal incentives, the State Government has facilitated the introduction

of measures which will ensure uninterrupted work at the project site. Once completed, Kochi refinery will be in a position to meet BPCL's growing product requirements in the country. Also, the high degree of complexity of the refinery will enable it to make products meeting the latest specifications and generate better Gross Refining Margins. BPCL is also looking at diversifying into Petrochemicals at Kochi, since the feedstock will be available after the completion of the refinery expansion project. In Mumbai, although there is a space constraint, work is on to upgrade some of the major machinery and equipment, which will contribute in a big way towards enhancing the efficiency of the refinery, thereby improving the refining margins and making available products that will meet the stringent specifications.

BPCL's wholly owned subsidiary, Bharat PetroResources Limited is also making good progress in its plans to build upon the major oil and gas finds that have been reported in Mozambique and Brazil. The gas finds in Mozambique have come to be recognised as being amongst the biggest anywhere in the world. There have been some transactions in the recent past involving the 'farm in' into the blocks by other players. The prices at which the transactions have happened clearly indicate the immense long term potential and value of our stake. The consortium has started to work in right earnest to complete the development phase and commence gas production by the year 2018. The discoveries made in Brazil also hold great potential. I am sure that in the days to come, the upstream initiative will bring rich rewards to each one of our stakeholders. The challenge before us would be the large quantum of investments that will need to be made during the development phase. However, given the quality of blocks held by Bharat PetroResources Limited, the company should be in a position to raise debt without putting a strain on BPCL's Balance Sheet. This should help in terms of BPCL being able to focus on funding the big ticket investments planned in the refining and marketing segments.

Marketing of petroleum products remains the core strength of the company. This is reflected in the performance of the marketing businesses during 2012-13. All the six businesses have continued to deliver strong results. At the same time, there are major challenges in the marketing arena. The rupee depreciation and the volatile prices in the international market are matters of concern. The likely entry of private players in the retail segment will make the market very competitive. The introduction of changes in the method of computing under-recoveries on the sale of products like HSD, LPG (Domestic) and SKO (Domestic) could have a major impact on the bottom line. However, these are difficulties that will confront all the players. BPCL is therefore, concentrating on improving operational efficiencies, building infrastructure and evolving innovative solutions. Expanding the retail network and enhancing the customer experience through better offerings remain the main strategy. Improving logistics and reducing operating costs are also focus areas. The commissioning of the ATF pipelines from the two refineries to the airports at Mumbai



and Kochi is a step in that direction. The Domestic LPG business is undergoing a transformation and BPCL is keeping pace with the changes. The process of direct credit of subsidy to the bank account of the consumer has commenced at select districts and will be rolled out in line with the plan drawn by the Government of India.

Even as individual businesses are doing well, we recognise that it is essential to innovate and stay ahead of the competition if we have to sustain the pace of growth. With enhanced collaboration, we propose to generate growth opportunities for the businesses. Teams are engaged in cross-selling products serviced by individual businesses, so that the customer has easy access to the entire range of products. Efforts are on to strengthen the customer connect by achieving accentuated levels of customer service. The focus is on creating better visibility, structured customer interface and an upgraded complaints redressal system, as we believe these will positively impact our brand image. It will help BPCL strengthen its bond with the customer and go a long way in retaining his loyalty.

We also recognise the fact that long term success is largely dependent on the quality of human resources. BPCL has been truly blessed in terms of having a committed, skilled and hardworking team of employees across the country. Empowering people at all levels, giving them the required training and exposing them to new challenges remains our priority, as we prepare to face dynamic scenarios and grow in the market. It is our endeavour to ensure that there is a seamless transition from one generation of leaders to another, who can take the company to the next level of growth.

Even as we focus on meeting our business targets and goals, our commitment to society at large remains undiluted. Our efforts at propagating water conservation and promoting primary education continue. As a responsible corporate citizen, we have supported the rehabilitation efforts that have been undertaken in the disaster-hit areas of Uttarakhand. Our employees have also come forward to make contributions which can make a difference in the relief efforts.

As I said last year, India's growth potential holds great promise, which in turn presents significant opportunities for companies in the energy sector. BPCL is well poised to take advantage of these opportunities and grow at a fast pace. I will like to conclude by acknowledging your continuing support and encouragement for all our initiatives. It has been our cherished desire to ensure that the investment made by you in the company gives you the best returns. I am confident that we will be able to sustain the growth momentum and ensure maximisation of value for all our stakeholders.

Warm regards



**R. K. SINGH**

Chairman & Managing Director





## Board of Directors



**R. K. SINGH**  
Chairman & Managing Director



**K. K. GUPTA**  
Director (Marketing)



**B. K. DATTA**  
Director (Refineries)



**S. VARADARAJAN**  
Director (Finance)



**S. P. GATHOO**  
Director (Human Resources)



**A. K. SHARMA**  
Secretary (I & C),  
Government of Kerala  
(up to 11.10.2012)



**R. N. CHOUBEY**  
Director General,  
DGH, MOP&NG  
(up to 9.4.2013)



**T. JOSE**  
MD, KSIDC  
(w.e.f. 24.1.2013)



**N. MITTAL**  
Joint Secretary (M),  
MOP&NG  
(w.e.f. 11.4.2013)



**S. K. BARUA**  
Director  
(up to 22.11.2012)



**I. P. S. ANAND**  
Director  
(up to 14.3.2013)



**H. M. JAGTIANI**  
Director  
(up to 5.3.2013)



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



**N. VENKITESWARAN**

Director  
(up to 22.11.2012)



**B. CHAKRABARTI**

Director  
(w.e.f. 10.8.2012)

**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



- Gross Revenue for Operations soars to ₹ 2,53,286 crores
- Crude throughput increases to 28.55 MMT
- Market sales including exports surges to 36.89 MMT
- Building a stronger customer connect across businesses
- Gas find in Mozambique to the tune of 35-65 tcf of recoverable resources







## 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 role model for Health, Safety, Security & Environment
- 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)