

25th Annual Report 1998 - 99



BOARD OF DIRECTORS

(as on 16th August, 1999)

Shri B.K. Gogoi	Chairman & Managing Director
Shri K. Ramachandran Pillai	Director-Human Resources
Shri R.M. Hazarika	Director (Commercial)
Shri R.D. Shira	Director (Production)

Shri Ashok Chawla,
Joint Secretary (PC),
Department of Chemicals &
Petrochemicals,
Government of India

Shri N.K. Singh,
Director (S&P),
Ministry of Petroleum &
Natural Gas,
Government of India

Shri J.P. Meena,
Commissioner & Secretary,
Industries & Commerce,
Government of Assam

Shri R.C. Mahajan,
Joint Adviser,
Planning Commission,
Government of India.

COMPANY SECRETARY

Shri V.N. Murthy

BANKERS

State Bank of India
State Bank of Hyderabad
United Bank of India
UCO Bank

STATUTORY AUDITORS

M/s SRI Associates,
Chartered Accountants,
3/B Garstin Place,
Calcutta-700 001

COST AUDITORS

M/s A.C. Dutta & Co.,
Cost Accountants,
10, K.S. Roy Road, (2nd Floor),
Calcutta-700 001

SHARE TRANSFER AGENT

SRG Infotec Limited,
Devraha House,
A-256, Industrial Area Phase-I,
Okhla, New Delhi-110 020

REGISTERED OFFICE

P.O. Dhaligaon
Dist. Bongaigaon
Assam-783 385

CONTENTS

	Page No.
Notice	2
Directors' Report	6
Comments of the CAG	18
Auditors' Report	22
Balance Sheet	26
Profit & Loss Account	27
Schedules	28
Cash Flow Statement	50
Major Accounting Policies	52
Statement of changes in financial position	54
Social Overheads	55
Sources and Application of Funds	56
Performance at a Glance	57

NOTICE

NOTICE IS HEREBY GIVEN THAT the Twenty fifth Annual General Meeting of the Shareholders of Bongaigaon Refinery & Petrochemicals Limited will be held at 3.00 p.m. on Tuesday, 28th September, 1999 at the registered office of the Company at Dhaligaon, Dist. Bongaigaon [Assam] to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account of the Company for the year ended 31st March, 1999 and the Audited Balance Sheet as on that date along with the Report of the Directors, the Auditors' Report and the comments of the Comptroller & Auditor General of India in terms of Section 619 of the Companies Act, 1956 and the reply of the Management;
2. To declare a Dividend;
3. To appoint Director in place of Shri R.M. Hazarika, who retires by rotation and is eligible for reappointment.

SPECIAL BUSINESS

4. To pass the following resolution as Ordinary Resolution with or without modification:
"RESOLVED THAT Shri N.K. Singh, who was appointed as a Director of the Company w.e.f. 28.10.98 and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation. The tenure of appointment of Shri N.K. Singh as a Director of the Company shall be subject to such notification as may be issued by the Government of India."
5. To pass the following resolution as Ordinary Resolution with or without modification:
"RESOLVED THAT Shri Ashok Chawla, who was appointed as a Director of the Company w.e.f. 20.11.98 and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation. The tenure of appointment of Shri Ashok Chawla as a Director of the Company shall be subject to such notification as may be issued by the Government of India."
6. To pass the following resolution as Ordinary Resolution with or without modification:
"RESOLVED THAT Shri R.C. Mahajan, who was appointed as a Director of the Company w.e.f. 20.11.98 and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation. The tenure of appointment of Shri R.C. Mahajan as a Director of the Company shall be subject to such notification as may be issued by the Government of India."
7. To pass the following resolution as Ordinary Resolution with or without modification:
"RESOLVED THAT Shri J.P. Meena, who was appointed as a Director of the Company w.e.f. 20.11.98 and who holds office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation. The tenure of appointment of Shri J.P. Meena as a Director of the Company shall be subject to such notification as may be issued by the Government of India."

By order of the Board of Directors
Bongaigaon Refinery & Petrochemicals Ltd.

Date : 17th August, 1999
Place : New Delhi

V N MURTHY
Company Secretary

NOTE:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. Proxy in order to be effective must be received by the Company not less than 48 hours before the meeting. A blank Proxy Form is enclosed.
2. The Share Transfer Books and the Register of Members of the Company will remain closed from 16th September, 1999 to 28th September, 1999 [both days inclusive] for ascertaining entitlement of dividend for the financial year ended 31st March, 1999.
3. Dividend, as recommended by the Board of Directors, if approved by the members, will be paid to those members whose names appear on the Company's Register of members on 28th day of September, 1999.

The dividend in respect of shares held in electronic form will be paid to the beneficial owners of shares as on 15th September, 1999 as per details to be furnished by the depositories for this purpose.

4. In terms of Section 205A of the Companies Act, 1956, read with the Companies Unpaid Dividend [Transfer to the General Revenue Account of the Central Government] Rules, 1978 the Company has transferred unclaimed dividend in respect of the financial year 1993-94 to the General Revenue Account of the Central Government. The shareholders/any person entitled to the unclaimed dividend transferred to the General Revenue Account of the Central Government may claim their dividend from the Registrar of Companies, Assam, Meghalaya etc., Morello Building [Ground floor], Shillong-793 001 in Form No. II prescribed under the clause 6[1] of the Companies Unpaid Dividend [Transfer to General Revenue Account of the Central Government] Rules, 1978.
5. Dividend mandates, changes of addresses, application for consolidation of Folios, if any, should reach the Company or its Share Transfer Agent - SRG Infotec Ltd., Devraha House, A-256, Industrial Area-Ph-I, Okhla, New Delhi-110 020, before 16th day of September, 1999, otherwise the same will not be taken into consideration for payment of dividend that may be declared by the Company for the financial year ended 31st March, 1999.
6. While opening a depository account with participants of NSDL, beneficiary owners under the electronic segment might have given their bank account details, which will be used by the Company for printing on dividend warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the account specified on the dividend warrant. This ensures safety for investors. However, beneficiary owners may want to receive dividend in an account other than the one specified, while opening the depository account. If so, they may change/correct their bank account details with depository participant. They are also requested to kindly give MICR code of their bank to their depository participant.
7. As per the provisions of the amended Companies Act, 1956, facility of making nomination is now available to the shareholders in respect of the shares held by them. Interested shareholders can obtain the Nomination Form from the Company's Share Transfer Agent.
8. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
9. Members should bring their copy of the 25th Annual Report to the venue of the meeting.
10. Explanatory statements pursuant to Section 173[2] of the Companies Act, 1956, in respect of the business Item Nos. 4 to 7 above are annexed hereto.

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 4**

Shri N.K. Singh, Director [S&P], Ministry of Petroleum & Natural Gas, Government of India was appointed as a part-time Director of the Company by the Government of India vide notification No. L-31014/5/98/DO[R] dated 28.10.98 in terms of Article 105(2) of the Articles of Association of the Company. In terms of the relevant provisions of the Companies Act, 1956, Shri N.K. Singh will hold office upto the date of this Annual General Meeting. The Company has received a notice in writing from a member of the Company pursuant to the provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose Shri N.K. Singh as a candidate for the office of Director. Shri N.K. Singh, if appointed, will be liable to retire by rotation under Sections 255 and 256 of the Companies Act, 1956. However, the tenure of his appointment will be subject to such notification as may be issued by the Government of India in terms of article 105(2) and 105(3) of the Articles of Association of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors, except Shri N.K. Singh, is interested or concerned in the resolution.

Item No. 5.

Shri Ashok Chawla, Joint Secretary [PC], Department of Chemicals & Petrochemicals, Government of India was appointed as a part-time Director of the Company by the Government of India vide notification No. 31014/5/98/DO[R] dated 20.11.98 in terms of article 105(2) of the Articles of Association of the Company. In terms of the relevant provisions of the Companies Act, 1956, Shri Ashok Chawla will hold office upto the date of this Annual General Meeting. The Company has received a notice in writing from a member of the Company pursuant to the provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Ashok Chawla as a candidate for the office of Director. Shri Ashok Chawla, if appointed, will be liable to retire by rotation under Sections 255 and 256 of the Companies Act, 1956. However, the tenure of his appointment will be subject to such notification as may be issued by the Government of India in terms of article 105(2) and 105(3) of the Articles of Association of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors, except Shri Ashok Chawla, is interested or concerned in the resolution.

Item No. 6

Shri R.C. Mahajan, Joint Adviser, Planning Commission, Government of India was appointed as a part-time Director of the Company by the Government of India vide notification No. 31014/5/98/DO[R] dated 20.11.98 in terms of article 105(2) of the Articles of Association of the Company. In terms of the relevant provisions of the Companies Act, 1956, Shri R.C. Mahajan will hold office upto the date of this Annual General Meeting. The Company has received a notice in writing from a member of the Company pursuant to the provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose Shri R.C. Mahajan as a candidate for the office of Director. Shri R.C. Mahajan, if appointed, will be liable to retire by rotation under Sections 255 and 256 of the Companies Act, 1956. However, the tenure of his appointment will be subject to such notification as may be issued by the Government of India in terms of article 105(2) and 105(3) of the Articles of Association of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors, except Shri R.C. Mahajan, is interested or concerned in the resolution.

Item No. 7

Shri J.P. Meena, Commissioner & Secretary, Industries & Commerce, Government of Assam was appointed as a part-time Director of the Company by the Government of India vide notification No. 31014/5/98/DO[R] dated 20.11.98 in terms of article 105(2) of the Articles of Association of the Company. In terms of the relevant provisions of the Companies Act, 1956, Shri J.P. Meena will hold office upto the date of this Annual General Meeting. The Company has received a notice in writing from a member of the Company pursuant to the provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose Shri J.P. Meena as a candidate for the office of Director. Shri J.P. Meena, if appointed, will be liable to retire by rotation under Sections 255 and 256 of the Companies Act, 1956. However, the tenure of his appointment will be subject to such notification as may be issued by the Government of India in terms of article 105(2) and 105(3) of the Articles of Association of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors, except Shri J.P. Meena, is interested or concerned in the resolution.

Date : 17th August, 1999
Place : New Delhi

V N MURTHY
Company Secretary

Report  junction.com

DIRECTORS' REPORT

Dear Shareholders

The Board of Directors have pleasure in placing before you the 25th Annual Report of the Company together with Audited Accounts for the Financial Year ended 31st March, 1999.

SILVER JUBILEE

Your Company has traversed a long path of challenges & opportunities during the 25 years of its existence. It has retained the prestigious position of being a premier public sector undertaking in the North Eastern Region by surmounting the hurdles it has faced and recording profits continuously from 1992-93. In the process, the Company continues to play an important role in the future economic & all-round development of the region. Though, dismantling of APM and recessionary trends in petrochemicals sector have thrown up new challenges, the Company has the resilience and innovativeness to sustain its growth in the coming millennium.

PHYSICAL PERFORMANCE HIGHLIGHTS FOR 1998-99

Brief highlights of physical performance of 1998-99 are:

- Highest ever throughput in Refinery Secondary Processing Units [DCU] : 789,711 MT
- Highest ever production of :
 - LPG : 20,740 MT
 - Ceeseven solvent : 7,773 MT
 - BRPSOL-100 : 8,024 MT
- Highest ever sale of :
 - Ceeseven solvent : 7,776 MT
 - BRPSOL-100 : 8,173 MT
- Increase of 144% in sale of PSF as compared to 1997-98.

FINANCIAL PERFORMANCE

A. Summary

The financial results for 1998-99 along with comparative figures for the previous year are summarised below:

		Rs. In Lakhs	
Particulars	1998-99	1997-98	
Turnover			
— Refinery	76056	77980	
— Petrochemicals	9571	10816	
— P.S.F.	8309	4225	93021
Gross Margin (PBDIT)	6884	11265	
Gross Profit (PBIT)	4365	8820	

Particulars	1998-99	1997-98
Net-Profit Before Tax (PBT)	3426	7100
Net-Profit After Tax (PAT)	3426	6799
Value addition	13105	18769
Capital Employed	54828	52261
Contribution to Exchequer	18776	15104
Debt/Equity Ratio	0.30:1	0.30:1
[Considering long term loan and share capital]		
E.P.S.	Rs. 1.71	Rs. 3.40

The decrease in profit during the year was mainly due to:

- a) Lower utilisation of refinery capacity due to poor evacuation of POL products during first three quarters of the year and consequent adverse impact on gate prices of POL products;
- b) Lower margins on sale of Petrochemical products due to recessionary market conditions.

B. Dividend

Your Directors recommend to pay a dividend of 5.14% on the paid-up share capital of Rs. 19982 lakhs for the year 1998-99. This is equivalent to 30% of Net Profit After Tax (PAT). The total cash outflow on account of dividend payment including dividend tax shall be Rs. 1130.59 lakhs.

C. Financial position and Fund Management

The internal resources generation during the year amounted to Rs. 5955 lakhs compared to Rs. 9254 lakhs during the previous year.

Reserves & Surplus increased from Rs. 37460 lakhs to Rs. 39757 lakhs during the year 1998-99 and Net Worth increased to Rs. 59704 lakhs from Rs. 57415 lakhs.

During the year under review, the Company availed Rs. 10 crores as long term borrowing from OADB. The Company paid Rs. 887 lakhs on instalments of long term loan due for repayment during the year. The Debt-Equity Ratio as on 31st March, 1999 stands at 0.30:1.

D. Share Capital

During the year under review there was no change in the authorised and paid-up share capital of the Company.

E. Disinvestment of Shares

During the year 1998-99 there was no further disinvestment of Government of India's holding of 74.46% in the paid-up share capital of the Company.

OPERATIONAL HIGHLIGHTS**A. Refinery****Crude Throughput**

The Refinery processed 1,654,146 tonnes of Crude Oil during the year against actual receipts of 1,658,227 tonnes. The annual plan target, actual receipt & processed quantities for the years 1998-99 & 1997-98 are given below:

	(Figures in tonnes)	
	1998-99	1997-98
Actual Plan Target	1,815,000	1,900,000
Actual Receipt of Crude Oil	1,658,227	1,717,972
Actual Crude Oil throughput	1,654,146	1,718,150

The lower Crude Oil throughput was primarily on account of containment problem of POL products as a result of inadequate evacuation by IOCL (MD). Lower crude availability also affected throughput of Refinery during the year.

Secondary Processing Units

The throughputs of Secondary Processing Units were as follows:

	(Figures in tonnes)	
Units	1998-99	1997-98
Kerosene Treating Unit	274,696	314,735
Delayed Coking Units	789,711	751,106
Coke Calcination Unit	24,924	34,610

Throughput in Delayed Coking Units for the year 1998-99 was the highest ever.

Yield Pattern

The yield pattern on Crude Throughput for the year 1998-99 and the year 1997-98 were as under:

	(Percentage of Crude throughput)	
	1998-99	1997-98
Light Distillates	16.1	16.4
Middle Distillates	62.9	63.5
Total Distillates	79.0	79.9

Major Refinery Products

The production quantities of various Refinery products during the year 1998-99 and the year 1997-98 were as shown below:

	(Figures in tonnes)	
Products	1998-99	1997-98
LPG	20,740	18,779
NAPHTHA	143,419	147,325
RFN	82,150	94,922
SKO	146,787	161,397
HSD	634,455	637,625
LDO	209,032	223,596
RPC (Net)	83,428	70,621
CPC	17,561	25,079

Additionally, there was production of 48,645 tonnes of unleaded MS using Return Stream Naphtha from the Xylene Plant.

B. Petrochemicals & PSF

The production and sale quantities of various petrochemical products and PSF during the year under review and the previous year were as under:

	(Figures in tonnes)			
Products	1998-99		1997-98	
	Production	Sale	Production	Sale
Para Xylene	17,975	—	17,897	1,698
Ortho Xylene	1,038	588	2,194	2,289
Ceeseven solvent	7,773	7,776	6,244	6,349
Ceenine solvent	7,622	5,851	6,735	7,684
DMT	26,893	13,906	27,048	20,874
BRPSOL-100	8,024	8,173	6,876	6,616
PETROSOL	1,233	1,074	—	—
Methanol	5,049	—	2,309	—
PSF	14,824	17,272	6,602	7,091

Highest ever production and sale of Ceeseven and BRPSOL-100 were achieved during the year 1998-99. A new solvent "PETROSOL" was developed and commercial production and sale commenced w.e.f. 09.07.1998.

There was a quantum jump of 144% in sale of PSF in 1998-99 as compared to previous year.

RESEARCH & DEVELOPMENT (R&D)

R&D Department has been pursuing its efforts towards thrust areas like technology absorption, technology

upgradation, product development/improvement, pollution control, etc. Specific areas in which R&D was carried out are as follows:

- i) Development and commercialisation of PETROSOL, a speciality solvent developed from the streams of Refinery and Petrochemical Units.
- ii) Improvement of stability of Mixed Run Naphtha (MRN).
- iii) A speciality fibre product has been developed by blending polyester and locally available natural Muga fibre. Development of chemical finish for this fabric is being attempted in collaboration with Textile division of PSG College of Technology, Coimbatore, to achieve marketability of the fabric.

ENVIRONMENTAL MANAGEMENT

During the year 1998-99, the Company consistently complied with the stipulations of environmental statutes and standards in respect of the quality of effluents and emissions from the complex.

The Company achieved large reduction in fresh ground water drawals as treated effluent is further being reprocessed in the Tertiary Treatment Plant (TTP) for reuse as cooling tower make-up water. Consequently, the quantity of treated effluent discharged from the complex has also been reduced.

Programmes of awareness and mass participation on environment protection programmes were organised with special activities during World Environment Day (June 5, 1998) and during the Oil Conservation Fortnight, 1999 (16th January—31st January, 1999).

The fourth round of External Safety Audit was conducted by an expert team of the Oil Industry Safety Directorate in November, 1998 which included an environment audit of the complex carried out for the first time by such a team.

ENERGY CONSERVATION

The Company continued its efforts on Energy Conservation through continuous monitoring and control of operational activities.

A. Refinery Sector

The fuel & loss in the Refinery Sector in the year 1998-99 was 8.17 wt % of crude throughput. In terms of absolute energy units, the energy consumption in the Refinery Sector together with loss during the year 1998-99 was 481.38 MBTU/BBL. The increase in the fuel and loss over the previous year is largely on account of the frequent interruptions in unit operations due to product containment problems and lower crude availability.

B. Petrochemical and PSF Sector

The specific energy consumption in the Petrochemical Sector in the year 1998-99 was 1.16 SRFT per tonne of Xylenes. The specific energy consumption in the PSF sector during the year was 1.187 SRFT per tonne of PSF.

SAFETY

The commitment of the Company to safety is reflected in achievement of 515 days (from 28.12.96 to 26.5.98) without any lost time accident on 26.5.98 which is equivalent to 5.785 million man-hours. This is the highest ever achieved by the Company.

The Company also received National Safety Award on 17th September, 1998 for outstanding performance in Industrial Safety as runner-up for the year 1994 for achieving the Longest Accident Free Period.

Fire & safety training programmes were conducted for the employees during the year. To enhance the safety awareness of the employees, quarterly safety bulletins were also published and distributed to all the employees. Safety slogan and Safety quiz competitions were organised. The Company also observed National Safety Day and Fire Services Day.

External Safety Audit and Surprise Safety Check by the external teams, constituted by Oil Industry Safety Directorate (OISD) were conducted from 23rd November to 27th November, 1998 and 4th December to 5th December, 1998 respectively during the year. Internal Safety Audit of the various facilities was carried out by in-house multi-disciplinary audit teams. Regular mockdrills and fire drills were also conducted under Disaster Management Plan.

PROJECTS

A. Completed Projects

To maintain the momentum of growth, your Company continues to lay stress on completion of the projects on schedules.

The following projects were completed and commissioned during 1998-99:

- 1) Additional Boiler for Captive Power Plant.
- 2) Installation of DCS in Refinery (Phase-I) under Refinery Instrument Modernisation.
- 3) Residue Methanolysis and Methanol Recovery from Waste Water Units of RMCR in DMT Plant.

B. On-going Projects

Presently the following projects are under various stages of implementation:

- 1) Installation of a 5MW Generating set for operational flexibility.
- 2) Modernisation of Instrumentation in Utilities & Off Sites and Automation in Tank Farm/Loading Gantries (Phase-II) and Advance Process Control (Phase-III) of Refinery Instrument Modernisation.
- 3) LPG Bottling Plant.
- 4) Catalyst Recovery Unit of RMCR in DMT Plant (mechanically completed and pre-commissioning activities are in progress).
- 5) Modernisation of PSF Plant.
- 6) ENCON Projects:
 - a) Low level Heat Recovery in Crude Distillation Unit-I.
 - b) Pre-heat Train Improvement in Crude Distillation Unit-I.
- 7) Installation of Desalter in Crude Distillation Units.

In addition the following projects, which are under progress, need special mention:

A. Import of Crude Oil

The project proposal for transportation of 1.5 million tonnes crude oil annually to BRPL from Haldia by expanding the recently commissioned Haldia-Barauni Pipeline of M/s IOCL & by modifications in the Barauni-Bongaigaon section of existing Crude Pipeline by M/s OIL, is under implementation. The major part of the project would be implemented by M/s IOCL.

B. Hydrotreatment of Coker LGO upgrading to HSD

The project worth Rs. 60.61 crores has been approved by the Board of BRPL for implementation. The project implementation schedule is 33 months effective April 1999. Technology selection and obtaining of Environmental clearance is in progress.

PERSPECTIVE PLAN

The Perspective Plan of the Company has been suitably revised in December, 1998 keeping in view the ongoing deregulation of the petroleum sector & continuing global recessionary trends in petrochemicals business, particularly in the South East Asian countries. The Plan now lays emphasis on strengthening of existing business through implementation of efficient and cost-cutting measures while selective diversification in Petrochemicals area would be strategy in future.

DEREGULATION IN THE REFINING BUSINESS

Govt. of India has introduced phase-wise dismantling of

the downstream oil sector with effect from April 1998 with a view to totally deregulate the sector by 2002. Under this, the prices of products produced by the Refinery are now linked to the tariff adjusted import-parity prices and hence APM in the refining business is now being abolished gradually. While the Oil Coordination Committee partially regulates the prices of five controlled products viz. LPG, MS, ATF, SKO & HSD along with Crude Oil in line with tariff adjusted import price trends, the other products viz. Naphtha, LSHS, LDO & FO are fully decontrolled and their prices are determined by market forces.

ORGANISATION RESTRUCTURING

M/s ICICI Securities and Finance Company Ltd. (M/s I-Sec) carried out a study on Financial Analysis and Capital Restructuring, Possibilities of Strategic Alliance with Oil Majors and on Report of the Disinvestment Commission. The study recommended a strategic tie-up between BRPL and one of the downstream oil majors having adequate expertise in POL marketing and crude sourcing and who can arrange/inject funds for BRPL's growth related projects. Your Board has forwarded the report of M/s I-Sec along with its detailed views thereon to the Government.

The Dr. Nitish Sengupta committee was appointed by the Government to study how BRPL and other stand-alone oil PSUs should be structured within the Oil Industry to ensure their continued profitability and viability in the deregulated scenario. The committee visited BRPL for detailed study and has since submitted its view to the Government.

MARKETING

A. Petrochemical products - PSF & DMT

In the beginning of the year the industry was carrying a considerable stock of PSF & DMT. Lower demand and depressed price along with preference of PTA over DMT by the consumers has resulted in reduction of DMT sale during 1998-99. However, the Company could achieve an impressive increase of 144% in the sale of PSF as compared to 1997-98.

However, the surplus supply position, economic recession in the neighbouring South East Asian countries coupled with low international prices continued to keep the prices at low level affecting the margins of the Company.

Various measures have been initiated to maintain and further improve the quality of the products and reduce the cost of production in Petrochemicals & PSF plants to face the increasing challenges in coming years. Some of these measures have already born fruit.