



Enhancing capabilities. Delighting customers.



वार्षिक रिपोर्ट 2009-10 | Annual Report 2009-10

हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड | Hindustan Petroleum Corporation Limited

## Cover Theme

*Today, India is one of the fastest growing economies in the World. As the economy grows, so does the demand for Petroleum Products. Ensuring an uninterrupted supply of products to fuel the economy in a manner that is both responsible and sustainable is a constant endeavour of Hindustan Petroleum.*

*The same is reflected in our Vision statement.*

*“To be a World Class Energy Company known for caring and delighting the customers with high quality products and innovative services across domestic and international markets with aggressive growth and delivering superior financial performance.*

*The Company will be a model of excellence in meeting Social commitment, Environment, Health and Safety norms and in Employee welfare and relations.”*

*HPCL is committed to environment protection and constantly endeavours to ensure that its increasing scale of operations does not lead to environment degradation. In line with the “Environment Policy” adopted by it, HPCL is committed to conduct all its operations in such a manner as to be compatible with the Environment.*

**ENVIRONMENT - OUR NEED, OUR COMMITMENT.**

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**Our Directors**

<b>Whole Time Directors</b>	<b>Ex-Officio Part-Time Directors</b>	<b>Non-Official Part-time Directors</b>
Shri S Roy Choudhury Chairman & Managing Director (From 01/08/2010)	Shri P.K. Sinha Director	Shri P.V. Rajaraman Director (Till 19/07/2010)
Dr. V. Vizia Saradhi Director-Human Resources	Shri L.N. Gupta Director	Prof. Prakash G. Apte Director (Till 19/07/2010)
Shri B. Mukherjee Director – Finance		Dr. Gitesh K. Shah Director (From 07/12/2009)
Shri K. Murali Director – Refineries		
Shri Arun Balakrishnan Chairman & Managing Director (Till 31/07/2010)		



## **Chairman's Message**

Dear Shareholders,

It gives me immense pleasure to present you the 58th Annual Report 2009-10.

The year 2009 -10 saw recovery of global economy from the lows of previous year. The extraordinary measures taken by policymakers all over the world contained the fallout of the financial crisis of 2008. India was not immune to the crisis though impact was muted as evident from the relatively modest slowdown in the growth rates of the economy from 9% to about 7%. The growth rate for the economy is slowly edging higher. In 2009-10, the Indian economy grew at 7.4%. Oil prices, after hovering around US \$50-60 per barrel in the early part of the financial year, have been steady at US \$70-80 per barrel. Aggressive production cuts by OPEC provided support to prices despite fall in the global oil demand in 2009.

Oil demand in India increased at a steady 3% to 138 MMT. Sales of transport fuels were quiet robust despite the fact that prices of petrol and diesel were increased twice in response to rising crude prices. Rising incomes and thus, vehicle ownership appear to offset the price impact. Kerosene and LPG prices were untouched. Gas started flowing from D-6 field in KG basin increasing domestic production by a significant 45%. Greater availability of competitively priced gas reduced the demand for naphtha.

Our sales increased by 3.5% to reach 26 MMT during the year 2009-10. In line with the overall trend, auto fuel sales increased by about 9%. Naphtha sales, however, were substantially down. Our refineries processed about 16 MMT of crude achieving capacity utilization above 100%. Turnover for the year was over Rs. 108000 crores. Profit after tax for 2009-10 is about Rs. 1300 crores compared to Rs. 575 crores in 2008-09. Under-recoveries absorbed by the company were to the tune of about Rs. 1,200 crores. The interest cost was brought down through judicious treasury management.

In the current uncertain global economic environment, the performance of Indian economy has been quite strong. As per capita incomes rise, demand for oil will also increase be it transport, industry or residential demand. The Government of India has recently decided to move towards market determined pricing of petrol. This will enable the private sector to re-enter the retail market for automotive fuels. Thus the space which was left to PSU marketing companies will become more dynamic once again.

We aim to capture the growth in the sector by improving our customer reach and extending our offerings backed by an efficient capital base. The Green fuels projects for production of petrol at our Mumbai and Visakh refineries have been completed and are producing Euro III/IV quality petrol. Mumbai refinery became the first Indian PSU refinery to commence production of Euro IV quality petrol and the project was dedicated to the nation in January 2010 by Shri Jairam Ramesh, Hon'ble Minister of State (Independent Charge) Ministry of Environment & Forests, in the function presided by Shri Murli Deora, Hon'ble Minister of Petroleum & Natural Gas. As regards diesel, both the refineries have commenced production of Euro III quality diesel by changing over to higher grade activity catalyst. To produce Euro IV quality diesel both the refineries are currently implementing Diesel Hydrotreater Projects at an approved cost of Rs. 6900 Crores. To take full advantage of Single point mooring facilities project at Visakhapatnam, we have tied up with Indian strategic Petroleum Reserves Limited (ISPRL) for 300 TMT crude storage in the cavern project being executed by them. This will provide us the required storage space to unload VLCC. Our joint venture refinery in Bathinda Punjab is slated for commissioning next year. Associated distribution infrastructure



## **Chairman's Message**

for product evacuation including pipelines is also being executed as per schedule. Reach to rural customers is being achieved through schemes like "HP Gas Rasoi Ghar" and "Rajiv Gandhi Gramin LPG Vitarak". We always had a strong presence in lubricants markets and we have maintained it by continuously upgrading product range in line with changing customer requirements and also tailoring our product to specific customer needs. Increasing demand is not the only element in our operating environment. The other factor is increasing concerns about environmental impact of increased fossil usage and about energy security. These two concerns have dovetailed into greater push for renewable energy. In pursuit of opportunities thus opened, we are investing in ethanol and biodiesel production and also in wind energy projects. We are also active in upstream sector and in city gas distribution projects to diversify our revenue portfolio.

All our plans are dependent on the commitment, experience and hard work of our people. We aim to nurture this talent by creating a work environment conducive to greater productivity and by continuous up-gradation of skills.

Our customers, business associates and shareholders have always been a source of strength and I thank them for their support. The Independent Directors have provided critical input based on their vast knowledge & experience. The government directors and the Ministry of Petroleum & Natural Gas, has guided and supported in all our efforts. We look forward to their continued support in all our endeavors.

Thank you,

**S. Roy Choudhury**





## Senior Management Team

<b>Shri Suneet Mohan Misra</b>	Chief Vigilance Officer (From 16/12/2009)
<b>Shri G.A. Shirwaikar</b>	ED - Maharashtra Refinery Project
<b>Shri S.V. Sahni</b>	ED - Central Engineering (Refineries)
<b>Shri D.K. Deshpande</b>	ED - HRD
<b>Shri K.S. R. Prasad</b>	ED - Joint Ventures
<b>Ms. Nishi Vasudeva</b>	ED - LPG
<b>Shri O.P. Pradhan</b>	ED - Corporate Planning & Strategy
<b>Shri P.A.B. Raju</b>	ED - Visakh Refinery
<b>Shri K.V. Rao</b>	ED - Corporate Finance
<b>Shri R. Sudhakara Rao</b>	ED - Direct Sales
<b>Shri A.B. Thosar</b>	ED - Projects & Pipelines
<b>Shri S.P. Gupta</b>	ED*
<b>Shri M.S. Damle</b>	ED - Retail
<b>Shri Y.K. Gawali</b>	ED - O&D
<b>Shri Rajan K. Pillai</b>	ED*
<b>Shri B.K. Namdeo</b>	ED - IT & S
<b>Shri S.C. Mehta</b>	ED - Mumbai Refinery
<b>Shri Sandeep Joseph</b>	General Manager - Industrial Relations
<b>Shri C.S. Krishnaswamy</b>	General Manager - R&D & QC
<b>Shri D.M. Sabale</b>	General Manager - SHE (Marketing)
<b>Shri P. Rajendran</b>	General Manager - Marketing Projects
<b>Shri K. Srinivasan</b>	General Manager - Technical, MR
<b>Shri R. Ganesan</b>	General Manager - Internal Audit
<b>Shri Rakesh Kumar</b>	General Manager - HR (CM)
<b>Shri A.V. Sarma</b>	General Manager - Natural Gas
<b>Shri S.T. Sathiavageeswaran</b>	General Manager - Information Systems
<b>Shri G. Sriganesh</b>	General Manager - R&D, Corporate
<b>Shri D.K. Hota</b>	General Manager - MRA & P
<b>Shri K.C. Agarwal</b>	General Manager - Maintenance, MR
<b>Shri V.V. Nagada</b>	General Manager - Projects, MR
<b>Shri Y.K. Rao</b>	General Manager - Materials, VR
<b>Shri Ramanuj Roy</b>	General Manager - Finance, MR
<b>Shri S.P. Singh</b>	General Manager - Exploration & Production



## 58<sup>th</sup> Annual Report 2009-2010

### Senior Management Team

<b>Shri N.S.J. Rao</b>	General Manager - Operations, MR
<b>Shri S. Babu Ganesan</b>	General Manager - Engineering & Projects
<b>Ms. Sonal Desai</b>	General Manager - CSR
<b>Shri M. Naveen Kumar</b>	General Manager - Finance, VR
<b>Shri P.P. Nadkarni</b>	General Manager*
<b>Shri H. Kumar</b>	General Manager - Retail Upgradation
<b>Shri S. Jeyakrishnan</b>	General Manager - East Zone
<b>Shri H.R. Wate</b>	General Manager - Retail
<b>Shri A. Pande</b>	General Manager - West Zone
<b>Shri J. Ramaswamy</b>	General Manager - Commercial, Direct Sales
<b>Shri R. Radhakrishnan</b>	General Manager - Aviation
<b>Shri V.K. Jain</b>	General Manager - Tax
<b>Shri V.V.R. Narasimham</b>	General Manager - Technical, VR
<b>Shri M.K. Surana</b>	General Manager - Operations, VR
<b>Shri Ajit Singh</b>	General Manager - Delhi Coordination Office
<b>Shri Rakesh Misri</b>	General Manager - North Zone
<b>Shri Pushp Joshi</b>	General Manager - HR (Marketing)
<b>Shri L.M. Motwani</b>	General Manager - PR & CC
<b>Shri A.K. Bhan</b>	General Manager - South Zone
<b>Ms. Geeta Jerajani</b>	General Manager - Corporate Planning & Strategy
<b>Shri S.P. Nair</b>	General Manager - Legal
<b>Shri B. Ravindran</b>	General Manager - Commercial, LPG
<b>Shri M. Rambabu</b>	General Manager - CEC
<b>Shri MVR Krishna Swamy</b>	General Manager*
<b>Shri R. Kesavan</b>	General Manager - Commercial, Retail
<b>Shri H.C. Mehta</b>	General Manager - O & D
<b>Shri Shrikant M. Bhosekar</b>	Company Secretary

\*: on deputation



## Offices, Auditors & Bankers

### Registered Office & Headquarters Office

Petroleum House,  
17, Jamshedji Tata Road,  
Mumbai - 400 020  
e-mail: corphqo@hpcl.co.in  
website: www.hindustanpetroleum.com

### Marketing Headquarters

Hindustan Bhavan  
8, Shoorji Vallabhdas Marg  
Ballard Estate, Mumbai - 400 001.

### Mumbai Refinery

B.D. Patil Marg, Chembur,  
Mumbai - 400 074

### Visakh Refinery

Post Box No.15,  
Visakhapatnam - 530 001

### Zonal Offices

#### East Zone

6, Church Lane,  
Post Box No. 146,  
Kolkata - 700 001

#### North Zone

6<sup>th</sup> & 7<sup>th</sup> Floor,  
Core 1 & 2, North Tower,  
Scope Minar, Laxmi Nagar,  
Delhi - 110 092

#### North Central Retail Zone

C/o. Lucknow Retail R.O.  
4, Shanajaf Road, 1, Nehru Enclave,  
Besides Vishwas Khand, Gomti Nagar,  
Lucknow - 226 001 (U.P.)

#### North West Retail Zone

C/o. Auto Care Centre  
Judges Bungalow Road,  
Bodakdev, Near Satyagraha Chavani,  
Ahmedabad - 380 054

### South Zone

Thalamuthu Natarajan Building,  
4th Floor, 8, Gandhi Irwin Road,  
Post Box No.3045, Egmore,  
Chennai - 600 008.

### South Central Retail Zone

111, Chandralok Complex, First Floor,  
Sarojini Devi Road,  
Secunderabad - 500 003 (AP)

### West Zone

R&C Building, Sir J.J. Road, Byculla,  
Mumbai - 400 008

### Statutory Auditors

#### M/s. V. Sankar Aiyar & Co.

Chartered Accountants, Mumbai

#### M/s. Om Agarwal & Co.

Chartered Accountants, Jaipur

### Branch Auditors

#### M/s. Grandhy & Co.

Chartered Accountants,  
Visakhapatnam

### Cost Auditors

#### M/s. R. Nanabhoy & Co.

Jer Mansion, 1<sup>st</sup> Floor, 70 August Kranti  
Marg, Mumbai - 400 036

#### M/s. CMA Rohit J. Vora

1103 Raj Sunflower,  
Royal Complex, Eksar Road, Borivali (W)  
Mumbai - 400 092

### Bankers

1. Bank of Baroda
2. Bank of India
3. Citibank N.A.
4. Corporation Bank
5. HDFC Bank
6. ICICI Bank
7. Punjab National Bank
8. Standard Chartered Bank
9. State Bank of India
10. Union Bank of India

### Company Secretary

Shrikant M. Bhosekar





## Notice of Annual General Meeting

**HINDUSTAN PETROLEUM CORPORATION LIMITED**  
(A Government of India Enterprise)  
**REGISTERED OFFICE : 17 JAMSHEDJI TATA ROAD, MUMBAI 400 020**

### NOTICE

NOTICE is hereby given that the **58<sup>th</sup> ANNUAL GENERAL MEETING** of the Members of Hindustan Petroleum Corporation Limited will be held on Thursday, September 16, 2010 at 11.00 A.M. at Y.B. Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannathrao Bhonsle Marg, Mumbai - 400 021 to transact the following business :

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as on March 31, 2010, Profit and Loss Account for the year ended on that date and Reports of the Board of Directors and Auditors thereon.
2. To declare Equity Dividend for the Financial Year 2009-2010.
3. To appoint a Director in place of **Shri P.K. Sinha**, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of **Shri L.N. Gupta**, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of **Shri B. Mukherjee**, who retires by rotation and is eligible for reappointment.

#### SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution

“RESOLVED that **Dr. Gitesh K. Shah** who was appointed as Additional Director of the Company by the Board of Directors under Article 112 of the articles of Association of the Company with effect from 07.12.2009 and who holds office under the said Article and pursuant to Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting, and who is eligible for re-appointment under the relevant provisions of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation”.

**BY THE ORDER OF THE BOARD**

**Shrikant M. Bhosekar**  
Company Secretary

Date : August 05, 2010  
Regd. Office : 17, Jamshedji Tata Road  
Churchgate,  
Mumbai - 400 020



## Notice of Annual General Meeting

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.
2. The Explanatory Statement made pursuant to Section 173(2) of the Companies Act, 1956 in respect of the item No. 6 of the Notice is annexed herewith.
3. Dividend on Equity Shares as recommended by the Directors for the year ended March 31, 2010, if approved at the meeting, will be payable to those eligible members whose names appear:
  - (1) As Beneficial owners, as on September 06, 2010 as per the list to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. in respect of shares held in electronic form, and
  - (2) As Members in the Register of Members of the Company as on September 06, 2010 after giving effect to all valid share transfers in physical form lodged with the Company on or before September 06, 2010.
  - (3) In terms of circular no. MRD/DoP/Cir-05/2009 dated 20<sup>th</sup> May, 2009 issued by Securities and Exchange Board of India (SEBI), it is now mandatory for the transferee of the physical shares to furnish copy of PAN card to R&T Agents for registration of transfer of shares. Transferees are requested to submit copy of PAN card alongwith Transfer Deed duly completed and physical share certificate(s).
4. Members are requested to bring their copies of the Annual Report to the Meeting. Members / Proxies attending the Meeting should bring the Attendance Slip, duly filled, for handing over at the venue of the meeting.
5. (a) Members holding shares in physical form are requested to advise immediately change in their address, if any, quoting their Folio number(s), to **M/s. Link Intime India Pvt. Ltd.**, the Registrars at their address given below.  
(b) Shareholders holding shares in dematerialised form are requested to advise immediately change in address, if any, quoting their respective Client ID / DP ID Nos., to their respective **Depository Participants only** and not to M/s. Link Intime India Pvt. Ltd., or to the Company.
6. (a) Members holding shares in physical form, who have not given the **Bank Particulars / Mandate, ECS Mandates** earlier or if there is any change in the details, are requested to send the same quoting the Folio number(s), to our Registrars **M/s. Link Intime India Pvt. Ltd. on or before September 06, 2010.**  
(b) All Shareholders who are holding shares in Dematerialised form are requested to advise change, if any, in details of their **bank account / ECS mandates** to their respective **Depository Participants** immediately to enable the company to pay the dividend accordingly.
7. Members are hereby informed that Dividends which remain unclaimed / unencashed over a period of 7 years have to be transferred by the Company to Investor Education & Protection Fund constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956.

We give below the details of Dividends paid by the Company and their respective due dates of transfer to the said Fund of the Central Government if they remain unencashed.

**Notice of Annual General Meeting**

<b>Date of declaration of Dividend</b>	<b>Dividend for the year</b>	<b>Month &amp; year of transfer to the Fund</b>
24.09.2003	2002-03 (Final)	Oct.2010
22.12.2003	2003-04 (Interim)	Jan.2011
09.09.2004	2003-04 (Final)	Oct.2011
09.12.2004	2004-05 (Interim)	Jan.2012
21.09.2005	2004-05 (Final)	Oct.2012
14.09.2006	2005-06 (Final)	Oct.2013
20.12.2006	2006-07 (Interim)	Jan.2014
06.09.2007	2006-07 (Final)	Oct.2014
22.09.2008	2007-08 (Final)	Oct.2015
28.08.2009	2008-09 (Final)	Sep. 2016

It may please be noted that no claim can be made by the shareholders for the unclaimed Dividends which have been transferred to the credit of the Investor Education & Protection Fund of the Central Government under the amended provision of Section 205B of the Companies (Amendment) Act, 1999.

In view of the above regulation, the shareholders who are yet to encash the dividend are advised to send requests for duplicate dividend warrants in case they have not received the Dividend Warrants for any of the above mentioned financial years and / or send requests for revalidation of unencashed Dividend Warrants still held by them to the Registrars and Transfer Agents of the Company so that dividends can be encashed.

**8. The address of Registrars and Transfer Agents of the Company is as follows :**

M/s. LINK INTIME INDIA PVT. LTD.  
Unit:HINDUSTAN PETROLEUM CORPORATION LTD.  
C-13, Pannalal Silk Mills Compound  
LBS Marg, Bhandup (West), Mumbai - 400 078  
Telephone No.: 022 - 25963838 Fax No.: 022 - 25946969  
E-mail: mumbai@linkintime.co.in

**9. Appointment / Re-appointment of Directors**

At the ensuing Annual General Meeting, S / Shri P.K. Sinha, L.N. Gupta and B. Mukherjee retire by rotation and being eligible, offer themselves for re-appointment.



## **Notice of Annual General Meeting**

### **EXPLANATORY STATEMENT IN PURSUANCE OF SECTION 173(2) OF THE COMPANIES ACT, 1956.**

- 6.** Dr. Gitesh K. Shah was appointed as an Additional Director on the Board effective 07.12.2009. In terms of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting and is eligible for re-appointment. The Company has received a notice proposing the candidature of Dr. Gitesh K. Shah for the office of a Director in terms of Sections 255 & 257 of the Companies Act, 1956.

Dr. Gitesh K. Shah was the former Chairman of the Gujarat Alkalies & Chemicals Limited and is Chairman of Harita Projects Private Limited.

None of the Directors other than Dr. Gitesh K. Shah are interested in the resolution.

**BY THE ORDER OF THE BOARD**

**Shrikant M. Bhosekar**  
**Company Secretary**

Date : August 05, 2010  
Regd. Office : 17, Jamshedji Tata Road  
Churchgate,  
Mumbai - 400 020



## 58<sup>th</sup> Annual Report 2009-2010

### Notice of Annual General Meeting

#### ANNEXURE TO ITEMS 3 TO 5 OF THE NOTICE

#### Details of Directors seeking appointment / reappointment at the 58<sup>th</sup> Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

Name of the Director	P.K. Sinha	L.N. Gupta	B. Mukherjee	Dr. Gitesh K. Shah
Date of Birth	18/07/1955	17/08/1959	03/05/1953	20/10/1961
Nationality	Indian	Indian	Indian	Indian
Date of Appointment on the Board	01/03/2006	25/06/2008	01/02/2008	07/12/2009
Qualifications	<ul style="list-style-type: none"> <li>■ IAS</li> <li>■ Post Graduate in Economics</li> <li>■ M.Phil in Social Sciences</li> <li>■ Masters Diploma in Public Administration</li> </ul>	<ul style="list-style-type: none"> <li>■ IAS</li> <li>■ M.A. (Economics)</li> <li>■ MBA, Birmingham University</li> </ul>	<ul style="list-style-type: none"> <li>■ FCA</li> </ul>	<ul style="list-style-type: none"> <li>■ D.Sc (Organic Chemistry) USA</li> <li>■ Ph.D. (Organic Chemistry) Gujarat University</li> <li>■ M.Sc. (Organic Chemistry) Gujarat University</li> </ul>
List of Directorships held in other Companies	<ul style="list-style-type: none"> <li>■ Indian Oil Corporation Ltd.</li> <li>■ Bharat Petroleum Corporation Limited</li> </ul>	<ul style="list-style-type: none"> <li>■ Engineers India Limited</li> <li>■ Indian Strategic Petroleum Reserves Limited</li> <li>■ Central Pollution Control Board (CPCB)</li> </ul>	<ul style="list-style-type: none"> <li>■ Petronet India Limited</li> <li>■ CREDA – HPCL Biofuel Limited</li> <li>■ HPCL – Mittal Services Limited</li> <li>■ HPCL Biofuels Limited</li> </ul>	<ul style="list-style-type: none"> <li>■ Harita Projects Pvt. Ltd.</li> </ul>



## Performance Profile

	2009-10	2009-10	2008-09	2007-08	2006-07	2005-06
	US\$ Million	Rs./Crores				Rs./Crores
<b>FINANCIAL</b>						
Sales / Income from Operations	25,306	114,888.63	131,802.65	112,098.27	96,918.15	76,920.26
Gross Profit	924	4,193.18	3,776.36	2,725.59	3,094.14	1,151.21
Depreciation	256	1,164.40	981.29	850.82	704.00	690.23
Interest	199	903.75	2,082.84	766.10	422.98	175.88
Tax Inclusive Deferred Tax	181	823.61	123.23	(39.34)	386.15	(131.91)
Provision for Fringe Benefit Tax	0	0.05	14.03	13.13	9.84	11.38
Net Profit	287	1,301.37	574.98	1,134.88	1,571.17	405.63
Dividend	90	406.35	177.78	101.59	610.80	101.80
Tax on Distributed Profits	15	67.49	30.21	17.26	97.75	14.28
Retained Earnings	182	827.53	366.99	1,016.03	862.62	289.55
<b>INTERNAL RESOURCES GENERATED</b>	<b>484</b>	<b>2,196.53</b>	<b>1,382.56</b>	<b>2,069.38</b>	<b>1,603.08</b>	<b>989.47</b>
<b>VALUE ADDED</b>	<b>2,063</b>	<b>9,365.26</b>	<b>8,267.54</b>	<b>6,045.40</b>	<b>6,209.19</b>	<b>4,198.13</b>
<b>WHAT CORPORATION OWNS</b>						
Gross Fixed Assets	5,504	24,988.37	20,208.83	19,570.05	15,638.48	13,479.25
Depreciation	2,133	9,681.70	8,554.08	7,640.77	6,817.64	6,141.85
Net Fixed Assets	3,372	15,306.67	11,654.75	11,929.28	8,820.84	7,337.40
Capital Work in Progress	856	3,887.59	5,001.07	3,315.94	4,243.56	2,363.88
Investments - JVCs & Subsidiary	578	2,623.83	1,493.07	1,077.24	1,029.73	825.76
- Others	1,930	8,763.39	12,703.40	5,759.82	6,097.74	3,201.88
Net Current Assets	900	4,086.83	4,237.21	6,863.70	1,345.21	3,055.09
Deferred Tax Liability	(398)	(1,807.97)	(1,603.37)	(1,595.98)	(1,420.90)	(1,384.44)
<b>Total</b>	<b>7,238</b>	<b>32,860.34</b>	<b>33,486.13</b>	<b>27,350.00</b>	<b>20,116.18</b>	<b>15,399.57</b>
<b>WHAT CORPORATION OWES</b>						
Net Worth	2,546	11,557.97	10,730.63	10,563.30	9,598.64	8,735.74
Share Capital	75	339.71	339.71	339.71	338.95	338.94
Share Forfeiture	(0)	(0.70)	(0.70)	(0.70)	-	-
Reserves	2,471	11,218.96	10,391.62	10,224.28	9,259.69	8,396.80
Borrowings	4,692	21,302.37	22,755.51	16,786.70	10,517.54	6,663.83
<b>Total</b>	<b>7,238</b>	<b>32,860.34</b>	<b>33,486.13</b>	<b>27,350.00</b>	<b>20,116.18</b>	<b>15,399.57</b>
<b>PHYSICAL</b>						
<b>CRUDE THRUPUT</b>		<b>15.76</b>	<b>15.81</b>	<b>16.77</b>	<b>16.66</b>	<b>13.82</b>
- Mumbai Refinery		<b>6.96</b>	<b>6.65</b>	<b>7.36</b>	<b>7.42</b>	<b>6.25</b>
- Visakh Refinery		<b>8.80</b>	<b>9.16</b>	<b>9.41</b>	<b>9.24</b>	<b>7.57</b>
<b>PIPELINE THRUPUT</b>		<b>11.95</b>	<b>10.58</b>	<b>7.83</b>	<b>6.73</b>	<b>5.65</b>
<b>MARKET SALES</b>		<b>26.27</b>	<b>25.39</b>	<b>24.47</b>	<b>21.69</b>	<b>19.42</b>

Notes: 1. Previous year figures regrouped/reclassified wherever necessary

2. 1 US\$ = Rs.45.40 (Exchange Rate as on 31.03.2010)

<b>FUND FLOW STATEMENT</b>						
<b>Sources of Funds :</b>						
Profit after Tax	287	1,301.37	574.98	1,134.88	1,571.17	405.63
Depreciation	256	1,164.40	981.29	850.82	704.00	690.23
LPG Deposits	114	515.68	193.98	189.59	152.55	124.57
Borrowings (Net)	(280)	(1,270.19)	6173.46	6,301.17	3,784.38	4,322.23
Share Capital	-	-	-	0.07	0.01	0.01
Share Premium	-	-	-	2.05	0.47	0.39
Redemption of Oil bonds	1161	5,270.27	9238.92	4,535.00	1,950.73	850.00
Receipt of Capital Grants from OADB	-	-	-	-	-	4.94
Amortisation of Capital Grant received from OADB	(0)	(0.19)	(0.19)	(0.20)	(0.19)	-
Amortisation from General Reserve on account of Transitional Liab of AS-15R	-	-	-	(53.31)	-	-
Exchange Rate Variation on Restatement of ECB of 2007-08 in line with transitional provisions of AS-11	-	-	(199.46)	-	-	-
Oil bonds receivable	-	-	2,033.99	3,448.45	-	-
Provision for Deferred Tax	45	204.60	7.39	175.08	36.46	9.69
Adjustment on account of sale/ deletion of Assets & Provision for diminution in Investments	155	703.73	(75.28)	62.42	99.30	1.66
<b>Total</b>	<b>1738</b>	<b>7,889.67</b>	<b>18,929.09</b>	<b>16,646.02</b>	<b>8,298.88</b>	<b>6,409.35</b>



**Performance Profile**

	2009-10	2009-10	2008-09	2007-08	2006-07	2005-06
	US\$ Million	Rs./Crores				Rs./Crores
<b>Utilisation of Funds :</b>						
Dividend	90	406.35	177.78	101.59	610.80	101.80
Tax on Distributed Profits	15	67.49	30.21	17.26	97.75	14.28
Capital Expenditure	818	3,712.68	2,372.80	3,077.16	4,096.30	2,694.43
Working capital : Increase/ (Decrease)	31	141.74	(1,999.74)	5,497.52	(1,607.02)	456.75
Investment - JVCs (Including Advance towards Equity & Share Application Money pending Allotment)	336	1,527.41	206.82	249.49	171.16	21.29
Investment Oil Bonds	448	2,033.99	18,141.22	7,703.00	4,929.89	3,120.80
<b>Total</b>	<b>1,738</b>	<b>7,889.67</b>	<b>18,929.09</b>	<b>16,646.02</b>	<b>8,298.88</b>	<b>6,409.35</b>
<b>CONTRIBUTION TO EXCHEQUER</b>						
Excise Duty	1,569	7,121.14	6,463.49	7,422.32	7,349.34	5,852.34
Customs Duty	124	564.74	2,094.37	3,256.14	2,575.38	1,423.52
Sales Tax	2,772	12,583.82	12,352.48	10,964.99	9,416.65	8,811.86
Service Tax	12	55.41	51.13	38.07	23.57	11.13
Income Tax	84	382.32	11.86	61.17	72.29	(141.49)
Fringe Benefit Tax	0	0.05	17.00	10.64	9.82	11.07
Others *	99	448.54	369.42	602.86	510.39	469.13
<b>Total</b>	<b>4,660</b>	<b>21,156.02</b>	<b>21,359.75</b>	<b>22,356.19</b>	<b>19,957.44</b>	<b>16,437.56</b>
* Figures for Previous Year regrouped						
<b>RATIOS</b>						
Gross Profit/Sales ( % )		3.65	2.87	2.43	3.19	1.50
Net Profit/Sales ( % )		1.13	0.44	1.01	1.62	0.53
Earnings Per Share (Rs.)		38.43	16.98	33.48	46.35	11.97
Cash Earnings Per Share (Rs.)		78.86	46.92	64.55	68.20	32.62
Average Sales/Employee (Rs. Crores)		9.62	10.35	9.48	8.40	6.87
Average Net Profit/Employee (Rs. Crores)		0.11	0.05	0.11	0.14	0.04
Debt Equity Ratio (Long term debt to equity)		0.30:1	0.30:1	0.26:1	0.24:1	0.13:1
<b>MANPOWER (NOs.)</b>		<b>11,291</b>	<b>11,246</b>	<b>10,949</b>	<b>10,891</b>	<b>10,778</b>
<b>How Value is Added:</b>						
<b>Income:</b>						
Sales / Income from Operations	25,306	114,888.63	131,802.65	112,098.27	96,918.15	76,920.26
Add: Increase/(Decrease) in Inventory	716	3,249.96	(1,836.78)	2,359.59	243.55	1,408.96
	<b>26,022</b>	<b>118,138.59</b>	<b>129,965.87</b>	<b>114,457.86</b>	<b>97,161.70</b>	<b>78,329.23</b>
<b>Cost of Raw materials:</b>						
Raw Material Consumption	8,309	37,722.89	40,995.22	38,024.65	35,816.79	25,450.29
Purchase for resale	13,806	62,677.82	73,394.61	62,205.94	46,850.22	42,178.12
Packages	30	136.39	127.12	111.91	105.11	95.99
Stores & Spares	38	174.27	121.36	93.86	103.57	85.86
Utilities	104	473.71	192.19	190.82	160.58	129.60
	<b>22,287</b>	<b>101,185.08</b>	<b>114,830.51</b>	<b>100,627.18</b>	<b>83,036.27</b>	<b>67,939.86</b>
<b>Duties applicable to products:</b>	<b>1,671</b>	<b>7,588.25</b>	<b>6,867.83</b>	<b>7,785.28</b>	<b>7,916.24</b>	<b>6,191.23</b>
<b>Total Value Added:</b>	<b>2,063</b>	<b>9,365.26</b>	<b>8,267.54</b>	<b>6,045.40</b>	<b>6,209.19</b>	<b>4,198.13</b>
<b>How Value is Distributed:</b>						
<b>Operating &amp; Service Costs</b>	<b>782</b>	<b>3,551.24</b>	<b>3,355.65</b>	<b>2,448.56</b>	<b>2,385.63</b>	<b>2,405.43</b>
<b>Employees' Benefits</b>	<b>356</b>	<b>1,617.32</b>	<b>1,135.53</b>	<b>871.26</b>	<b>729.42</b>	<b>641.49</b>
<b>Providers of Capital</b>						
Interest on borrowings	199	903.75	2,082.84	766.10	422.98	175.88
Dividend	104	473.84	207.99	118.85	708.55	116.08
<b>Income Tax/Fringe Benefit Tax</b>	<b>181</b>	<b>823.66</b>	<b>137.25</b>	<b>(26.21)</b>	<b>395.99</b>	<b>(120.53)</b>
<b>Re-deployment in Business</b>						
Retained Profit	182	827.53	366.97	1,016.03	862.62	289.55
Depreciation	257	1,167.92	981.29	850.82	704.00	690.23
<b>Total Value Distributed</b>	<b>2,063</b>	<b>9,365.26</b>	<b>8,267.54</b>	<b>6,045.40</b>	<b>6,209.19</b>	<b>4,198.13</b>



## Performance Profile

	2009-10	2008-09	2007-08	2006-07	2005-06
<b>SALES VOLUME*</b>					<b>'000 Tonnes</b>
<b>Light Distillates</b>					
Liquified Petroleum Gas	3,317.66	3,024.78	2,872.13	2,650.51	2,526.37
Naphtha	1,341.85	2,102.40	2,295.97	2,223.37	1,876.85
Motor Spirit	3,247.14	2,843.57	2,525.20	2,377.89	2,078.61
Hexane	16.58	27.81	35.09	29.40	27.40
Propylene	23.21	31.48	35.51	33.37	31.75
<b>Sub-total</b>	<b>7,946.44</b>	<b>8,030.04</b>	<b>7,763.90</b>	<b>7,314.54</b>	<b>6,540.98</b>
<b>Middle Distillates</b>					
Mineral Turpentine Oil	59.83	53.59	58.42	50.06	41.35
Aviation Turbine Fuel	744.12	682.12	738.16	596.83	504.18
Superior Kerosene Oil	1,798.48	1,769.03	1,790.84	1,793.02	1,732.63
High Speed Diesel	11,747.13	10,807.11	9,551.72	7,907.08	7,353.38
JBO/WO	1.54	1.69	3.47	3.57	4.83
Light Diesel Oil	121.09	130.88	147.51	154.74	196.27
<b>Sub-total</b>	<b>14,472.19</b>	<b>13,444.43</b>	<b>12,290.12</b>	<b>10,505.31</b>	<b>9,832.64</b>
<b>Lubes &amp; Greases</b>	<b>469.67</b>	<b>337.37</b>	<b>491.62</b>	<b>320.23</b>	<b>287.84</b>
<b>Heavy Ends</b>					
Furnace Oil	1,778.01	2,037.79	2,472.75	2,256.13	1,685.15
Low Sulphur Heavy Stock	393.46	449.86	325.56	351.15	388.03
Bitumen	906.41	880.11	909.78	756.54	543.48
Others	306.12	213.66	211.16	181.62	139.60
<b>Sub-total</b>	<b>3,384.00</b>	<b>3,581.41</b>	<b>3,919.23</b>	<b>3,545.44</b>	<b>2,756.26</b>
<b>Total</b>	<b>26,272.30</b>	<b>25,393.26</b>	<b>24,464.88</b>	<b>21,685.52</b>	<b>19,417.72</b>
* Including Exports					
<b>MARKETING NETWORK</b>					
Regional Offices	101	90	91	86	85
Terminals/Installations/TOPs	31	31	42	37	37
Depots (including Exclusive Lube Depots)	92	100	93	93	92
LPG Bottling Plants	44	43	43	42	41
ASFs	31	21	16	13	13
Retail Outlets	9127	8539	8329	7909	7313
SKO/LDO Dealers	1638	1638	1648	1648	1648
LPG Distributors	2404	2250	2232	2238	2202
LPG Customers (in crores)	2.92	2.70	2.52	2.39	2.28
<b>PRODUCTION VOLUME - MUMBAI REFINERY</b>					<b>'000 Tonnes</b>
<b>Light Distillates</b>					
Liquified Petroleum Gas	257.80	226.30	250.98	250.80	193.00
Naphtha	549.30	742.20	927.75	936.00	714.90
Motor Spirit	727.50	374.40	413.51	418.20	280.40
Hexane	17.60	26.10	36.69	27.00	35.30
Solvent 1425	6.10	5.20	9.10	7.80	6.10
<b>Sub-total</b>	<b>1,558.30</b>	<b>1,374.20</b>	<b>1,638.03</b>	<b>1,639.80</b>	<b>1,229.70</b>
<b>Middle Distillates</b>					
Mineral Turpentine Oil	62.90	54.90	60.18	50.60	44.60
Aviation Turbine Fuel	580.00	580.96	610.62	659.90	571.40
Superior Kerosene Oil	142.10	155.30	152.72	239.00	279.40
High Speed Diesel	2,211.40	2,050.65	2,133.20	1,988.10	1,689.80
Light Diesel Oil	46.20	59.30	87.71	108.30	174.40
<b>Sub-total</b>	<b>3,042.60</b>	<b>2,901.11</b>	<b>3,044.43</b>	<b>3,045.90</b>	<b>2,759.60</b>
<b>LOBS/TOBS</b>	<b>347.00</b>	<b>312.40</b>	<b>351.36</b>	<b>338.10</b>	<b>279.70</b>



## 58<sup>th</sup> Annual Report 2009-2010

### Performance Profile

	2009-10	2008-09	2007-08	2006-07	2005-06
					'000 Tonnes
<b>Heavy Ends</b>					
Furnace Oil	857.80	854.80	1,003.93	1,256.90	976.60
Low Sulphur Heavy Stock	68.10	129.20	138.06	111.20	96.40
Bitumen	559.60	551.50	631.55	499.20	401.20
Others (Including input of BH Gas)	(19.90)	81.50	98.86	73.40	55.80
<b>Sub-total</b>	<b>1,465.60</b>	<b>1,617.00</b>	<b>1,872.40</b>	<b>1,940.70</b>	<b>1,530.00</b>
<b>Total</b>	<b>6,413.50</b>	<b>6,204.71</b>	<b>6,906.22</b>	<b>6,964.50</b>	<b>5,799.00</b>
Intermediate Stock Differential	19.50	5.20	(55.08)	(16.00)	27.10
Fuel & Loss	532.10	441.80	504.25	470.30	422.50
<b>Total</b>	<b>6,965.10</b>	<b>6,651.71</b>	<b>7,355.39</b>	<b>7,418.80</b>	<b>6,248.60</b>
<b>PRODUCTION VOLUME - VISAKH REFINERY</b>					'000 Tonnes
<b>Light Distillates</b>					
Liquified Petroleum Gas	310.05	363.92	369.09	343.60	273.76
Naphtha	734.04	1,148.36	1,264.23	1,195.20	928.74
Motor Spirit	932.16	779.36	827.79	811.20	661.81
Propylene	23.15	31.59	34.94	33.20	32.92
<b>Sub-total</b>	<b>1,999.40</b>	<b>2,323.23</b>	<b>2,496.05</b>	<b>2,383.20</b>	<b>1,897.23</b>
<b>Middle Distillates</b>					
Mineral Turpentine Oil	-	(0.01)	-	-	-
Aviation Turbine Fuel	79.87	57.67	41.35	13.80	39.40
Superior Kerosene Oil	720.33	832.25	897.09	1,016.00	824.17
High Speed Diesel	3,441.39	3,610.71	3,586.81	3,728.90	2,975.37
JBO/WO	1.83	1.75	4.23	3.80	3.62
CO	-	-	4.96	-	28.05
Light Diesel Oil	70.73	104.32	90.77	70.90	63.71
<b>Sub-total</b>	<b>4,314.15</b>	<b>4,606.69</b>	<b>4,625.21</b>	<b>4,833.40</b>	<b>3,934.32</b>
<b>Heavy Ends</b>					
Furnace Oil	1,033.74	1,175.72	1,295.07	989.50	839.31
Low Sulphur Heavy Stock	340.33	186.14	153.52	221.00	290.97
Bitumen	328.51	337.56	307.54	230.80	156.75
Others	101.41	24.86	31.92	20.90	8.78
<b>Sub-total</b>	<b>1,803.99</b>	<b>1,724.28</b>	<b>1,788.05</b>	<b>1,462.20</b>	<b>1,295.81</b>
<b>Total</b>	<b>8,117.54</b>	<b>8,654.20</b>	<b>8,909.31</b>	<b>8,678.80</b>	<b>7,127.36</b>
Intermediate Stock Differential	83.05	(20.12)	(25.44)	29.30	(6.66)
Fuel & Loss	595.87	520.76	525.61	536.40	453.60
<b>Total</b>	<b>8,796.46</b>	<b>9,154.84</b>	<b>9,409.48</b>	<b>9,244.50</b>	<b>7,574.30</b>



## Directors' Report

### TO THE MEMBERS

On behalf of the Board of Directors, I have great pleasure in presenting to you the fifty eighth Annual Report on the working of the Company, together with the Audited Accounts for the year ended 31st March 2010.

### HIGHLIGHTS

	(Rs. Crores)	
	<b>2009-10</b>	2008-09
<b>FINANCIAL</b>		
Sales/Income from Operations	<b>1,14,888.63</b>	1,31,802.65
Profit before Depreciation, Interest and Tax	<b>4,193.18</b>	3,776.36
Depreciation	<b>(1,164.40)</b>	(981.29)
Interest	<b>(903.75)</b>	(2,082.84)
Profit before Tax	<b>2,125.03</b>	712.23
Provision for Tax		
♦ Current Tax	<b>(561.50)</b>	(227.60)
♦ Deferred Tax	<b>(204.61)</b>	(34.29)
♦ Taxation of earlier years written back	<b>(57.51)</b>	111.77
♦ Deferred Tax written back	-	26.90
♦ Fringe Benefit Tax	<b>(0.05)</b>	(14.03)
Profit after Tax	<b>1,301.37</b>	574.98
Balance brought forward from previous year	<b>8,104.16</b>	7,794.67
<u>Appropriations:</u>		
General Reserve	<b>(130.14)</b>	(57.50)
Debenture Redemption Reserve	<b>(86.40)</b>	-
Proposed Dividend	<b>(406.35)</b>	(177.78)
Tax on distributed profits	<b>(67.49)</b>	(30.21)
Balance carried forward	<b>8715.15</b>	8,104.16
<b>PHYSICAL PERFORMANCE (MMT)</b>		
Market Sales (Including exports)	<b>26.27</b>	25.39
Crude Thruput:		
- Mumbai Refinery	<b>6.96</b>	6.65
- Visakh Refinery	<b>8.80</b>	9.16
<b>SHAREHOLDERS' VALUE (Rupees)</b>		
Earnings per Share	<b>38.43</b>	16.98
Cash Earnings per Share	<b>78.86</b>	46.97
Book Value per Share	<b>341.32</b>	316.88

### DIVIDEND

Your Directors, after taking into account the financial results of the Company during the year, have recommended dividend of Rs. 12 per share for the year 2009-10 as against Rs. 5.25 per share paid for the year 2008-09. The dividend for 2009-10, including dividend tax provision will absorb Rs. 473.84 crores (2008-09: Rs. 207.99 crores).

### SALES/INCOME FROM OPERATIONS

Your Company has achieved sales/income from operations of Rs. 1,14,888.63 crores as compared to Rs.1,31,802.65 crores in 2008-09.

### PROFIT

Your Company has earned gross profit of Rs. 4,193.18 crores as against Rs. 3,776.36 crores in 2008-09 and profit after tax of Rs. 1,301.37 crores as compared to Rs. 574.98 crores in 2008-09.

### INTERNAL RESOURCES GENERATION

The Internal Resources generated were Rs. 2,196.53 crores as compared to Rs. 1,382.56 crores in 2008-09.

### CONTRIBUTION TO EXCHEQUER

Your Company has contributed a sum of Rs. 21,156.02 crores to the exchequer by way of duties and taxes, as compared to Rs. 21,359.75 crores in 2008-09.



## 58<sup>th</sup> Annual Report 2009-2010

### Directors' Report

#### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that:

- (i) In the preparation of the Annual Accounts, all the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- (ii) The Company has selected such Accounting Policies and applied them consistently and made judgments 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 2010 and of the Profit & Loss Account of the company for the year ended on that date.
- (iii) 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.
- (iv) These Accounts have been prepared on a going concern basis.

#### MEMORANDUM OF UNDERSTANDING (MOU) WITH GOVERNMENT OF INDIA

Your Corporation has been signing a Memorandum of Understanding (MOU) with the Ministry of Petroleum & Natural Gas. The performance of the Corporation of the year 2009-10 qualifies for **"Excellent"** rating basis self evaluation.

#### REFINERY PERFORMANCE

HPCL refineries processed a combined throughput of 15.76 MMT (15.81 MMT in 2008-09) against combined installed capacity of 14.0 MMT by achieving 113% capacity utilization.

HPCL refineries achieved overall MOU Excellent Rating with respect to production parameters viz. Crude throughput, Distillate Yields and Specific Energy Consumption.

HPCL Refineries commissioned Clean Fuels Projects and Euro-IV MS production started prior to January 2010 as per Auto Fuels Policy.

Gross refining margins of Mumbai Refinery averaged at US\$ 2.80 per barrel as against US\$ 6.11 per barrel for the year 2008-09.

Gross refining margins of Visakh Refinery averaged at US\$ 2.59 per barrel as against US\$ 2.42 per barrel for the year 2008-09.

#### Mumbai Refinery:

During the year, Mumbai Refinery achieved crude throughput of 6.96 million tonnes as against 6.65 million tonnes achieved for the year 2008-09. This crude throughput was higher than MOU target of 6.5 MMT. The capacity utilisation was 107%.

The Fuel and Loss at Mumbai Refinery was 7.64% during the year which is higher than last year of 6.64% on account of commissioning new Green Fuel Emission Control Project.

Total Distillate yield (Adjusted for crude mix and Bitumen) at 71.8% was higher than MOU Excellent target of 68.6%.

Mumbai Refinery achieved the lowest ever Specific Energy Consumption (MBN) of 88.7 against MOU target of 98.0 for the current year.

Naphtha was replaced with eco-friendly RLNG in Captive power plant to reduce own power generation cost to the tune of Rs. 260 crores/annum.

Mumbai Refinery was the First Indian PSU refinery to commence BS-IV MS production facilities and first batch of BS-IV MS was rolled out in January, 2010. In its continual effort to widen the crude basket, Mumbai Refinery processed 2 new crudes, namely Iran Mix and Ravva crude.

During 2009-10, total 555 TMT Iran Mix and 107 TMT Ravva crude were processed.

In its endeavor to maximize profitability, Mumbai Refinery has processed more of heavier crudes like Basrah and Kuwait by modifying CDU-I bottom section with high capacity "Flexitrays" during November, 2009.

#### Visakh Refinery :

During the year, Visakh Refinery achieved crude throughput of 8.80 million tonnes as against 9.16 million tonnes achieved for the year 2008-09. This crude throughput was lower than MOU target of 9.1 MMT. The capacity utilisation was 117.3%.

The Fuel and Loss at Visakh Refinery was 6.77% during the year which is higher than last year of 5.69% on account of commissioning new Clean Fuels Project.

Total Distillate yield (Adjusted for crude mix and Bitumen) at 73.5% is in line with MOU Excellent target.

Visakh Refinery achieved Specific Energy Consumption (MBN) of 91 against MOU target of 93 during the year.

In order to maximize profitability, Visakh Refinery processed high viscous and high resid yielding new crude called Sooroosh Crude blended with IRAN Light. The refinery also processed high TAN Escravos blended crude.

Bitumen coastal loading facility was commissioned and 17 TMT was exported during the year.

The particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earning & Outgo are detailed in **Annexure I**.

Similarly, particulars relating to control of Pollution and other initiatives by Refineries are listed in **Annexure II** of Directors' Report.

#### MARKETING PERFORMANCE

The market sales (including exports) were 26.27 million tonnes as against 25.39 million tonnes recorded in 2008-09.



## Directors' Report

### VIGILANCE

Vigilance Department in the current year has strived to emphasize in its activities, an environment of proactive vigilance, the importance of transparency, adherence to professionalism and high standards in customer service and project execution. Vigilance Awareness Week was observed from 03.11.2009 to 07.11.2009 all over India, wherein, various competitions like slogan, quiz, essay writing contests etc were organized among the employees.

### INDUSTRIAL RELATIONS

Industrial Relations climate during the year 2009-10 continued to be harmonious across all locations.

The Competency Mapping and Development process was strengthened. 725 Officers attended Development Centers and Individual Development Plans were drawn up and progress reviewed. Technical Competency Framework was developed for the Exploration & Production business unit.

During the year, Gaurav awards were introduced to identify and recognize outstanding performance by Non-Management Employees.

To enhance corporate governance, Whistle Blower Policy was adopted. Conduct, Discipline & Appeal Rules applicable to Management Employees were also reviewed and amended.

### OFFICIAL LANGUAGE IMPLEMENTATION

Official Language Implementation continued to receive utmost importance in the Corporation.

### SC / ST LIAISON

The overall representation of SC / ST employees in the Corporation is 27.69%. During the year, your Corporation has carried out a number of Welfare / Development activities such as primary education, scholarships, drinking water facilities, health care, income generating schemes / vocational training, rehabilitation of persons with disabilities & other welfare activities.

### CORPORATE GOVERNANCE

The Corporation has complied with the requirements of Corporate Governance with the exception of appointment of Independent Directors to the level of 50% of the total strength of the Board. This matter is being pursued with the administrative Ministry and is under their active consideration. The details in this regard form part of this Annual Report.

### MANAGEMENT DISCUSSION & ANALYSIS REPORT

This report has been given separately.

### PARTICULARS OF EMPLOYEES

A statement providing the information as required under Section 217 (2A) of the Companies Act, 1956 is annexed herewith (**Annexure III**). The details regarding the number of women employee's vis-à-vis the total number of employees in each group is also annexed (**Annexure IV**).

### DIRECTORS

HPCL Board presently comprised of 10 Directors. The whole time Directors are S/Shri Arun Balakrishnan, Chairman & Managing Director, S. Roy Choudhury, Director-Marketing, V. Viziasaradhi, Director-Human Resources, B. Mukherjee, Director-Finance and K. Murali, Director-Refineries.

The Part-time directors are S/Shri P.K. Sinha, L.N. Gupta, P.V. Rajaraman, Prof. Prakash G. Apte and Dr. Gitesh K. Shah. The following are the details of their appointment:-

- Shri P.K. Sinha, Additional Secretary and Financial Adviser, MOP&NG who joined HPCL Board on March 1, 2006 continues to be the *Ex-Officio* Part-time Director of the Corporation. Shri L.N. Gupta, Joint Secretary (Refineries), MOP & NG who joined HPCL Board on June 25, 2008 continues to be the *Ex-Officio* Part-time Director of the Corporation.
- Dr. Gitesh K. Shah, joined HPCL Board as a Part-time Non-Official Director on December 7, 2009. S/Shri P.V. Rajaraman and Prof. P.G. Apte who joined HPCL Board on July 22, 2007 continue to be the Non-Official Directors of the Corporation.
- S/Shri Arun Balakrishnan (Chairman & Managing Director), S. Roy Choudhury (Director-Marketing), V. Viziasaradhi (Director-Human Resources), B. Mukherjee (Director-Finance) and K. Murali (Director - Refineries) continue as whole Time Directors of the Corporation.

As per the provisions of Section 256 of the Companies Act, 1956, S/Shri P.K. Sinha, L.N. Gupta and B. Mukherjee who retire by rotation at next Annual General Meeting and are eligible for reappointment.

### ACKNOWLEDGEMENTS

The Directors gratefully acknowledge the valuable guidance and support extended by the Government of India, Ministry of Petroleum and Natural Gas, other Ministries, Petroleum Planning & Analysis Cell and the State Governments.

The Directors also acknowledge the contribution made by the large number of dealers and distributors spread all over the country towards improving the service to our valued customers as well as for the overall performance of the Company.

The employees of the Company have continued to display their total commitment towards the pursuit of excellence. Your Directors take this opportunity to place on record their appreciation for the valuable contribution made by the employees and look forward to their services with zeal and dedication in the years ahead to enable the Company to scale even greater heights. Your Directors are thankful to the shareholders for their faith and continued support in the endeavors of the Company.

**For and on behalf of the Board of Directors**

ARUN BALAKRISHNAN

**Chairman & Managing Director**

May 26, 2010



## Annexure to Directors' Report

### Annexure-I

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earning/ Outgo as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### ENERGY CONSERVATION & TECHNOLOGY ABSORPTION

#### I) CONSERVATION OF ENERGY

##### a) Energy Conservation measures undertaken and Additional Investment / proposals for implementation on conservation of energy

Mumbai and Visakh Refineries accorded highest priority to energy conservation and have undertaken several Encon measures by operational improvements and implementing of Encon projects. Various Encon measures undertaken during 2009-10 are as follows:

##### Mumbai Refinery

- 1) Mumbai Refinery achieved the lowest ever Specific Energy Consumption (MBN) of 88.7 during the year as against 89.0 of last year.
- 2) Started receiving Reliquefied Natural Gas (RLNG) through GAIL receiving station/ pipeline as a result of which all GTGs and other furnaces were switched to Gas. This has helped in reduction of emission levels and saving of internal fuel cost of Refinery.
- 3) Achieved 100% Gas firing in GTG's which has reduced specific energy consumption from 0.40 to 0.35.
- 4) Carried out online chemical cleaning of furnaces to bring down the Bridge Wall Temperature (BWT), Stack temperature and to improve furnace efficiency.
- 5) Improved DHDS furnace preheats temperature by installing the additional exchanger in raw Diesel pre heat circuit.
- 6) Commissioned Propane Gas recovery system in Lube Refinery, first stage (wax recovery circuit) by in house modification.
- 7) Carried out Leak Detection Survey for fugitive emission benchmarking in Refinery process units. Leaks identified and being attended.
- 8) Observed Oil & Gas Conservation Fortnight from 15<sup>th</sup> - 31<sup>st</sup> January, 2010 to generate mass awareness amongst the public for conservation of petroleum products. During the fortnight, several activities were organized inside & outside the Refinery.

##### Additional proposals for implementation on conservation of energy:

- 1) Replacement of Rotary Air Pre-heater with Stationary in FRE-CDU & Preheat augmentation.
- 2) Conversion of natural draft furnace to balance draft in FRE-VDU & LR-VDU.
- 3) Utilization of vacuum off gases from FR/FRE/LR VPS.
- 4) Recovery of the flare gas at LR and utilization of gas in furnaces.
- 5) Provision of PRDS system in the Light End Unit to optimize the steam consumption in Depentaniser and Dehexaniser and two number Desuperheaters for Naphtha stabilizers.
- 6) Installation of Desuperheater to reduce the steam temperature of MP steam header by quenching the boiler feed water at LR which will produce the additional steam.
- 7) Implementation of second stage Propane gas recovery system in Lube Refinery (DWO recovery circuit).
- 8) Secondary seals/ guide pole sleeves on 13 nos of Naphtha/MS tanks, to reduce VOC emission through tank farm.
- 9) Achieving 100% Gas firing facilities in Furnaces & Boilers.

Saving envisaged due to additional energy conservation proposal planned in future is 44837 SRFT equivalent to Rs. 98 Crores per annum.

##### Visakh Refinery

- 1) Carried out periodic steam leak/steam trap survey during the year by engaging external agency using ultrasonic detector and visual methods. The repairs of identified leaks were arrested.
- 2) Carried out compressed air leak survey by appointing external agency by using ultrasonic detector. The repairs of identified leaks were attended.
- 3) Carried out online furnace cleaning by using solid spray resulting in reduced stack temperatures and increased heater efficiencies.
- 4) Commissioned new CO boiler FD fan turbine to motor auto cut in facility for continuous running of turbine in place of motor, thereby avoiding venting of turbine steam.
- 5) Commissioned Demulsifier injection facility to crude receipt line to reduce sediment (BS&W) to crude feeding units.
- 6) Commissioned Antifoulant chemical injection facilities to SR preheat exchanger in CDU-3 to reduce fouling of exchangers.
- 7) Identified fouled preheat exchangers by Heat 4N software and cleaning was carried out for sustaining preheat temperature in CDUs.
- 8) Commissioned Automatic blow down facility for steam drum in Hydrogen unit resulting in energy saving due to controlled blow down.

## Annexure to Directors' Report

- 9) Oil and Gas conservation fortnight was observed in Visakh Refinery from 15<sup>th</sup>-31<sup>st</sup> January, 2010. Various mass awareness activities were carried out on the occasion amongst the public for conservation of petroleum products. During the fortnight, several activities like Furnaces/boilers efficiency, insulation effectiveness, Encon slogan contest in English, Hindi & Telugu were organized inside & outside the Refinery.

### Additional proposals for implementation on conservation of energy:

- 1) Replacement of stack dampers for 11-F-01 & 12-F-01 with multiple leaf dampers.
- 2) Addition of convection section tubes for 11-F-01 & 12-F-01 to improve efficiency to 90.20% & 90.70% from 88% respectively.
- 3) Condensate recovery system in CDU-II, III, FCCU-I, II.
- 4) Flare gas recovery.
- 5) Waste heat recovery from slop cut of CDU-II and CDU-III in steam generators.
- 6) Supplementary firing in HRSGs.
- 7) Reduce excess oxygen in DHDS heater (from 6% to 3%).
- 8) Implement automatic air/ fuel ratio control (for 11-F-01 & 42-F-01).
- 9) Automatic control system to minimize LPG vaporization.

Due to the above energy conservation measures, the savings will be around 15078 SRFT per year resulting in equivalent monetary gain of approximately Rs.34.86 Crores per year.

- b) **Impact of above on energy conservation measures and consequent impact on cost of production of goods.** Refineries estimated energy saving from various ENCON measures undertaken during the year 2009-10 is as follows:

Mumbai Refinery: Approximately 19940 SRFT, which is equivalent to Rs. 44 crores/year.

Visakh Refinery: Approximately 3647 SRFT, which is equivalent to Rs. 8.50 Crores/year.

- c) **Total energy consumption and energy consumption per unit of production :**

Please refer **Form-A of the Annexure I** to the Directors Report.

## II) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- a) Efforts made towards technology absorption, adaptation & innovation information is given in **Form-B of the Annexure I to the Directors Report**
- b) Imported Technology (Imported during last 5 years)

Technology Imported	Year of Import	Whether fully absorbed or not	If not absorbed, Reasons
<b>Mumbai Refinery</b>			
Isomerisation Unit	2004	No	Project is under commissioning
Prime G+ Unit	2004	Yes	
Continuous Catalytic Reactor-CCR	2004	Yes	
Fluidized Catalytic Cracking Unit (New)	2004	No	Project is under implementation
Flue Gas Desulphurization	2005	No	
Lube Iso-Dewaxing Unit	2006	No	
Diesel Hydro Treater (DHT)	2008	No	
<b>Visakh Refinery</b>			
Isomerisation Unit	2004	No	Plant under commissioning
Continuous Catalytic Reactor-CCR	2004	Yes	
Prime G+ Unit	2004	Yes	Plant under construction
Fluidized Catalytic Cracking Unit (Revamp)	2004	No	
Sulfur Recovery Unit	2005	Yes	
Diesel Hydro De-sulfurisation Unit 2nd Reactor	2005	Yes	
APC by M/s Honey Well-RMPCT	2005	Yes	
Online Cleaning of Heaters	2006	Yes	
Use Of Regen Flue Gas Sulfur Reduction Additive	2006	Yes	
New catalyst in FCCU-II (UOP) to improve LPG yield	2007	Yes	
New ZSM-5 additive in FCCU-I to improve propylene yields and CRN octane	2007	Yes	
New type Nozzles in Wash Oil Distributor in Vacuum column (CDU-I)	2008	Yes	
Refractro type Skin Thermocouples in Furnaces (CDU-I)	2008	Yes	
Diesel Hydro Treater (DHT)	2008	No	
			Project is under implementation

## III) FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports:  
Various initiatives have been taken to increase exports and for development of new Export markets for products and services. Efforts are on to access international markets and to tap export potential for free trade products and lubricants.
- b) Total Foreign Exchange used and earned:  
Please refer Notes to Accounts – Schedule 20B, Note 17 F, G, H & I.

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## Annexure to Directors' Report

### Form A

### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

#### MUMBAI REFINERY

	2009-10	2008-09
<b>(A) Power and Fuel Consumption</b>		
1 (a) <b>Electricity Purchased</b>		
Units (Million KWH)	132.61	86.19
Total Amount (Rs./Crores)	71.46	50.54
Rate Per Unit (Excluding demand charges) (Rs./KWH)	4.86	5.12
Maximum Demand Charges (Rs./Crores)	7.01	6.42
(b) <b>Own Generation</b>		
Through Steam Turbine / Generator		
Units (Million KWH)	298.15	259.51
Units per tonne of fuel	2636.67	2499.57
Cost per unit (Rs./KWH)	2.20	8.04
2 <b>Furnace Oil / Liquid fuel (LSHS/HSD)</b>		
Quantity (Thousand tonnes)	168.15	138.56
Total amount (Rs./Crores)	368.21	317.89
Average rate (Rs./tonne)	21898.00	22943.00
3 <b>Other /Internal Generation :</b>		
i. <b>Naphtha</b>		
Quantity (Thousand tonnes)	24.00	108.76
Total amount (Rs./Crores)	70.55	349.17
Average rate (Rs./tonne)	29394.00	32104.00
ii. <b>LPG</b>		
Quantity (Thousand tonnes)	8.63	8.07
Total amount (Rs./Crores)	23.70	26.54
Average rate (Rs./tonne)	27467.00	32881.00
iii. <b>Refinery Gas</b>		
Quantity (Thousand tonnes)	71.94	70.24
Total amount (Rs./Crores)	157.53	161.15
Average rate (Rs./tonne)	21898.00	22943.00
iv. <b>BH Gas</b>		
Quantity (Thousand tonnes)	8.03	10.88
Total amount (Rs./Crores)	6.46	9.54
Average rate (Rs./tonne)	8043.00	8771.00
v. <b>RLNG</b>		
Quantity (Thousand tonnes)	129.51	-
Total amount (Rs./ Crores)	252.40	-
Average rate (Rs./tonne)	19489.00	-
vi. <b>Coke</b>		
Quantity (Thousand tonnes)	34.50	32.37
Total amount (Rs. /Crores)	75.55	74.27
Average rate (Rs./tonne)	21898.00	22943.00
<b>(B) Consumption per Unit of Production</b>		
Electricity (KWH/ Tonne of Crude)	61.85	51.97
Liquid Fuel (Ton/ Thousand Tonnes of Crude)	27.59	37.18
Fuel Gas (Ton/ Thousand Tonnes of Crude)	12.72	13.41
Coke (Ton/ Thousand Tonnes of Crude)	4.95	4.87

#### VISAKH REFINERY

### (A) Power and Fuel Consumption

1 (a) <b>Electricity purchased</b>		
Units (Million KWH)	6.83	11.80
Total amount (Rs. Crores)	5.20	6.75
Rate Per Unit (Excluding demand charges) (Rs. /KWH)	3.04	3.05
Electricity Exported (Million KWH)	0.26	0.26
Maximum Demand charges (Rs. crores)	3.12	3.15
(b) <b>Own Generation (CPP)</b>		
Units (Million KWH)	355.74	291.90
Cost Per Unit (Rs./KWH)	6.93	6.50
Units Per Ton of Fuel	2363.96	2674.20



## Annexure to Directors' Report

	2009-10	2008-09
<b>2. Furnace Oil /LSHS</b>		
Quantity ( Thousand Tonnes )	<b>131.48</b>	129.43
Total amount (Rs./Crores)	<b>292.60</b>	308.81
Average Rate per unit (Rs./Ton)	<b>22253.00</b>	23858.00
<b>3. Other/Internal Generation</b>		
<b>i. CPP Fuel</b>		
Quantity ( Thousand Tonnes )	<b>150.48</b>	109.15
Total amount (Rs./Crores)	<b>449.81</b>	367.93
Average Rate per unit (Rs./Ton)	<b>29891.00</b>	33708.00
<b>ii. Naphtha (DHDS)</b>		
Quantity ( Thousand Tonnes )	<b>45.05</b>	45.23
Total amount (Rs./Crores)	<b>132.27</b>	152.00
Average Rate per unit (Rs./Ton)	<b>29358.00</b>	33603.00
<b>iii. Refinery Gas</b>		
Quantity ( Thousand Tonnes )	<b>141.50</b>	102.14
Total amount (Rs./Crores)	<b>322.01</b>	235.67
Average Rate per unit (Rs./Ton)	<b>22757.00</b>	23073.00
<b>iv. Coke</b>		
Quantity ( Thousand Tonnes )	<b>73.79</b>	81.09
Total amount (Rs./Crores)	<b>163.90</b>	188.15
Average Rate per unit (Rs./Ton)	<b>22212.00</b>	23202.00
<b>(B). Consumption per unit of production:</b>		
Electricity KWH/Ton of Crude	<b>41.19</b>	33.14
Liquid fuel (Tons/ Thousand Tonnes of Crude)	<b>37.18</b>	31.00
Gas fuel (Tons/ Thousand Tonnes of Crude)	<b>16.09</b>	11.16
Coke Fuel ( Tons / Thousand Tonnes of Crude )	<b>8.39</b>	8.86

### FORM - B

#### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ADAPTATION & INNOVATION

##### 1. RESEARCH & DEVELOPMENT (R&D)

###### COLLABORATIVE R&D PROJECTS

MOUs have been finalized with Research collaborators for the following projects:

###### Mumbai Refinery:

###### Optimization studies of food grade Hexane manufacturing unit and feasibility study for producing polymer-grade Hexane (With IIP)

It is planned to establish optimum operating conditions & to produce international grade hexane with maximum product yield & minimum utilities requirement.

During 2008-09, a successful test run was conducted for the above jointly with IIP Dehradun with the following objectives:

- To establish optimum operating conditions for NMP unit and achieve WHO grade requirement of less than 500 ppm aromatics in treated hexane on sustained basis.
- Feasibility of production of polymer grade/WHO/Pharma grade hexane.

The test run confirmed the feasibility of achieving WHO grade requirement of less than 500 ppm aromatics in treated hexane on sustained basis. However other parameters of WHO grade such as PAH (Polycyclic Aromatic Hydrocarbon) & NVR (Non Volatile Matter) could not be achieved. The test run also identified certain improvement schemes and changes in operating philosophy to produce less than 500 ppm aromatics product on sustained basis. These schemes were developed during 2009-10 and are being implemented.

Expenditure on R&D through Revenue budget was Rs. 9.90 Lakhs.

###### Visakh Refinery:

###### Membrane Separation Study to recover Propylene from Visakh Refinery Gas Mixture & LPG (With IICT Hyderabad)

- Collaborative R&D is in progress with IICT Hyderabad for membrane separation of propylene from LPG. Validation of Membrane and test run with pure gas was done. Test run with gas mixture is being carried out for different membranes. IICT is in process of writing simulation program for determining the number of stages for achieving desired propylene purity and membrane area requirement based on feed capacity and composition of C3 fraction.
- To facilitate treatment of the bioremediated sludge for reducing the oil content and heavy metals, Refinery has entered into an agreement (presently coordinated by Corporate R&D) with local GITAM Engg College for the following projects at a Cost of Rs. 39.34 Lakhs:

## Annexure to Directors' Report

- Bioremediation of petroleum oil by non pathogenic micro-organisms.
- Biodesulphurisation of petroleum oil by non pathogenic micro - organisms.
- Phytoremediation: Selection of plant species for selective absorption of oil and heavy metal contents from sludge. The plant species will selectively absorb the pollutants in its rhizophore and does not allow the pollutants to get leached into the ground contaminating the ground water table. These plants can be harvested and fresh saplings planted for future treatments. The harvest plants will be incinerated.

Latest high efficiency adsorbent for Hydrogen Unit PSA to improve Hydrogen recovery from 85.5% to 88%.

c. Gamma scanning of CDU3 and ARU columns with BARCs help for health check of columns.

d. Procured Aspen One Software for Process Simulation and Modeling of all Refinery Units and Processes.

Expenditure on R&D through Revenue budget was Rs. 4.03 Lakhs

The total expenditure on R&D for both the refineries was Rs. 13.93 Lakhs.

### 2. UPGRADEMENT INITIATIVES

#### Mumbai Refinery

- After completing successful collaborative R&D project with IIP Dehradun, Mumbai Refinery started processing FCCU residue on regular basis in lube solvent extraction unit to generate superior grade (High BMCI) CBFS and FCCU feed. This helped Refinery in reducing LSHS generation & upgrading heavy ends to value added products like LPG, Gasoline & Diesel.
- After carrying out a successful test run to upgrade the regular Bright Stock extract to superior quality Treated Aromatic Extract (TRAЕ), Mumbai Refinery started supplying TRAЕ (trade name Diana Process Oil SR 28) on regular basis to M/s Union Sekiyu Kogyo Co. Ltd. Korea. TRAЕ is also being supplied to other prospective buyers in India. Refinery achieved savings of around Rs 80 Lakhs from 1.6 TMT TRAЕ supplied during 2009-10.
- Hydrogen is being used in Mumbai Refinery in various hydro treating/hydro-finers units for sulfur removal. In order to optimize hydrogen generation cost, Refinery implemented an in-house developed scheme to produce hydrogen using RLNG as feed in Hydrogen generation unit in place of Naphtha. The potential benefit envisaged from the scheme is around Rs 40 crores/year. The scheme has also appreciably reduced CO<sub>2</sub> emission.
- Mumbai Refinery has successfully implemented Advance Process Control in Fuels units and Lube solvent extraction units for online optimization of these process units. During the year 2009-10, APC was implemented in HGU, DUU and PDU units. Potential benefit of about Rs.1.68 Crores was obtained due to reduction in Hydrogen flaring in HGU and steam optimization in DUU. Better unit stability and dewaxed oil yield improvement of 0.7 wt% was observed in PDU.
- During 2008-09, HPCL's Mumbai Refinery had signed agreement with US Trade Development Agency (USTDA) for Technical assistance grant related to bottom upgradation project at Mumbai Refinery. HPCL is the first oil company to get this grant from USTDA.

Under this Bottoms Upgradation project Refinery will be installing a new Solvent Deasphalting (SDA) Unit to extract FCC feed from high sulfur vacuum residue. Currently this vacuum residue is being routed to low value fuel oil pool which also necessitates downgradation of diesel streams to fuel oil.

During 2009-10, a Detailed Feasibility Report (DFR) was prepared for this SDA unit project jointly by Kellogg Brown & Root (KBR) & HPCL.

- The Propane De-Asphalting unit (PDA) at Mumbai Refinery was commissioned in 1995 for the production of Bright Stock. The unit is designed for a thruput of 65 m<sup>3</sup>/hr. Refinery is carrying out a project to revamp this unit to achieve following objectives:
  - To increase the thruput capacity from present 65 m<sup>3</sup>/hr to 90 m<sup>3</sup>/hr. The surplus DAO, after meeting Bright Stock requirement will be used as a feed for FCCU.
  - To reduce energy consumption by 30% by converting the unit to Residuum Oil Supercritical Extraction (ROSE) technology.

The Basic Engineering Package for the revamp has been developed by M/s KBR.

- Carried out feasibility study and detailed Engineering for improving heater efficiencies from 88% to 91% and capacity enhancement by about 5% and low NOX Burners for FRE (CDU-II) heaters (atmos heater and vacuum heater).

#### Visakh Refinery

- Commissioned PFD in CDU-I thruput inhouse design and thruput was increased by 30 m<sup>3</sup>/hr.
- Evaluated new crudes: Okono, Akpo, Nowrooz (mixed with Iran Light), Amenam.
- First time processed new crude called "Sooroosh" (high viscous and high resid yielding crude blended with Iran Light).
- Processed high TAN Escravos crude (blended with low TAN crudes).
- Carried out feasibility study and detailed engineering for improving heater efficiencies from 88% to 91% and capacity enhancement by about 5% and low NOX burners for CDU-II heaters (atmos heater and vacuum heater).





## **Annexure to Directors' Report**

- (vi) Commissioned Crude line de-emulsifier dosing facility to enhance water removal from crude.
- (vii) First time started producing VG-10 grade Bitumen production.
- (viii) Commissioned Bitumen coastal loading facility and started bitumen exporting.
- (ix) Commissioned VGO export facility.
- (x) Implemented Shell proposals for refinery improvements and benefits to the tune of about 13.9 million USD.

### **Annexure-II**

#### **Control of Pollution & other Environment initiatives undertaken by Refineries during 2009-10:**

##### **Mumbai Refinery**

###### **A. Hazardous Waste Management**

- Mumbai Refinery has processed 40,000 m3 of oily sludge from crude oil tanks bottom and recovered 28,000 m3 of potential oil by adopting "Mechanical Oil Recovery Technology" with net gain of Rs. 19.5 Crores.
- Bio-remediation of the left low oily sludge (<10% oil content) after the recovery of potential oil from the crude tank bottom sludge has been undertaken as per the grant of authorization of Maharashtra Pollution Control Board.
- Spent catalysts / old chemicals/ discarded chemicals are being disposed off to the registered "Common Hazardous Wastes Treatment Storage Disposal Facility" (CHWTSDF) as well as to MPCB/CPCB approved Recyclers depending on the characteristic and criteria of the hazardous wastes. 550 tons of spent catalyst has been disposed off till date.

###### **B. Air Emission Control & Monitoring**

- Three stacks under Green Fuel Emission Control Project (GFEC) have been commissioned under Continuous Stack Monitoring System (CSMS) as a part of online emission monitoring program.
- Online continuous "Electronic Display Board" of ambient air quality and treated effluent data at Mumbai Refinery.
- Volatile Organic Compounds study for the entire refinery has been undertaken to address the revised environmental norms and leak detection & repair programme has been put in place to quantify the VOC emissions and take preventive measures.

###### **C. Effluent Water Treatment & Control**

- Rotary Drum Skimmers (RDS) have been installed & commissioned upstream of old and new API separators for efficient recovery of free oil.
- To achieve the recently revised effluent norms for petroleum refineries by Central Pollution Control Board, Mumbai Refinery has recently undertaken commissioning of an Integrated Effluent Treatment Plant (ETP) thereby replacing the conventional effluent treatment with Cyclic Activated Sludge treatment followed by Membrane Bio-Reactor & reverse Osmosis.

###### **Other initiatives at Mumbai Refinery**

- Switch over from liquid fuel to Natural Gas accomplished thereby resulting in reduced specific energy consumption from 0.40 to 0.35 in GTG's (Estimated Savings 14000 SRFT/Year).
- Online chemical cleaning of 10 Nos. of furnaces was carried out resulting in fuel savings of 1096 SRFT/Year.
- Improved DUU furnace preheats by installing the additional heat exchanger in raw diesel pre heat circuit. Savings Achieved is about Rs. 6.0 Crore/Year.
- Achieved savings of 1200 SRFT / Year on commissioning of Propane Gas recovery at Lube refinery.

##### **Visakh Refinery**

###### **A. Hazardous Waste Management:**

- Disposed 1191 MT of oily sludge and 5.74 MT of spent ZnO catalyst to CPCB authorized recyclers during 2009-10 and disposal of 3962 MT of sold oily sludge is in progress.
- Obtained membership of "M/s. Hyderabad Waste Management Project, Dundigal, Rangareddy (Dist)" on 26<sup>th</sup> November, 2009 for disposal of Hazardous & Non-hazardous wastes through secured land filling and incineration.
- 800 nos. of drums containing off-spec Bitumen were processed in "Off-Spec Bitumen Melting Facility" during 2009-10.
- Tender was floated by VPT in March-2010 for procurement of Pressure Inflatable Boom and Permanent Boom as a part of "Tier I Facility".

###### **B. Emission Management**

- DHDS SRU Train - III was commissioned on 21<sup>st</sup> August, 2009 for treatment of Acid amine gas and Sour water Stripper gases.
- DHDS SRU Train-I catalyst was replaced during T&I in December 2009.
- World Environment Day was celebrated on 5<sup>th</sup> June, 2009 Saplings and posters on environment were distributed on this occasion.
- Leak Detection & Repair for fugitive emissions was conducted as per CPCB norms. Survey was conducted on a quarterly basis for Heat Exchangers, Pumps and compressor seals & Pressure relief valves.
- SO<sub>2</sub> management guideline was revised in May 2009 to ensure emissions compliance under post-VRCFP operating scenarios.



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### Annexure to Directors' Report

#### C. Liquid Effluent Management

- Excess Oil ingress project facilities in Effluent Treatment Plant-II for A, B & C streams were commissioned during December 2009 - February 2010.
- VRCFP Sour Water Stripper Unit was commissioned in June 2009. FCCU-II Sour Water Treatment is being carried out in VRCFP Sour Water Stripper Unit since August-2009 for better removal of Ammonia and H<sub>2</sub>S.
- External Training program by NPC, Chennai conducted for all the ETP personnel in April 2009.
- Sludge Thickener and Centrifuge were revived in ETP-I in March 2010 to reduce the sludge generation.
- Merox clarifier repair jobs were completed in ETP-II and it was taken in service from December-09.
- MS block effluent is being treated in ETP-II.
- Consent for Operation (CFO) for VRCFP units was issued by APPCB, which is valid till 30th September, 2010.

#### Other activities undertaken:

- MSDS manual for the Process Chemicals used in the Refinery has been compiled and released to all the concerned Division Heads in the Refinery.
- Applied for Consent For Operation (CFO) for VR and Mounded LPG & Propylene storage.

#### Annexure - III

Information as per Section 217(2A), read with Companies (Particulars of Employment) Rules, 1975 and forming part of the Directors' Report for the period 1st April, 2009 - 31st March, 2010.

Sr. Name No.		Designation/ Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Yrs)	Date of Joining (MM/DD /YYYY	Age	Last Employment
1	2	3	4	5	6	7	8	9
1	ABDULLA M A R	DGM - Operations	2,480,284	BSc	38	11/05/1975	59	Calico Chemicals Plastics & Fibres Division
2	AGARWAL K C	GM - Maintenance	2,424,570	BE (Mech)	34	11/03/1978	59	Century Spinning & Mfg Co.
3	AGRAWAL D K	DGM - Operations	2,509,113	BSc, DMS	38	03/01/1973	59	M/s Esso Standard Refining Company of India Ltd.
4	AGRAWAL PRAFUL CHANDRA	Executive Assistant to C&MD	2,569,912	B Tech ( Chemical)	27	01/28/1983	49	Nil
5	AGRAWAL R D	Sr. Manager - Network Planning	2,446,567	LLB, MA	30	05/12/1979	54	Nil
6	ALAGARSAMY T *	Sr. Manager - South Asia LPG	2,524,207	BE (Mech)	25	11/05/1984	49	Nil
7	ARULNATHAN JACOB BRIAN	Ch. Regional Manager	2,700,228	BSc, BE (Electrical)	24	09/30/1985	48	Nil
8	BABURAM SAMARCHAND	Sr. Manager - FM	2,419,759	DEE	32	07/02/1981	57	Garrison Engineer MES, Baroda
9	BALADHANDAYUTHAPA N	Ch. Manager - ISPRL	2,499,718	BE (Civil)	22	12/28/1987	43	Nil
10	BALAKRISHNAN ARUN	Chairman & Managing Director	3,019,180	BE (Chemical), PGDM - IIM Bangalore	33	08/01/1976	59	Nil
11	BEHURA BICHITRA KUMAR	Sr. Manager - Net Work Planning	2,465,611	BE(Mech), DBM, MBA, PGDMM	24	10/23/1985	46	Director Tech Education
12	BERA ASOKE	DGM - IT Facilities	2,801,971	BSc	33	01/16/1978	55	Anant Construction
13	BHAN A K	GM	2,419,786	BE (Chemical)	33	08/02/1979	57	Bhartia Electric Steel Co Ltd. (Chemical Division)
14	BHAN RAVI PRAKASH	Ch. Manager - Maintenance Planning	2,440,746	BSc Engg (Mechanical)	27	04/26/1983	49	Nil
15	BHARARA V	Sr. Manager - Operations	2,451,610	DMM, MSc, M Phil	29	07/02/1980	53	Nil
16	BHASKARA RAO M	DGM - Quality Assurance	2,453,851	B Tech ( Chemical)	32	04/17/1978	57	Nil
17	BHATIA BALDEV	Ch. Installation Manager	2,700,612	BE(Mech)	21	05/16/1988	46	Nil
18	BHATNAGAR S	Ch. Manager - Technical Audit	2,572,149	BSc Engg (Mechanical), Post Graduate Diploma in IE	27	07/01/1983	52	DEI Engineering College, Agra
19	BHIRUD VIJAY S	DGM - Recruitment Manpower Planning & Personnel Management	2,607,166	MSc	31	12/24/1979	53	Junior College, Savda
20	BISWAS NILKANTA ADURAM	DGM-MDPL Product Co-ordination	2,515,381	BSc Engg (Petroleum Tech), DMM, DMS	28	07/06/1981	54	Nil
21	BISWAS SUBHANKAR	DGM - Distribution	2,520,665	B Tech (Mechanical), PGDBM	26	06/17/1983	49	Nil
22	CHAKRABORTY SNEHANGSHU	DGM	2,434,338	BSC, BE (Electrical)	28	05/22/1982	57	Secretary to Govt. of Assam, Irrigation Department
23	CHATTERJEE DEBJYOTI	Manager - Pipelines Operations	2,715,385	BSc Engg (Mechanical)	21	04/03/1989	43	Nil
24	CHAUDHRY S P *	ED - Retail Strategy & Business Development	3,470,149	BE (Mech), MBA	40	02/16/1976	60	National Engg. Industries Ltd. Jaipur
25	CHAVAN REKHA RAMAKANT	Sr. Manager - Co-ordination	2,505,808	BA	37	07/10/1974	57	Vishwakarma Builders
26	CHOUTY V L	Ch. Manager - Commercial	2,419,059	DMS, M.Com	30	12/17/1980	52	The Sriram Warping & Sizing Co-op Society Ltd.
27	DAMLE MAHESH SHRIPAD	ED - Retail	2,716,305	BE (Mech)	30	12/29/1980	54	The Kiroloskar Tractors Ltd.
28	DANI J N *	Dy. Manager - Maintenance	3,146,838	SSC/SSLC	34	11/17/1975	60	Nil
29	DANIEL SANTHOSH K	DGM - OPRM	2,515,530	B.Com, FCA/ACA	28	05/12/1986	51	Emjak Industries Pvt Ltd., Hyderabad
30	DASGUPTA S	Ch. Manager - Purchase, CEC	2,818,760	BE (Electrical)	26	11/21/1983	51	Nil
31	DATTA ABHISHEK	Ch. Installation Manager	2,551,363	B Tech (Chemical)	26	01/20/1986	47	Ion Exchange (I) Ltd.
32	DEKATEY PRAMOD TARACHAND	Manager - Mechanical	2,441,372	BE (Mech)	21	12/30/1988	46	Nil
33	DESAI BATUKCHANDRA RASIKLAL	Sr. Regional Manager	2,480,902	BA, MBA, PGDFM	23	09/30/1987	47	M/s. Pioneer Electric Furnace Manufacturers
34	DESHPANDE D K	ED - HRD	2,727,072	BE (Chemical), DMS	32	12/18/1978	55	Ion Exchange (I) Ltd.
35	DHAR SUSHANTA	Ch. Manager - Retail Upgradation	2,435,235	BE (Electrical)	25	11/08/1984	49	Nil
36	DIVAKAR G	Sr. Manager - Operations	2,410,038	B Tech (Civil)	27	11/18/1982	54	Executive Engg Div Office M.I.I. Divn, Bangalore
37	DIVAKAR NIMMAKAYALA	Ch. Manager-Branding	2,606,825	B Tech ( Chemical)	26	01/16/1984	49	Nil
38	DWAYAPAYANUDU J S K	Ch. Manager - Finance	2,455,703	B.Com, FCA/ACA	24	06/02/1986	51	M/s. Capol Farm Equipment Ltd., Secunderbad
39	ELANGO RAMAMOORTHY	DGM - HR	2,992,127	MA	29	09/02/1985	49	Hindustan Motors Ltd.
40	GAIKWAD SHEKHAR P	DGM - Projects	2,712,723	BE (Mech), Master in Finance Management	27	05/25/1983	48	Godrej & Boyce
41	GANESAN K	Sr. Manager - Installation	2,466,474	BSc, PG (PM&IR)	32	10/23/1979	55	Southern Telecommunication Region
42	GATLEWAR PADMAVALLI ARUN	Sr. Manager - Project Purchase	2,560,035	BA, LLB, DAM, DMM	33	05/26/1976	53	Nil



## Annexure to Directors' Report

Sr. No.	Name	Designation/ Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Yrs)	Date of Joining (MM/DD /YYYY)	Age	Last Employment
1	2	3	4	5	6	7	8	9
43	GHANEKAR A K *	Manager - Electrical	2,870,340	SSC/SSLC	41	03/06/1972	60	Industrial Engineering Controls
44	GHORPADE A D	Ch. Manager - OM&S and Loss Control	2,499,938	BSc, Dip in Ind Safety, PG DIP IN OCC HEALTH & ENV MGT	32	12/15/1977	54	Nil
45	GHOSH SUBRATA KUMAR	DGM - Finance (Mktg.)	2,692,125	B.Com, FCA/ACA	26	06/15/1987	46	M/s. Price Waterhouse
46	GOKHALE A P	DGM - Infrastructure	2,588,601	BSc	38	09/04/1973	57	Unique Pharmaceuticals Lab
47	GOUR GOPAL BANIK	Ch. Manager - SHE	2,539,614	BE (Mech)	31	05/06/1980	54	Engineering Enterprises
48	GOVINDAN K M *	DGM - Projects	3,282,067	BE (Electrical), PGDBM	34	06/01/1977	60	Indian Bank
49	GULATI VIKRAM	DGM - Corporate Accounts	2,612,147	B.Com, LLB, FCA/ACA, CFA	24	03/31/1987	48	S.N. Dhawan & Co, New Delhi
50	GUPTA JAYANT	Ch. Manager - Network & Infrastructure	2,428,345	BSc Engg. (Electrical), M. Tech (Mechanical)	22	12/28/1987	44	Binatone Electricals Pvt Ltd.
51	GUPTA PRADEEP KUMAR	DGM - Retail	2,707,678	ME Agriculture	27	11/21/1983	51	National Seeds Corpn Ltd., New Delhi
52	GUPTA SATYA PRAKASH	Director - Finance (PP&AC)	2,465,131	B.Com, FCA/ACA	27	11/18/1982	51	M/s. S.R. Batliboi & Co, Chartered Accountants, New Delhi
53	HASYAGAR SHRIKANT RAMCHANDRA	DGM - Finance	2,766,227	B.Com, FCA/ACA	24	06/06/1988	47	K.N. Guruswamy & Co Ltd.
54	HOTA DEEPAK KUMAR	GM - MRA & P	2,707,875	BA, PG (PM&IR)	27	04/15/1983	49	Nil
55	IDICULA SHAJI	DGM - Maintenance	2,471,764	BOE, DME	28	05/02/1989	50	Ballarpur Industries Ltd.
56	IYER K K NARAYANAN	Manager - Operation (Shift)	2,597,820	BSc	30	12/03/1979	53	Carsher Trading Corporation
57	IYER NARAYANAN H	DGM - Legal (Marketing)	2,506,901	LLB, ACS, ICWA, M.COM	24	09/30/1985	45	Deepak Shah (Chartered Accountants)
58	JAGANNADHARAO N S	GM - Operations	2,730,056	B. Tech. (Chemical)	30	04/11/1980	53	Nil
59	JEYAKRISHNAN S	GM	2,628,723	BA	28	08/24/1981	50	Nil
60	JINDAL KUMAR ASHOK	Ch. Manager - O&D	2,770,094	BE (Electrical)	27	11/08/1982	50	Nil
61	JOSHI PUSHP KUMAR	GM - HR (Mktg.)	2,870,969	BA, PG (PM&IR)	23	05/19/1986	45	Nil
62	JUNEJA HARJIT SINGH	DGM - Retail Lubes	2,410,267	BE (Mech)	28	06/21/1983	49	Punjab Tractors Ltd., Chandigarh
63	KALYANARAMAN T K *	GM - Special Projects	4,510,419	B. Com, FCA/ACA	35	02/17/1978	60	Indian Oil Corporation Ltd.
64	KAMBLE DINESHKUMAR KRISHNARAO	Ch. Manager - EP (LPG)	2,403,333	BE (Civil), DBM	31	06/01/1978	53	Nil
65	KAPALEY NIRANJAN DATTATRAYA*	Ch. Installation Manager	4,189,082	BE (Mech)	27	01/27/1983	50	Nil
66	KARMARKAR SANDEEP NARAYAN	DGM - Information Systems	2,545,775	B. Tech (Mech), Post Graduate Diploma in IE	24	07/01/1985	47	Nil
67	KARNAD U *	Ch. Installation Manager	3,064,288	BSc, DBM	35	10/18/1979	60	Hairhar Polyfibers
68	KATKAR D H	DGM - Fire & Safety	4,346,914	BOE, DME	40	04/27/1989	60	Indian Brewers Ltd.
69	KESAVAN R	GM - Commercial	2,572,591	BSc, FCA/ACA	28	08/26/1985	48	K.R. Subramanian & Co Chartered Accountants
70	KHANNA ASHISH	Sr. Manager - Marine Sales	2,618,630	BE (Mech)	22	12/28/1987	46	Nil
71	KOSHATWAR R K	DGM - Supplies	2,731,764	SSC/SSLC, BE (Mech), DME	33	10/03/1979	53	Tata Institute of Fundamental Research
72	KOSTA NIRMAL KUMAR	Ch. Manager - Resident Co-ordination	2,850,562	Licentiate in Mechanical Engg.	31	04/08/1980	55	The Burn Standard Company Ltd.
73	KOTA VENKATA RAJU	DGM - Legal	2,425,203	B.Com, LLB, PG (PM&IR)	33	11/21/1978	54	M/s. Travel Express
74	KOTHARI PRADEEP KUMAR	DGM - Gas Division	2,578,891	BE (Mech), MBA	28	09/01/1982	49	Western India Sports Motors
75	KOTKAR S M *	Manager - OM&S (Shift)	1,574,271	BSc	32	12/28/1977	60	AFCO Ltd.
76	KRISHNAMURTHY D V *	Manager - Finance	2,484,461	B.Com	36	04/14/1978	60	T.I. Ltd.
77	KRISHNASWAMY C S	GM - R&D & QC	2,690,736	BSc Engg. (Electrical)	37	04/19/1976	59	Globe Auto Electrical
78	KULKARNI S K	DGM - Minor Project	2,503,969	BE (Civil), MBA	30	02/16/1981	53	M.S.E.B.
79	KUMAR GUPTA ALOK	Ch. Manager - Business Development	2,566,201	BE (Electrical)	24	12/28/1987	45	J.K. Synthetics Ltd., Kota
80	KUMAR HAZARAPU PREM	DGM - Audit	2,565,497	B.Com, FCA/ACA	25	08/27/1984	51	B.H.E.L.
81	KUMAR MUKESH	Sr. Manager - QC	2,514,391	BSc	24	01/20/1986	46	Nil
82	KUMAR S.R.AMBABAVANI	Ch. Manager - Consumer Lubes	2,709,496	BE (Civil)	22	12/28/1987	46	Tungabhadra Steel Products, Karnataka
83	LAKSHMINARAYANAN K	Sr. Manager (Special Projects)	2,612,083	B. Tech (Mech), DMM, MBA - Marketing	22	01/09/1989	46	J.K. Synthetics Ltd., Kota
84	LAXMANSINGH L K *	Manager - Operations	3,129,931	BA	41	08/26/1968	60	NA
85	LIBEIRO JOSEPH SYLVESTER	DGM - Development	2,567,528	BSc	35	10/27/1975	56	Catholic Relief Services
86	MAHESWARARAO K B V *	Dy. Manager - Finance	1,267,966	B.Com, Cert Programme (Comp. Appln.)	33	03/13/1980	53	Bharat Heavy Plates & Vessels Ltd. Visakhapatnam
87	MALHOTRA SANJAY	Ch. Regional Manager	2,611,134	B. Tech (Electrical)	23	07/28/1986	45	Nil
88	MANE NARAYAN S	DGM - HR	2,603,847	BA, MSW	31	06/07/1984	55	Instrumentation Ltd., Kota
89	MARAR RAM MOHAN NARAYANAN*	GM - Projects	2,326,605	BSc Engg (Mechanical)	36	02/03/1975	60	Burmah Shell Refineries
90	MARTIN FLORIANO JOHNSON	Ch. Manager - Audit	2,452,754	B.Com, FCA/ACA	30	09/02/1985	50	Love Lock & Lewes
91	MEHTA HARISH CHANDER	GM - O & D	2,835,109	BE (Electrical)	25	09/10/1984	46	Nil
92	MEHTA RAJNI	DGM - IT (Mktg.)	2,599,238	BSc, MSC	28	09/01/1982	53	Kendriya Vidyalaya, Ambala Cantt
93	MEHTA RAJNISH	DGM - Retail	2,437,611	BSc Engg. (Mech)	26	11/21/1983	48	MSD Escorts Ltd., Faridabad
94	MEHTA SUDHIR CHANDRA	ED	2,682,890	BE (Chemical), DAM	32	01/01/1981	53	Amar Dye - Chem. Ltd.
95	MISHRA SIVA PRASAD *	Manager - Finance	1,477,946	B.Com, FCA/ACA	22	11/25/1993	44	Atcon India Ltd., New Delhi
96	MISRI RAKESH	GM - North Zone	2,421,652	BE (Civil)	26	09/22/1983	48	Nil
97	MOHAL RAJINDER KUMAR	Ch. Manager - Joint Ventures	2,442,285	B.Com, LLB, ACS, FCA/ACA	25	07/30/1984	50	Nil
98	MOHIT RAM RAMNARESH	Manager - Maximo, Mntc Planning	2,446,381	BE (Civil)	22	12/28/1987	45	M/s. Pooja Consultants & Contracts
99	MOHNOT MAHENDRA MAL *	DGM - Risk Management	2,548,031	B.Com, FCA/ACA	35	04/13/1981	60	M/s. Jiyajerao Cotton Mills Ltd.
100	MUKHERJEE B	Director - Finance	2,590,040	BSc, FCA	36	03/08/1979	56	M/s. Price Waterhouse & Co.
101	MUKHOPADHYAY SUGATO *	Sr. Manager - E&P HB.	1,321,781	BE (Civil)	22	12/28/1987	46	Mackintosh Burn Ltd.
102	MURALI KRISHNA P B	Ch. Installation Manager	2,688,201	BSc, Dip. in International Business, MBA	25	09/05/1984	49	NA
103	NADKARNI P P	MD - Petronet MHB	2,765,370	BSc Engg (Mech)	30	06/22/1981	52	M/s. XLO India Ltd.
104	NAGADA VINIT VISANJJI	GM - Projects	2,467,975	BE (Mech)	30	05/24/1979	58	Nil
105	NAMDEO B K	ED - IT & S	2,574,528	BE (Mech), M.Tech (Civil)	30	09/05/1980	53	Kayande Engineers Pvt Ltd., Nagpur
106	NARAYANAN N R	Company Secretary	5,306,970	B.Com, LLB, MBA, ACS	42	09/01/1972	60	Indo American Society
107	NARAYANAN SHHS	Sr. Brand Manager	2,550,562	BSc, MA	29	11/08/1982	51	The New India Assurance Co. Ltd.
108	NARAYANASWAMY KRISHNAMURTHY DAVANAGERE	Ch. Regional Manager	2,545,505	BE (Mech), Cert. Programme (Comp. Appln.)	25	10/08/1984	49	M.S. Ramiah MSRTI, Bangalore
109	NASRULLAH MOHAMMED	Ch. Manager - Infrastructure	2,489,216	BE (Mech), MS	30	09/24/1979	56	Sidda Ganga Inst. of Technology
110	NEHETE NIVRUTTI RAMDAS	Sr. Manager - Shift Co-ordination	2,511,971	MSc - Chemistry	29	07/07/1980	53	Nil
111	NEHETE V N	DGM - LPG	2,479,134	DME	32	04/21/1980	53	Gajra Gear's Pvt. Ltd.

# 58<sup>th</sup> Annual Report 2009-2010

## Annexure to Directors' Report

Sr. Name No.	Designation/ Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Yrs)	Date of Joining (MM/DD/YYYY)	Age	Last Employment
1 2	3	4	5	6	7	8	9
112 NETKAR YASHWANTH M *	Sr. Manager - LPG	2,975,449	MA	31	12/21/1981	60	Siddarth College of Arts, Science & Commerce
113 NIKALE DR S H	Senior Manager - Medical Services	2,623,590	MBBS	21	10/25/1991	50	Bombay Municipal Corporation
114 OAK A V	Ch Manager - Refinery Safety	2,483,348	BSc	36	03/01/1976	57	Dyes & Dispersing Agents Pvt. Ltd.
115 OBEROI S K	Chief Manager - GGSRL	2,554,008	DCE (Civil), MA (Public Admn)	34	11/13/1979	55	Central Public Works Dept
116 PAL SURANJAN	Ch. Manager - Opns (MPSPL)	2,772,155	BE (Civil), Master in Marketing Management	26	09/22/1983	48	Nil
117 PANDE A	GM - Retail	2,514,297	BSc Engg (Civil)	26	06/14/1983	50	U.P. State Mineral Development Corporation, Lucknow
118 PANTHAKY SOHRAB NESSERWANJI *	Ch. Manager - SHE Audit	2,223,072	BSc	37	08/01/1972	60	Ruttonsha Services Ltd., Mumbai
119 PARATE ANIL MOTIRAM	Sr. Manager-Installation	2,530,440	M.Com	33	01/17/1983	55	I B P Co. Ltd.
120 PARIHAR VINOD SINGH	Ch. Manager - Info. Sys.	2,488,682	MSc	30	11/08/1982	54	G.M. Mtce, NTR, New Delhi
121 PATIL B B	DGM - CS&P	2,436,789	BSc Tech	34	01/19/1981	58	Savita Chemicals Pvt. Ltd., Thane
122 PATIL S S	Sr. Manager - PQS & VIP Ref	2,409,064	B.Com	32	12/18/1978	59	Satyanarayan Thard & Co.
123 PAULY K J *	Ch. Manager - Distribution	2,347,348	B.Com, DBM	36	07/02/1973	60	Nil
124 PENUMATCHA CHIRANJEEVI RAJU *	Sr. Manager - Scrap Disposal	1,747,369	BE (Mech)	31	08/28/1978	60	NA
125 PETER CLEMENT	Sr. Manager-Retail Branding	2,583,807	SSC/SSLC, B.Com	30	09/01/1979	54	NA
126 PHADKE SHRIPAD MEGHASHAM	Ch. Manager - Information Systems	2,441,417	BSc, CISA	29	11/28/1983	51	Ilac Ltd., Ahmedabad
127 PILLAI RAJAN K	Ch. Executive Officer	2,645,181	B Tech (Mech), ME	32	05/01/1978	56	Mahindra & Mahindra Ltd.
128 PRADHAN O P	ED - Corporate Strategy & Planning	2,507,739	BSc, DMIT, MBA	34	12/05/1980	56	Garware Plastics & Polyester Pvt Ltd.
129 PRASAD KORLIMARLA SIVA RAMA	ED - Joint Ventures	2,707,737	BSc, FCA/ACA	32	04/26/1978	57	Nil
130 PRATAP SURENDRA	DGM - Technical Services	2,639,786	B Tech (Electrical)	27	01/17/1983	50	Hyderabad Asbestos Cement Products Ltd., Haryana
131 PREMA	Ch. Manager - Projects	2,570,976	BE (Mech)	26	10/18/1983	49	Nil
132 RADHAKRISHNAMURTHY VENTRAPRAGADA	DGM - Process	2,969,017	M. Tech (Chemical)	29	02/02/1981	53	NA
133 RAJAMANI S	Ch. Mgr - E&P	3,166,093	BSc	36	10/30/1973	57	Nil
134 RAJASEKARAN R V	DGM - CPP	2,529,807	B.E.(Electrical & Electronics), Dip. in Labour Laws, Master of Foreign Trade, Pos	27	11/08/1982	49	Nil
135 RAJEEV HAGARGI	Sr. Regional Manager	2,416,120	BE (Electronics & Telecom.)	23	01/19/1987	44	Nil
136 RAKESH KUMAR	GM - HR (Comp Mgmt)	2,670,894	B.Com, FCA/ACA	34	01/03/1983	53	Unittech Engg Pvt Ltd.
137 RAMAMOORTHY D	DGM - E&P	2,473,165	BE (Chemical), DMS	30	03/31/1982	52	Kanara Engg Co Pvt Ltd.
138 RAMESHKUMAR R	Sr. Manager	2,417,854	BE (Civil)	28	09/22/1983	51	Shamas Construction Pvt. Ltd., Madras
139 RAO KONEADANA RAJESWARA	Joint Director (MC&ES)	2,683,678	B Tech (Mech)	24	01/20/1986	49	Roads & Admn Dept, Hyderabad
140 RAO KOTA SREENIVASA	Ch. Regional Manager	2,442,458	BE (Mech)	21	05/09/1988	45	Nil
141 RAO MEDIDI KESAVA	Ch. Manager - RCD	2,607,369	B Tech (Chemical)	24	12/16/1985	48	NA
142 RAO RAVIPATI SUDHAKARA	ED - Direct Sales	2,620,194	B.Com, FCA/ACA	29	11/12/1981	53	Union Bank of India
143 RAO SHAILESH RAMA	DGM - LPG	2,480,614	BE (Mech)	27	11/21/1983	50	Godrej & Boyce Pvt Ltd., Mumbai
144 RAUT VISHRAM SOMA *	Manager - IT Facilities	2,038,889	BA	39	07/11/1974	60	Dept. of Atomic Energy, Govt of India - Power Projects Engg Division
145 REEJONIA BHANU PRATAP	Ch. Manager - Bhagyanagar Gas	2,573,412	B Tech (Mechanical)	27	09/01/1982	54	Nil
146 ROY CHOUDHURY S	Director - Marketing	4,117,641	BE (Mech)	29	06/21/1982	56	Indian Oil Corpn Ltd.
147 ROY RAMANUJ	GM - Finance	2,436,247	BSc, FCA/ACA	33	10/19/1981	56	M/s. Fox Rhodes Parks & Co.
148 SABALE D M	GM - SHE (Marketing)	2,692,596	DME	37	08/10/1977	58	Mazagaon Dock Ltd.
149 SADU SUNDER P	Ch. Manager - HR	2,365,598	LLB, PGD in Psycho. Counselling, PG (PM&IR), MA	22	06/01/1987	50	Nil
150 SAHA ALOK RANJAN *	Manager - Operations	1,126,980	BSc-Chemistry	30	02/02/1981	54	Tekme India
151 SAHA ARNAB	Sr. Manager - Branding	2,428,985	BE (Mech)	24	10/23/1985	46	Nil
152 SAHA KRIPESH KMALESH	DGM - Network & Infrastructure	2,672,772	BSc, MBA - Marketing	32	05/16/1977	53	B.R.H.M.
153 SAHNI SUBHASH VIKRAM	ED - Central Engg. (Refineries)	2,674,156	BE (Mech), DMS	36	02/01/1975	58	India Tube Mills & Metal Industries Private Limited
154 SAIT M F	Ch. Manager - Lubes Co-ordination	2,508,667	B Tech (Chemical)	36	04/19/1976	59	Larsen & Toubro
155 SANALKUMAR C S	Ch. Manager - Distribution	2,604,804	BSc, MA	29	09/01/1982	52	State Bank of Travancore
156 SARAN RAM	Manager - Operations	2,600,914	BSc Engg (Civil)	25	09/10/1984	47	Nil
157 SARKAR SUBIR	Ch. Manager - LPG Sales	2,453,682	BE(Electrical)	34	10/16/1978	59	M/s. Jost's Engg Co. Ltd.
158 SARMA A VISWANADHA	GM - Natural Gas	2,901,789	B.Com, PGD in alternative Dispute Res, PGDFM, PG Dip. - Treasury & Forex Mgmt, FC	27	02/02/1983	51	Ponds India Ltd.
159 SATHE AVADHUT BHASKAR *	ED - IT&S	4,749,394	BE (Chemical)	37	12/09/1974	60	Hindustan Organic Chemicals Ltd.
160 SATHIYAVAGEESWARAN S T	Head-Information Systems	2,590,346	BE (Mech), Post Graduate Diploma in IE	26	07/01/1983	50	Nil
161 SAVADI A S *	Manager - Conditioning and Monitoring	3,299,831	HSC/Inter/PUC	37	12/24/1973	60	Larsen & Toubro
162 SAXENA RAJEEV	Sr. Manager-VIP Ref./PQ	2,605,848	B Tech (Civil), DBM	24	05/30/1985	46	Nil
163 SAXENA VIJAY RAJ	Ch. Reg. Mgr	2,607,856	BE (Mech)	24	10/10/1985	47	Nil
164 SEKAR G	Sr. Manager - Operations	2,539,193	BSc, LLB	32	05/23/1981	57	Inspectorate of Electronics, Ministry of Defence
165 SEN ASHIS	DGM - Balanced Score Card	2,404,510	BE (Mech)	25	10/08/1984	47	Nil
166 SESHAN ANU *	Manager - Operations	2,984,248	BA	33	10/27/1976	60	Vulcan Lawal Ltd.
167 SETHI SURENDRA K	Ch. Manager - EBD	3,302,414	B. Tech (Chemical), Master of Foreign Trade, PGDBM	27	02/21/1985	49	Hindustan Vegetables Corp. Ltd.
168 SHAH DUSHYANT SHASHIKANT	DGM - Commercial	2,408,559	B.Com, FCA/ACA, ICWA	28	08/01/1983	54	A.F. Ferguson & Co.
169 SHENOY VINOD SADANAND	DGM - Projects (FCCU/DHT)	2,433,259	B. Tech (Chem), DFM, DMM	24	06/03/1985	47	Nil
170 SHIRODKAR V S	DGM - Product	2,835,403	MSc	30	05/19/1980	53	Medicare Pharmaceutical Pvt Ltd.
171 SHIRWAIKAR G A	ED - LPG	2,517,775	BE (Mech)	37	02/01/1975	59	V.M. Salgaocar & Brothers Private Ltd.
172 SHRIVASTAVA BHANU PRAKASH	DGM - Inspection	2,866,074	BE (Mech)	35	05/06/1983	59	Indian Petrochemicals Corpn Ltd.
173 SHROFF I J	DGM - Project Process	2,515,560	BSc, BSc Tech	30	04/09/1980	57	Calico Chemicals
174 SHROTE VINOD KUMAR	Ch. Manager - Bitumen	2,408,570	MSc	27	01/17/1983	50	Nil



## Annexure to Directors' Report

Sr. Name No.	Designation/ Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Yrs)	Date of Joining (MM/DD /YYYY	Age	Last Employment
1 2	3	4	5	6	7	8	9
175 SINGH AJIT	GM - Co-ordination DCO	2,394,860	B Tech (Mechanical)	26	09/22/1983	48	Nil
176 SINGH AMARDEEP VIRK	Ch. Manager - Maintenance	2,446,875	Boiler Proficiency, AMIE (Mech), DME	27	03/02/1993	47	Indian Oil Corporation Ltd.
177 SINGH CHHATER	Ch. Manager - MLIF	2,462,636	AMIE (Mech), DME	31	10/13/1980	53	Director of Production & Inspection
178 SINGH KOMAL	Sr. Manager - Operations	2,537,381	BSc Engg (Electrical)	26	11/21/1983	51	HMT Limited, Ajmer
179 SINGH KRISHNA KUMAR	DGM - Projects	2,519,884	BSc Engg (Mechanical)	29	11/30/1981	55	Somaiya Organics (I) Ltd.
180 SINGH KUNWAR PAL *	Manager - Operations	3,245,804	DEE	33	12/21/1981	60	Civil Construction Wing, All India Radio
181 SINGH REKHI KULDEEP	Ch. Executive Officer	2,952,417	BSc Engg (Mechanical)	26	06/22/1983	50	The General Electric Co of India Ltd, Allahabad
182 SINGH SAHASTRA PAL	GM - Exploration & Production	2,889,024	BSc, MBA	33	09/07/1981	55	R&D Centre, IOC
183 SINGH SAWHNEY TEJBIR	DGM-Retail Engineering	2,422,693	BE (Mech)	26	11/21/1983	48	Nil
184 SINGH YADAV MAHENDRA	DGM - Retail Upgradation	2,552,337	BE, Post Graduate Dip. in IE	24	01/16/1986	49	Nil
185 SINHA AJIT KUMAR	Ch. Manager - Projects	2,797,134	BSc Engg. (Mech)	24	06/17/1985	48	Nil
186 SIVARAMULA SREENIVASULU	Managing Director - BGL	2,799,932	B. Tech (Civil)	26	01/16/1984	50	Nil
187 SOLANKI DHARMENDRA JAGJIVANDAS	DGM-Distribution and Product Co-ordination	2,682,555	DBA, DCE (Civil), Post Graduate Dip. in HRM, PGDMM, PGD in Psycho. Counselling,	28	07/01/1981	48	Narayan Builders
188 SRIDHAR R	DGM - Finance	2,444,049	B.Com, FCA/ACA	23	04/03/1987	46	R Sundararaman & Co., Madras
189 SRINIVAS KOLLATI	DGM - (I/C)-Aviation	2,514,917	B Tech (Mech)	25	09/19/1984	46	Nil
190 SRINIVASAN S	DGM - Information Systems	2,454,056	BE (Ind Engg), ICWA	26	01/16/1984	49	Nil
191 SUBBARAO SATYANARAYAN	DGM - Information Systems	2,577,740	B.Com, DAM, Master in Admn. Management	28	02/15/1982	48	Nil
192 SUDHEENDRANATH R	Ch. Reg. Manager	3,111,723	B Tech (Mechanical)	26	10/08/1984	48	REC, Calicut
193 SURANA MUKESH KUMAR	GM - Projects	2,497,178	BE (Mech), Certd. Proj. Mgmt. Prof. (PMP), Master in Finance Management	27	11/09/1982	48	Nil
194 SUVARNARATNAM M *	Ch. Manager-Workshop	1,687,455	BE (Mech)	34	06/08/1979	60	Bharat Heavy Plates & Vessels Ltd., Visakhapatnam
195 SWAMY MVR KRISHNA	GM	2,640,612	B Tech (Mech), Post Graduate Dip. in IE	26	07/08/1983	49	Nil
196 TAWALE TUKARAM GOVINDARAO	Ch. Manager - Operations	2,533,391	B Tech (Chemical)	28	11/08/1982	52	Indian Petrochemical Corpn Ltd.
197 THAKUR MAHESHWAR	Sr. Manager - Operations	2,500,849	BSc Engg. (Mech)	25	10/08/1984	47	Nil
198 THOSAR AVINASH BHALCHANDRA	ED - Projects & Pipelines	2,636,186	BE (Civil)	30	05/05/1980	53	Raunag International Ltd.
199 TOKEDAR M *	Sr. Depot Manager	3,392,229	DME	36	05/08/1978	60	S.S. Industries, Calcutta
200 VASUDEVA NISHI	ED - Information Systems	2,608,895	BA, PGDBM	32	07/16/1979	54	Engineers India Ltd.
201 VENKATANARAYANARAO A	DGM - Finance	2,556,176	B.Com, FCA/ACA	22	06/06/1988	48	Lalchand Jain & Co.
202 VENKATARAMAN L	Ch. Manager-O and D	2,542,313	BSc, B Tech, Dip. in Automobile Engineering	27	01/27/1983	51	Ashok Leyland
203 VENKATARAMANI S	Ch. Manager-Oand D	2,408,939	BSC, Cert. Supply Chain Management, DMM, Dip in ORM, DSM	34	06/23/1980	55	Kaycee Industries Ltd.
204 VENKATESWARA RAO K	ED - Corporate Finance	2,580,071	B.Com, FCA/ACA	29	01/11/1982	54	Central Mine Planning & Design Ltd.
205 VIZIASARADHI V	Director - HR	2,993,308	BSc, MA	34	12/21/1979	57	Bharat Heavy Plate & Vessels
206 VUNIKILI VENKATA KRISHNAMRAJU	DGM - Operations	2,737,940	BE (Electronics & Telecommunication	32	10/31/1979	55	A P Ind. Infrastructure Corpn Ltd.
207 WADHWA SARVESH KUMAR	DGM - IS	2,486,045	BE	27	01/17/1983	50	Nil
208 WANKHADE B S *	Sr. Manager-Sales	2,142,976	MSc	36	11/14/1980	60	Hindustan Organic Chemicals Ltd.
209 WANKHADE PRAKASH LAXMAN	Sr. Manager - Materials	2,589,924	BE (Civil)	21	04/03/1989	47	Nil
210 WATE HEMANT RAMCHANDRA	GM - Retail	2,563,463	B Tech (Chemical), DMM	29	03/12/1982	51	D.M.C.C. Ltd.
211 WATWE DINKAR VINAYAK	DGM - Operations	2,702,143	BSC	36	11/05/1975	59	Hindustan Organic Chemicals Ltd.

- \* These employees were employed for part of the year and were in receipt of remuneration at the rate of not less than Rs. 200,000/- per month.
- Employment in the corporation is non-contractual
- Employment provides for termination of services by either party giving one month's notice
- None of the Employees are related to any of the Directors.

### Annexure - IV

#### STATEMENT SHOWING WOMEN EMPLOYEES AS ON MARCH 31, 2010

Group	Total No. of Employees	No. of Women Employees	% of Women Employees
A	4779	393	8.22
B*	—	—	—
C	6396	404	6.32
D	116	7	6.03
TOTAL	11291	804	7.12

\*HPCL has no posts classified under group 'B' as the entry in non-management grades has been re-classified in group 'C' effective 1.1.1994.





## **Management Discussion & Analysis Report - 2009-10**

### **DEVELOPMENTS IN THE ECONOMY AND THE OIL SECTOR**

Indian economy is in a recovery mode. India's GDP growth for 2009-10 was 7.4% as compared to a growth rate of 6.7% in 2008-09. This growth level has been achieved despite low GDP growth of 0.2% in agriculture sector in 2009-10. The growth in the manufacturing sector was 11% in 2009-10, a significant improvement from 3.2% in 2008-09. The services sector grew by 8.5% in 2009-10 with financing, insurance, real estate and business services exhibiting a growth of about 10%.

Inflation increased sharply in the second half of the financial year. The WPI remained subdued in the first half of the financial year due to a high base of the previous year. As the base effect waned in the second half of the year, inflation as indicated by the WPI increased sharply across all categories.

Exports and imports started turning around in October-November 2009 after contracting sharply due to global recession. However, for the full year 2009-10, exports and imports declined by 3.6% and 5.6% respectively. Capital flows have resumed on the back of global recovery and relatively buoyant economic prospects in the country. The Rupee appreciated by about 13% against USD in 2009-10. India's foreign exchange reserves increased by USD 27 billion during 2009-10 to reach USD 279 billion at March end 2010.

The consumption of petroleum products in the country increased by 3.4% in 2009-10 compared to 3.6% in 2008-09. The consumption of transportation fuels was quite robust. Petrol and diesel consumption increased by 14% and 9% respectively. Turnaround in the aviation sector was reflected in the revival of ATF sales. ATF consumption increased by 4.6% in 2009-10 compared to a decline of 2.6% in 2008-09. Naphtha consumption declined by 26% reflecting greater availability of natural gas. FO/LSHS sales also declined due to price/substitution effect.

The recovery in the global economy has been stronger than expected. Recovery is rather tepid in many of the advanced countries but quite strong in most developing economies. IMF expects the Indian economy to grow by 8.8% in 2010 and 8.4% in 2011. Inflation remains a major source of concern in India. Oil price recovered sharply from the severe fall precipitated by the financial crisis and has remained between USD 70 and USD 80 a barrel since mid 2009. The near-term outlook for oil price depends on balance between increase in demand as recovery gains traction and the supply response from producer nations. A robust recovery coupled with higher than expected oil demand would push prices up. On the supply side, non-OPEC production, virtually stagnant since 2004, has started rising once again. OPEC's production of NGLs and other liquids is also rising sharply.

### **PERFORMANCE PROFILE**

Turnover of the Company for the year 2009-10 is Rs. 1,08,599 crores. The petroleum product sales (including exports) by the Company increased by 3.5% during the year 2009-10 to reach 26.3 million tonnes. The Mumbai and Visakh refineries processed 15.76 million tonnes of crude during the year. The combined GRM of the refineries was US \$ 2.68 /bbl. The pipeline thruput increased to 11.95 million tonnes in 2009-10 from 10.58 million tonnes in 2008-09.

The Profit after Tax increased by 126% to Rs.1,301 crores in 2009-10 from Rs. 575 crores in the previous year. The higher PAT was achieved after absorbing an under-recovery of Rs.1,225 crores on sales of sensitive petroleum products during the year. The depreciation charge was Rs.1,164 crores vis-à-vis Rs. 981 crores in 2008-09 largely due to commissioning of the Euro IV fuel projects at Mumbai and Visakh refineries.

Interest cost in 2009-10 was reduced considerably to Rs. 904 crores from Rs. 2083 crores in 2008-09 through judicious treasury management. High cost debts were retired and replaced with low cost debt. Borrowings during the year were mainly through short term foreign currency loans and commercial paper. Long term loans were borrowed at competitive rates. The Corporation was also able to sell Oil Bonds amounting to Rs. 5,270 crores at optimal levels to reduce the borrowings.

For the year 2009-10, HPCL has proposed a dividend of Rs. 12.00 per share, compared to Rs. 5.25 per share in 2008-09. The dividend would result in a total payout of Rs.473 crores including dividend distribution tax.

The 2009-10 performance of the Corporation has qualified for 'Excellent' rating in terms of the Memorandum of Understanding (MOU) signed with the Government of India.



## **Management Discussion & Analysis Report - 2009-10**

### **REFINERIES**

#### **Mumbai Refinery**

Mumbai Refinery (MR) achieved a crude throughput of 6.965 MMT in 2009-10 compared to 6.651 MMT in the 2008-09. Capacity utilization during the year was 107%.

##### **Performance Profile of MR**

<b>Parameter</b>	
<b>Crude Processed - MMTPA</b>	<b>6.965</b>
<b>Capacity Utilisation - %</b>	<b>107</b>
<b>Fuel &amp; Loss - wt%</b>	<b>7.64</b>
<b>Distillate Yields - wt%</b>	<b>71.8</b>
<b>Specific Energy Consumption -MBTU/BBL/NRGF</b>	<b>88.7</b>

The refinery increased its distillate yields to 71.8% from 69.9% achieved in the previous year through effective management of the crude mix and optimization of the operational parameters to enhance the total distillate.

MR became the first Indian PSU refinery to commence production of BS IV specification MS in January 2010 following the commissioning of its Green Fuels Emissions Control Project (GFEC). The refinery also enhanced its capability to produce HSD to Euro-III specifications. The Refinery also commissioned Integrated Effluent Treatment Plant (IETP) to comply with the stringent statutory environment guidelines. The Refinery switched over to Re-liquified Natural Gas (RLNG) firing in furnaces and captive power plant, reducing the emissions as well as internal fuel costs. MR also started production of Viscosity grade (VG-10 and VG-30) asphalt and environment friendly Rubber Processing Oil (RPO) for export to Japan. MR successfully commissioned Mounded Bullet Storage facilities in June 2009 to facilitate safe storage of LPG and enhancing overall risk management in the refinery.

The Refinery signed agreement with US Trade Development Agency (USTDA) for Technical assistance grant for developing a Feasibility Report for the Refinery Bottoms Upgradation Project and to train the personnel on Asset Integrity Management.

A world class modern Quality control laboratory, fully equipped with state-of-the-art technology and modern analytical equipment was commissioned this year, enhancing the quality control efforts of the Refinery.

MR is in the process of installing a new FCCU unit of 1.45 Million Metric Tonne per Annum (MMTPA) capacity to augment the production of value added products like LPG, MS and HSD. The project is expected to be completed mechanically during second quarter of the current year. A Lube Oil Upgradation Project is also being implemented in the Refinery to upgrade the 200 MMTPA Lube Oil Base stock (LOBS) quality to Group-II/III specifications. The Project is expected to be commissioned in the second quarter of the current year at a cost of Rs. 1030 Crores.

#### **Visakh Refinery**

Visakh Refinery (VR) processed 8.797 MMT of crude in 2009-10, achieving a capacity utilization of 117%. The crude throughput of the Refinery in 2008-09 was 9.155 MMT. The lower throughput in 2009-10 was mainly on account of planned turnaround, inspection of one of the key units and interconnection of new and old cooling water system.

##### **Performance Profile of VR**

<b>Parameter</b>	
<b>Crude Processed - MMTPA</b>	<b>8.797</b>
<b>Capacity Utilisation - %</b>	<b>117</b>
<b>Fuel &amp; Loss - wt%</b>	<b>6.77</b>
<b>Distillate Yields - wt%</b>	<b>73.5</b>
<b>Specific Energy Consumption - MBTU/BBL/NRGF</b>	<b>91.0</b>



## Management Discussion & Analysis Report - 2009-10

VR commissioned a new additional Pre Fractionating Drum (PFD) in October 2009. The project has been developed in-house and has increased throughput by 200 TMTPA.

VR commissioned Euro-III/IV MS production facilities under Clean Fuel Project and started supplying Euro III MS by September 2009 and Euro IV MS by January 2010. On the energy conservation front, VR carried out online furnace cleaning using new technology of solid chemical spray resulting in stack temperatures sustaining crude thruput and increased heater efficiencies. The Refinery successfully commissioned Mounded bullet storage facilities in September 2009 to facilitate safe storage of LPG/ Propylene. VR also commissioned Bitumen Coastal Loading Facility and the first parcel of bitumen was exported in September 2009. The Refinery started producing VG 10 bitumen grade from February 2010.

The Integrated Refinery Business Improvement Program initiated with the help of M/s. Shell Global Solutions International and Centre for High Technology is under implementation in the Refinery and till date has provided benefits to the tune of US \$13.89 million (20.14 cents/bbl).

Installation of Single Point Mooring (SPM) facilities to facilitate unloading of crude from VLCCs is underway at VR. The SPM will give an advantage in freight cost and reduce wharfage charges thereby improving the refinery economics. The project facilities include a buoy in the sea for mooring the VLCC, a 48" diameter 4.2 Km sub-sea offshore pipeline & and 48" diameter, 1.5 Km onshore Pipeline. This onshore pipeline is proposed to be connected to the crude cavern storage intended to be installed by Indian Strategic Petroleum Reserves Limited (ISPRL) from where it will be pumped to the refinery crude tanks using the existing 36" crude unloading line. Such an arrangement would obviate the need for additional crude storage tanks in the Refinery. The estimated cost of the project is Rs. 643.46 Crores. The project has been mechanically completed in May 2010 and will be commissioned by September, 2010.

### Other Projects

With the greater availability of natural gas and subsequent substitution of naphtha with gas, disposal of naphtha is a major challenge for both the refineries. With commissioning of mega Green Fuel Emission Control (GFEC) and Clean Fuel Project (CFP) at MR and VR respectively, the refineries are able to convert naphtha into MS production. Thus, the MS production capability has been increased significantly.

New Diesel Hydrotreater (DHT) Units are being installed in both the refineries, at a cost of about 7000 crores to increase the capacity to produce Euro-IV grades of HSD. The projects are expected to be completed by August-September 2011.

HPCL has ventured into the Wind farm project to bridge the power demand and supply gap in an environmentally clean and affordable manner. The project commits to generate 100 MW in different phases. Under the first phase, a total of 25 MW capacity wind farms have been commissioned in Rajasthan and Maharashtra. Another 25 MW capacity wind farm is under construction in Rajasthan and is expected to be ready by December 2010.

HPCL Refineries corporate R&D centre has initiated new collaborative projects with IITs at Chennai & Delhi in addition to the ongoing projects with IIT-Kanpur, IISc, Central Institute of Mining & Fuels Research (CIMFR) and GITAM University. The projects in the areas of monolithic reactors, development of ionic liquid catalysts, Bio hydrogen production have been completed. New R&D projects have also been taken up during the year for development of catalysts for production of hydrogen from methane and development of integrated photo-catalytic systems for efficient conversion in of CO<sub>2</sub> to chemicals.

The Company is assessing the option of a new grassroots refinery on the West Coast of India, especially in view of various constraints being experienced in the expansion /modernization of the Mumbai Refinery. A feasibility study has been commissioned for the project and land is being identified.

### Imports & Exports

The Company purchased 15.71 MMT of crude oil during the year, of this about 11.59 MMT was imported. The Arab/Persian gulf region continued to be the major source of imported crude accounting for nearly 80% of the imports. The balance crude imports were from the West African and the Far East region.

The Company increased product procurement from domestic sources during the year. As a result, product imports during 2009-10 were 987 TMT, significantly less than 2204 TMT imported in 2008-09. The resultant foreign currency savings were about US\$ 699 Million (Rs. 3334 Crs.). Major products imported were Diesel



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(44%), LPG (40%) and MS (12 %). During the year, 1827 TMT of products valued at Rs. 4889 crores were exported registering a growth of around 18% in volume terms.

Ship chartering activities picked up steam in the second year after commencement of independent chartering activities. During the year twenty seven fixtures were finalized at competitive rates for spot crude oil, term LPG and coastal movement of Lube Base Oils. Address Commission of approximately Rs. 5 crores were earned during the year from this activity.

### **MARKETING**

Market sales (excluding exports & PSU sales) for the year 2009-10 were 24.39 MMT compared with 23.83 MMT in 2008-09, a growth of 2.3 %.

#### **Retail**

Retail sales of MS by the Company increased by 13.3% in the year 2009-10 compared to Industry (PSU) growth of 12.9%. HSD sales grew by 7.9% against Industry (PSU) growth of 8.1%. HPCL retained its market share in MS and HSD (combined) during the year 2009-10. Auto LPG sales increased by about 30% for the year with addition of 34 Auto LPG Dispensing stations. Compressed Natural Gas (CNG) sales increased by 19.6% achieving a volume of 146.2 TMT. ARB activities recorded a growth of 27% during the year. Use of technology to ensure the operation of automated outlets under NANO (NO AUTOMATION NO OPERATION) program will be a focus area in the coming year. Marketing participation of HPCL is proposed to be increased with network expansion and efforts will be directed at becoming a market leader at the district level.

#### **Aviation**

The full service domestic airlines continued to reel under financial crisis. The low cost carriers, though, have been faring well. The sector witnessed signs of recovery during Q4FY10 with increasing passenger and cargo traffic, stabilization of airfares and increased load factors due to route rationalization by the airlines. The ATF sales by the Company increased by 9.1% compared to industry growth of 3.9%. The Company commands a market share of 16.1% in the aviation sales.

In view of the recovery in the sector, the Company plans to continue its focus on gaining market share while balancing top-line and bottom-line. As substantial market coverage has been achieved by aggressive network expansion during the past two years, the SBU plans to sustain the image of being the most preferred supplier in the market.

#### **Industrial & Consumer**

Industrial & Consumer business line of the Company was adversely affected by loss of Naphtha/FO/LSHS volumes to natural gas due to considerable improvement in the availability of the latter. Naphtha sales declined substantially while FO/LSHS sales were affected marginally. However, sales of other major products such as Bitumen, HSD, etc increased.

HPC has identified "Bunkering" as potential area to make up for the drop in sales especially of Furnace Oil in inland trade. During the year, the Corporation doubled storage Capacity of FO-380 CST & HFHSD at Sewree terminal (Mumbai) from 7900 Kl to 15800 Kl and dedicated the same for exclusive bunkering purpose. A 4.2 km bulk bitumen pipeline was commissioned from Visakh refinery to jetty and exports of bulk bitumen were commenced with a consignment of 8.2 TMT to TIPCO Bangkok.

#### **Lubes**

The present size of the Indian Lubricant market is approx. 1500 TMT/PA, comprising the automotive segment of about 870 TMT/PA and 630 TMT/PA of the industrial and direct segment. The core and large sector industries like Railways, Collieries, State Transport Undertakings (STUs), Steel, Cement, Tyre, etc. account for around 50% of the industrial and direct market, and the balance is distributed across diverse sectors such as sugar, marine, fisheries, fertilizers, etc. Despite the slowdown and recessionary trend in the Indian Industry till 3<sup>rd</sup> Quarter of the fiscal 2009-10, total Lubes sales of 494 TMT were achieved during the year, comprising 215 TMT of Value Added Lubes and 279 TMT of Base Oils.

The trend of continuously upgrading product range in line with evolving consumer needs and specific



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customer requirements was continued during the year with support from R&D group. Notable product additions during the year are:

- HP SAO (UG) for Gabriel with expected volume of 800 KL per annum
- Supreme Elasto 710 – low PAH rubber processing oil for use in Tyre industry.
- Coning Oil for textile industry

As a part of Brand Building exercise new Television Commercials for HP Engine Oil & HP Milcy Turbo have been undertaken. HP Milcy Turbo Star Contest was conducted for Retail outlets. Innovative SMS based Promotional Activity was carried out for HP Milcy Turbo. A tie-up was made with M/s. Adhar Retailing (Future Group Company) for extending reach in rural areas with initial supplies in Punjab. Twenty-three new Lube CFAs and Distributors were commissioned during the year in unrepresented markets. Genuine Oil Agreements entered into with John Deere and Bajaj Auto.

Efforts for increasing revenue contribution from International Markets continued. A Technology and Marketing tie-up was made with Idemitsu Kosan of Japan for Treated Residue Aromatic Extract (TRAЕ) with guaranteed upliftment of 30 TMTPA. The product for export market has been named as Diana Process Oil SR – 28. A quantity of 1330 MT has been exported to South Korea during the year.

#### LPG

HPCL surpassed its nearest competitor in overall LPG market share and achieved 26.1% market share during 2009-10. Total LPG Sales during the year were 3.26 MMT achieving a growth of 9.4%. In the domestic segment, HPCL registered highest growth in the Industry. Market leadership was maintained in Non-Domestic (ND) Segment with 35% market share and yet another milestone of 400 TMT sales was crossed. HPCL commissioned highest ever 147 New HP Gas Distributors and enrolled 25 lakhs new domestic customer equal to about 30% of total industry enrolment. With a view to developing infrastructure, HPCL commissioned a 44 TMTPA bottling plant at Irumpanam, 3 x 500 MT mounded storage at Khapri and 2x1000 MT mounded storage at Bahadurgarh. A total of 3144 TMT LPG was bottled during the year with a growth of 9% over historical. The Company achieved a thuput of 1.8 MMTPA at MLIF against historical of 1.7 MMTPA.

To meet the future demand of LPG, work is in progress for new LPG Bottling Plants at Bhatinda (Punjab), Hazira (Gujarat), Anantpur (Andhra Pradesh). Two new LPG Pipelines viz Mangalore-Bangalore LPG Pipeline and Mahul-Uran-Chakan (Pune) are also proposed for transportation of LPG.

HPCL introduced SMS/IVRS based refill booking service in Delhi, in line with Vision 2015 of MOP&NG to create a differentiation through services in commodity market like LPG. This IVR based refill booking system eliminates the human intervention in refill bookings. Suraksha Sanchetna, a unique and first of its kind mass communication program for “Safety in usage of LPG”, has been successfully undertaken by LPG SBU to create public awareness on safety and conservation of LPG. LPG SBU has developed a comprehensive training module for distributors of weaker section under “Project Saksham” to impart training including behavioral and functional competencies of the distributors so as to build relationships with all stakeholders resulting in efficient and profitable distributorship operation.

To further increase penetration in rural areas as well as enhance availability of LPG in rural pockets, HPCL shall be aggressively taking up rural schemes “HP Gas Rasoi Ghar” and “Rajiv Gandhi Gramin LPG Vitarak” in line with MOP&NG Vision 2015.

#### Operations and Distribution

During the year 2009-10, HPCL product storage & distribution facilities at depots & terminals handled a record volume of white oil, black oil & lube products for supporting the highest ever sales of 11.3 MMT of HSD, 3.22 MMT of MS and 5.019 MMT of other products including SKO, ATF, FO, Naphtha etc.

A number of key initiatives were undertaken for achieving & sustaining the operational excellence in critical areas viz. safety & security, logistics, customer delight, etc.

- Availability of BS-IV grade fuels was ensured at 13 cities across India from April 1, 2010 as per the Government directives.



## **Management Discussion & Analysis Report - 2009-10**

- To enhance customer delight differentiated services such as assured product deliveries within 2 hrs of reporting of trucks, prompt treatment on account reconciliation, etc. were implemented
- Closing inventories of white oils were optimized to only 9.5 days cover against the norm of 12.5 days, reducing significant inventory holding costs.
- Procurement from domestic sources was increased thereby achieving a substantial cost reduction.
- Improved operational efficiency across all locations ensured several landmark achievements, such as handling of 167 ocean tankers at Mundra terminal and loading of 109 tank wagon rakes during a single month at Bahadurgarh terminal.
- Significant reduction of coastal losses in ocean tankers from (-0.31 %) to (- 0.26 %) during the year has resulted in a savings of Rs. 10.9 crores.
- Tank Farm Management System of product tanks was integrated with the ERP system at 24 depots & terminals for reliable & seamless inventory management, Indent Management System module for improved handling & execution of customer indents was rolled out for all 95 locations, CCTV for enhanced security vigil have been installed at 21 locations, Vehicle Monitoring System were installed in additional 4900 tank trucks, a critical tool in our Q & Q effort.
- Enhanced performance & monitoring on Safety & Security of POL installations will be the prime focus area for operations and distribution. In addition, aim will be to optimize inventory levels, reduce logistics costs, economize on operating cost with higher productivity & efficiency and develop new infrastructure at strategic locations to ensure better service to our end customers.

### **Projects & Pipelines**

Guru Gobind Singh Refinery Product Evacuation Project (GGSRPEP): HPCL Mittal Energy Ltd. a JV company of HPCL is in the process of setting up a 9 MMTA capacity grass root refinery near Bathinda, Punjab. The project is under implementation and is slated for completion by Dec 2010/ March 2011. HPCL has been entrusted with the responsibility of evacuation of different products proposed to be produced by GGSR. Following cross country pipelines are proposed to facilitate product evacuation:

- 30 km long, 10" diameter pipeline from Raman Mandi-Bathinda
- 250 kms long, 18" diameter pipeline from Raman Mandi - Bahadurgarh

Board approval for Rs. 605.40 Crores has been obtained for implementation of this pipeline project and the mechanical completion of pipelines are expected by December 2010.

Additional Product Tankages were commissioned during the year at Hazira Depot (2x 1200 KL AG storage tanks), Devangunthi Terminal (4x5000 KL AG storage tanks) and Mathura depot (1x5000 KL AG storage tank) at a combined of about Rs. 24 crores.

### **Pipelines**

Pipeline department achieved the highest ever total combined thruput of 11.95 MMT in VVSPL, MPSPL and MDPL against the target thruput of 10.0 MMT during the financial year 2009-10. MDPL achieved record pipeline thruput of 4.79 MMT against the design capacity of 5 MMT in the 2nd full year of operation itself. Lube Oil Pipeline achieved record thruput of 363.08 TMT during the year.

### **New projects/Future plans**

A number of projects are envisaged / are under construction to expand distribution infrastructure in line with growing demand. Some of the said projects are as under:

Bahadurgarh-Tikrikalan Pipeline: Laying of 2 nos. product pipelines for MS, HSD & SKO of 12 km long with 8"/10" diameter from Bahadurgarh Terminal to Tikrikalan Terminal at an estimated cost of Rs. 60 crores.

Tikrikalan Terminal: Construction of a new grass root Terminal with receipt facilities from Bahadurgarh-Tikrikalan Pipeline for handling MS, HSD, SKO & Ethanol at an estimated cost of Rs. 78.75 crores.

New Terminal at Bihta (Near Patna): Construction of a new grass root Depot for handling White Oil (MS,

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HSD & SKO) & Black Oil (FO & Bitumen) including Wagon Unloading Siding at an estimated cost of Rs. 142.50 crores.

**Additional Tankage at MDPL Locations:** Construction of additional tankages for MS, HSD & SKO with total tankage capacity of 99745 KL at Mundra, Ajmer, Jaipur, Rewari & Bahadurgarh to meet increasing demand/ flexibility of pipeline operations at an estimated cost of Rs. 54.4 crores.

**Resitment of Marketing Terminals at Vizag:** HPCL has taken up the re-sitment of marketing terminals at Visakh to augment existing marketing infrastructure as well as to create additional space for Visakh refinery expansion projects. The marketing terminals i.e. White Oil Terminal, Black Oil terminal and LPG Bottling and Marketing Plant are being resited to an ideally suited location within VPT area at an estimated cost of about Rs. 750 crores. Tankages in the White oil and Black Oil terminals are being more than doubled- from current 43,000KL to 94,000KL in the Black Oil terminal and from current 63,000KL to 1,68,000 KL in the White Oil terminal. Black Oil terminal is scheduled to be commissioned in July 2010, White Oil terminal by June 2011 and LPG terminal and Bottling Plant by February 2011.

**Ennore Terminal Project:** Allotment of 108 acres of land was obtained from the Ministry of Industry and Commerce in March 2009. Major portion of the compound wall, land development and stone column foundation works has been completed. Other activities such as construction of tankages and buildings, railway siding works and external pipeline laying works have been awarded and are in progress. All important tenders have been floated and procurement has been finalized for major items. The construction works are expected to be completed by Feb. 2011.

### R&D

Our R&D is well represented in technical bodies like BIS, SAE, IPSS, STLE, NLGI, TSI etc. with contributions ranging from review of specifications to drafting of specifications. Development of several new products in the automotive, industrial and grease sectors is being taken up to meet the current stringent demands for OEM's and other industry members including core sectors like Defence, mining, steel etc. The products being developed will have approvals of OEM's and major industry users. Collaborative projects will be taken up with various institutions like NIT, IIT, Indian Institute of Petroleum, Dehradun, RDCIS, Ranchi, etc. for understanding the impacts of various chemicals on different formulations as fundamental research. Environmentally favourable products for reduction of ground water pollution by developing biodegradable products and noise pollution by friction modified oils are proposed to be developed. The commitment for energy conservations will be met through development of energy efficient gear oils, spindle and slide way lubricants. Petroleum conservation is proposed to be achieved through high drain oils/greases in automotive and industrial sectors. The customer education programmes are also being conducted through seminars and training to customer's staff for quality monitoring, usage and storage.

### QUALITY CONTROL (QC)

QC is aligned to fulfill the HP QC vision of ensuring delivery of quality products consistently to customers. QC Department obtained NABL accreditation for three more labs this year (total 7 Nos so far) out of 39 Labs, which further enhances the trust of the public on HPCL's products. The aim is to have NABL accreditation for all our labs in India. QC audits of locations will be stepped up for further improvements. The QC Officers are being trained to equip them with the best practices being followed. Current efforts of spreading quality awareness among operating personnel in the locations will be augmented.

### SAFETY, HEALTH & ENVIRONMENT

HPCL maintains high standards of safety, health and environment care at all its operating locations, always ensuring that increasing scale of operations has no negative impact on the standards of safety, health and environment. Established systems and procedures are constantly revised for improvement to achieve higher standards of safety, occupational health and environment protection. All major locations of HPCL have well equipped health care facilities / arrangements. Our major marketing locations have been awarded ISO 14001, ISRS & OHSAS 18001 certifications. An initiative called Project "Aarogya" has been started for creating awareness among employees about health related issues.

### EXPLORATION & PRODUCTION

HP-E&P portfolio of assets has been built and enhanced strategically by participating in competitive bid





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rounds. Till date, HPCL has interests in 19 nos. E&P blocks in India, two blocks in Egypt and one each in Oman and Australia. All the blocks awarded during bid rounds are progressing well as per the approved work programs.

The main thrust of HP E&P is on balancing & consolidating the existing portfolio with minimal risk and increasing the value for shareholders.

In 2009-10, HPCL formed consortiums with well established E&P companies to participate in NELP-VIII, bidding round. HP E&P expenditure on existing blocks during the financial year was Rs. 245.7 crores to meet the requirements of minimum work programs. During the XI Plan period (2007 to 2012), an outlay of Rs. 2000 crores is proposed for upstream activities. An expenditure of Rs. 398 crores has been made till date. The balance amount shall be utilized for acquisition of participating interest in discovered or appraisal stage assets overseas to enhance the value of the existing portfolio. Well reputed & experienced advisors and internationally acclaimed consultants are assisting HPCL in assessing the real worth of assets available in India and overseas.

HPC plans to participate as leader of the consortium for bidding as an operator in NELP IX Bidding round and attain Operatorship. In its endeavour to meet the future challenges HPCL is focusing on the development of in house infrastructure, capabilities and competencies.

### **INFORMATION SYSTEMS**

The Enterprise Resource Planning (ERP) system has been supporting main business processes of the Corporation for over 3 years now. To get more benefit out of the system, various add on applications, which bolt on to the ERP system, have been put in place.

ERP system has made it possible to reduce the time taken for closing the quarterly, half yearly and annual accounts. Standardization of business processes in the system has resulted in better management control. The system enables the decision makers at various levels in taking timely business decisions based on on line & accurate information available from the system. Cost of operations can be tracked easily in the system which helps the managers in controlling them.

Effectiveness of the usage of the system would depend on the competency levels of the users of the system. A comprehensive training schedule has been put in place to enhance the user competencies. Close to 2000 man days of training have been provided during the last year to the end users of the system covering the functional and operational areas of the system.

**Information Systems Center:** During the year, Information Systems Center (ISC) was inaugurated at HITEC City, Hyderabad. ISC is spread over 1.3 acres with state-of-art facilities that host 400+ servers that run various IT systems, Network & Operations Control Center, Security Operations Center, Development Center & Training center. ISC has been made secure with Infrastructure facilities including Integrated Building Management System with access controls, Very Early smoke detection system, waterless fire systems and leak detection system.

**New Initiatives:** Based on the foundation of the ERP system, a multitude of IT enabled solutions have been developed in the Corporation. ERP platform also enables development of real time interfaces to the IT enabled systems of our various business partners. Various such new initiatives have been implemented and sustained efforts continue to bring in more of these to reality.

An Indent Management System (IMS) has been implemented to streamline the prevalent indenting process. Dealers & customers are able to send indents by SMS. Facility for placing indents through web-based customer portal has also been made available to our institutional customers. The system has enabled stage-wise mapping of indents and its subsequent progression in turn achieving an end to end solution with the desired transparency. Customer satisfaction tracking has become possible by various MIS reports on indent execution.

E-banking initiative has been expanded to cover all payments to outside parties including vendors, contractors and employees. E-payment has been rolled out to all locations, i.e. Zonal Offices, Refineries, Marketing & Corporate HQOs. Payment information flows seamlessly as ERP server communicates directly with the bank servers without any manual intervention. E-payment is helping in bringing about transparency in the payment process and also ensures timely payment to all vendors and employees.



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HPCL has instituted on line fund transfer or e-collection in Sales process. This initiative has enabled faster collection & hence better funds management.

In the area of procurement, e-tendering process has been implemented for crude procurement wherein suppliers of crude are able to submit their quotations on line in a secure way. System for on line vendor registration through the Internet has been implemented. Similarly the system of hosting of tenders on the internet has also been implemented.

A customer portal is being maintained which provides complete visibility to the direct customers, dealers & distributors for their transactions with the Corporation. Similarly a portal for the transporters enables them to access information pertaining to their transactions with the Corporation. A number of work flow based applications have been implemented for employee self service so as to speed up the process of benefits administration. Capital budgeting process for Non-plan projects as well as revenue budgeting process has been captured in the system through workflow based application.

On HR front, two initiatives: Samavesh (meaning 'Inclusion': Personal, professional and cultural integration of new recruits) & Santushti (meaning 'Complete satisfaction': e-enabled final settlement process for separating employees) have been implemented. Both these are electronic workflow processes and integrate with ERP as well as other on line systems.

**Communication Infrastructure:** To enable users from across the Corporation's 450+ locations to access the various Systems and facilities redundant hybrid Wide Area Network consisting of PSTN leased lines, MPLS circuits, VSATs, Radio Links and CDMA/GPRS circuits have been set up. Webcast facilities are being used effectively to communicate important messages & to cover major functions live to the employees at all the locations. Video conferencing facilities between locations are being used to cut the travel needs and thus also the costs involved.

An Information System Security Policy has been formulated to protect all the Information Assets of the Corporation. All the Information Systems Assets like servers, networks and applications have been protected with state of art security systems which include firewalls, host and network intrusion protection systems, antivirus solutions etc.

### HUMAN RESOURCES

The Corporation recruited a total of 248 management employees and 112 non-management employees during the year through all- India open competition, campus recruitment and special recruitment drive.

#### Details of Recruitment during the year

Total Recruitment	248
Total Females Recruited	38
Special Recruitment Drive :	
Total SRD Recruitment	136
SC	62
ST	17
OBC	57

With increased focus on training & development of employees, 13 new internal programs were introduced during the year on various new areas such as security against terrorism, competency based programs, problem solving, art of selling, communication, advanced IT skills in MS Office, customer relationship management etc.

At Mumbai Refinery, "DAKSHATA" – the unique training program for contractors/ labours regarding statutory benefits under ESIC/ PF Acts, also health, hygiene & safety was designed and executed in house. A website was also launched for the benefit of contractors for statutory compliance of labour law provisions. A total of 743 Officers participated in the Competency Mapping & Development Centers Process and Individual Development Plans were drawn up for each officer. Development progress was reviewed for 636 officers by 55 Competency Development Review Committees held at zonal levels. Technical Competency



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Framework was developed for the Exploration & Production business unit.

In the year 2009-10, unique Reward & Recognition schemes were launched:

**HP Gaurav:** a scheme for recognizing outstanding performance by non management Employees. Out of numerous nominations, 80 non-management employees in Marketing Division were rewarded the award. Later the scheme was extended to non-management employees in Refineries as well.

**HP ICON:** The People Manager Award was instituted to recognize Officers in Salary Grade E, F & G for their contribution and efforts towards inspiring higher team performance, development of sub ordinates, entrenching HP Values etc. A final list of 16 Winners amongst 94 Finalists was announced after a robust screening process.

These are in addition to the existing policy of “Outstanding Achievers Awards” for junior management employees. Through these initiatives, HR has taken a comprehensive approach towards enhancing employee morale and motivation at all levels.

With the defined aim of inculcating healthy lifestyles among employees, an informative medium for health and wellness has been developed and deployed titled as “Hale and Hearty HPCL” - the wellness portal.

As part of the Special Component Plan/Tribal Sub Plan & Welfare Plan for Weaker Sections, a total of ₹ 552.24 lakhs were spent on various initiatives pertaining to primary education, healthcare, income generation schemes, rehabilitation and other welfare projects.

The Industrial Relations climate during the year 2009-2010 continued to be harmonious across all locations. To enhance corporate governance, a Whistle Blower Policy was adopted. Conduct, Discipline and Appeal rules applicable to Management Employees were also reviewed and amended.

### **OFFICIAL LANGUAGE IMPLEMENTATION**

Official Language Implementation has been given utmost importance in the Corporation. During the year, various workshops and conferences were conducted for Management/Non-Management to encourage Official language as also to rejuvenate their capabilities of Official Language. New HP Blog category has been created in Hindi for employees. The work done by HPCL during Town Official Language Implementation Committee (TOLIC) Discussion programs & inspections has been appreciated by the Parliamentary Committee on Official Language.

### **AWARDS RECEIVED**

- PETROFED PROJECT MANAGEMENT AWARD in recognition of completing Mundra-Delhi Pipeline Project.
- READER's DIGEST “TRUSTED BRAND AWARD”
- GREENTECH FOUNDATION SAFETY SILVER/GOLD AWARD for excellence in Safety/Environment Standards to Hassan Terminal, Loni Terminal, Raiput LPG Plant, Patna LPG Plant and MLIF.
- GOLDEN PEACOCK ENVIRONMENT MANAGEMENT AWARD by World Environment Foundation to Mumbai Refinery, Loni LPG, TOP, Chakan LPG Plant, Salawas Depot for environmental excellence.
- LEADING HR LEADER AWARD, by Singapore HR Institute received for the Best HR Practices.
- SAIL HR EXCELLENCE AWARD for best HR Practices.
- “PRIDE OF HR PROFESSIONAL AWARD” by Asia Pacific HRD Congress.
- “ORGANISATION WITH INNOVATIVE HR PRACTICES” Award by Asia Pacific HRM Congress.
- CIO 100 AWARD by International Data Group for recognizing CIO's and organizations who in tough global conditions found ingenious business solutions with use of IT.
- OISD AWARD – First Rank awarded by MOP & NG for excellence in Safety at POL / Terminal
- NDTV PROFIT – BUSINESS LEADERSHIP AWARD awarded by NDTV Profit for excellence in business.
- MARKETING PROFESSIONAL OF THE YEAR AWARD awarded by The World Brand Congress for Brand Excellence and for contributing towards the growth of the organization.
- THE CMO COUNCIL MARKET LEADERSHIP AWARD awarded by CMO Council for excellence in the Indian Retail Industry.
- CORPORATE GOVERNANCE AND CSR AWARD by Institute of Directors, for Corporate Governance.
- CORPORATE GOVERNANCE NATIONAL QUALITY AWARD FOR SAFETY by Institute of Directors for National Quality.

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- BEST GARDEN AWARD awarded by BMC & Tree Authority, Mumbai for excellent garden at HPNE Housing Complex.
- BEST GARDEN AWARD awarded by Department of Horticulture, Government of Karnataka for excellent garden at Hassan Terminal.
- RATNA AWARD awarded by NIPM for Best HR Practices.
- NIPM NATIONAL AWARD FOR BEST HR PRACTICES, by NIPM
- BUSINESS TODAY – BEST CFO AWARD.

### CORPORATE GOVERNANCE

A separate segment on Corporate Governance forms part of this report. However, it would be relevant to point out here that the Corporation is giving utmost importance to compliance with Corporate Governance requirements including compliance of regulations, transparent management process, adherence to both internal and external value norms and robust grievance redressal mechanism.

### GLOBAL COMPACT

HPCL is also a Member of the Global Compact Society of India which is the India Unit of the United Nation Global Compact, the largest voluntary corporate initiative in the world. It offers a unique platform to engage companies in responsible business behavior through the principles of Human Rights, Labour Standards, Environment norms and Ethical practices. In HPCL, all these areas receive constant attention of the management to ensure continuous compliance.

### OUTLOOK

As per the Economic Advisory Council to the Prime Minister the Indian economy would grow at 8.5 per cent in 2010/11 and 9.0 per cent in 2011/12. Higher growth would mean greater demand for petroleum products. Inflation, however, remains a source of concern. This would influence the policy stance on oil pricing in the country. Global economic outlook is highly uncertain given concerns about the sovereign debt risks and its implications. This would have implications for capital inflows in the country. Economic Advisory Council does not see any problem in financing the current account deficit given the expected level of capital inflows. Further, capital flows are not expected to pose any problem to the management of the exchange rate. Exchange rate variations will remain within an acceptable range.

Oil market outlook also remains uncertain in view of concerns about the strength of global economic recovery. There is ample spare capacity along the oil supply chain and barring unforeseen shocks, prices are expected to remain relatively stable.

### JOINT VENTURES

#### HPCL-Mittal Energy Ltd. (HMEL)

HMEL is a joint venture between Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited (MEI), Singapore, a L.N Mittal Group Company, for implementation of 9 MMTPA Guru Gobind Singh Refinery, a greenfield refinery project located at Bathinda, Punjab. Both partners hold 49% equity stake in HMEL and balance 2% is held between IFCI Limited and State Bank of India.

Guru Gobind Singh Refinery will be a zero bottoms, energy efficient, environmental friendly, high distillate yielding complex refinery that will produce clean fuels meeting Euro IV specifications. The configuration comprising of primary and secondary process units viz. CDU/VDU, VGO/HDT, FCC, NCU/ISOM, HGU, DHDT, SRU, DCU and Polypropylene manufacturing facilities translates into a high Nelson Complexity index which is one of the highest amongst all the present and proposed refineries in India. The refinery is designed to process heavy, sour, acidic crudes and would produce liquid products including MS, HSD, SKO, ATF, LPG, Naphtha, Hexane and MTO and solid products including Polypropylene, Pet Coke and Sulphur.

HPCL-Mittal Pipelines Ltd. (HMPL) is wholly owned subsidiary company of HMEL, for construction and operation of cross country crude pipeline and crude oil terminal facility at Mundra.

The performance of the project during the year 2009-10 has been very encouraging with significant progress and surge in project activities. Both HMEL & HMPL, implementing the refinery and pipeline component of the project respectively have achieved cumulative actual progress of about 76% as of March 2010.

#### HPCL Biofuels Ltd. (HBL)

In line with Government's policy on ethanol blending, a new wholly owned subsidiary company HPCL Biofuels Ltd. (HBL) has been incorporated on October 16, 2009 to produce ethanol for blending into petrol.



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HBL is in the process of setting up an integrated sugar plant (3500 TCPD capacity), ethanol plant (60 KLPD capacity) & co-gen power plant (20 MW capacity), one each at Sugauli (in East Champaran District) and Lauriya (in West Champaran District) in the State of Bihar. Construction of the plants is in progress and commissioning is expected during the crushing season starting November 2010.

### **CREDA-HPCL Biofuel Ltd. (CHBL)**

In pursuit of promoting alternate fuels, CREDA-HPCL Biofuel Ltd. (CHBL) was incorporated on October 14, 2008 as a subsidiary company with equity shareholding of 74% by HPCL and 26% by Chhattisgarh State Renewable Energy Development Agency (CREDA). CHBL is to undertake cultivation of Jatropha plant, an energy crop used for production of bio-diesel, on 15,000 hectares of land leased by the Government of Chhattisgarh. Production of bio-diesel and its blending with normal diesel will help in meeting the domestic demand. HPCL will have the exclusive rights over production and marketing of biodiesel and bi-products from the produce.

CHBL has started acquisition of land for cultivation of jatropha and as of March 2010 had acquired 2,507 hectares of land. The first produce of jatropha seeds is expected during 2011 season. Acquisition of balance land is in progress and the plantation on the same will be undertaken in a phased manner over the next three to four years.

### **South Asia LPG Co. Pvt. Ltd. (SALPG)**

SALPG, a Joint Venture Company with M/s. Total Gas and Power India (a wholly owned subsidiary of Total, France) commissioned an underground Cavern Storage of 60,000 MT capacity and associated receiving & dispatch facilities at Visakhapatnam in December 2007. SALPG Cavern is the first of its kind in South and South East Asia and ranks among the deepest Caverns in the World. The commercial operations commenced in January 2008.

During the Year 2009-10, SALPG received 620,502 MT of LPG into the Cavern through 65 Vessels including 25 VLGs (Very Large Gas Carriers). The Cavern cum Marine Terminal achieved 520,846 Safe Man hours since the commencement of commercial operations in January 2008 without a Lost Time Accident. On a cumulative basis, 1.32 Million MT of LPG has been received into the Cavern. This eased the product movement constraints across the East coast and ensured smooth availability of LPG in the surrounding supply zones. SALPG achieved a turnover of Rs.103.91 crores and profits (PAT) of Rs. 42.81 crores during 2009-10, an increase of 19% and 44% respectively over the previous year. SALPG implemented ERP system during the year.

The company declared a maiden dividend of 50% for the year 2009-10.

### **Hindustan Colas Ltd. (HINCOL)**

HINCOL is a joint venture company promoted by HPCL and Colas S.A. of France and was incorporated on July 17, 1995. Net profit (PAT) of the company in 2009-10 grew by over 37% to Rs. 38.25 crores. The company achieved a turnover of Rs. 356.10 crores during 2009-10.

Bitumen handling facility at Haldia was established during the year. Allotment of land has been obtained from Haldia Development Authority for setting up Emulsion and Modified Bitumen Plant.

The company declared 40% dividend for 2009-10 against 15% for 2008-09.

### **Mangalore Refinery and Petrochemicals Ltd. (MRPL)**

MRPL, with a capacity of 3 MMTPA, was commissioned in March 1996. The capacity of the refinery was enhanced to 9 MMTPA during 1999-2000. ONGC acquired the entire equity stake of IRIL in MRPL on 03.03.2003 and also infused Rs. 600 crores into MRPL as additional equity on 30.03.2003. The FIs/Lenders of MRPL converted Rs. 365 crores of debt into equity and Rs. 160 crores debt into Zero Coupon Bonds. Consequent to the above, HPC's equity stands at 16.95% after which a fresh Shareholder Agreement dated March 3, 2003 was signed by HPCL with ONGC to take care of the interest of HPCL. HPCL and MRPL have been exchanging intermediate process streams between their refineries to supplement efforts to meet new environmental norms in respect of products like MS and HSD on mutually agreed terms.

The company maintained the dividend of 12% for the year 2009-10.

### **Prize Petroleum Company Ltd. (PPCL)**

HPCL, in partnership with ICICI and HDFC, had formed this Joint Venture E & P Company for participating in exploration and production of hydrocarbons. Prize Petroleum Company Ltd (PPCL) was incorporated on October 28, 1998. PPCL is also providing consultancy services related to E & P.

PPCL had signed Service Contract with ONGC for development of Hirapur Marginal Field in Cambay Basin with 50% holding in the consortium. PPCL is operator for the field and M/s. Valdel Oil & Gas Private Ltd. is the Associate Contractor. During 2009-10, 37,486 barrels of crude oil (cumulative production of 201,064 barrels since inception) has been produced. PPCL had also entered into a Production Sharing Contract (PSC) with 50% Participating Interest in Sanganpur Block as Joint Operator. During 2009-10, 1,576 barrels



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of crude oil (cumulative production of 10,704 barrels from inception) has been produced.

In respect of onshore block SR-ONN-2004/1 awarded under NELP-VI at South Rewa in Madhya Pradesh, the exploration activities as per committed minimum work programme are in progress. Gravity magnetic study has been completed. Seismic data acquisition job was awarded to M/s. Geofizyka Torun, Poland. 1,144 GLKM of 2D data and about 8 Sq. Km of 3D data was acquired during the year. Processing and interpretation of seismic data job, awarded to CGG Veritas, Moscow, is in progress.

During the year, PPCL received Rs. 3.50 crores from HPCL towards call money of Rs. 0.70 per cumulative convertible preference share on 5,00,00,000 8% cumulative convertible preference shares.

### **Petronet India Ltd. (PIL)**

PIL was incorporated on May 26, 1997 as a joint venture company with 50% equity by oil PSUs and balance 50% taken by private companies/financial institutions. Special Purpose Vehicles (SPVs) were floated by PIL with oil companies for implementing individual pipeline projects, viz, Petronet MHB, Petronet CCK and Petronet VK which are operating companies.

Since oil companies have independent pipelines now, PIL has initiated action to disinvest its equity holding in individual JVs.

### **Petronet MHB Ltd. (PMHBL)**

HPCL, along with Petronet India Limited (PIL) promoted Petronet MHB Limited (PMHBL) for construction of Mangalore-Hassan-Bangalore Pipeline at a cost of Rs. 667 Crores with debt equity ratio of 3:1. The joint venture company was incorporated on July 31, 1998. Initially PIL & HPCL each contributed 26% towards equity. ONGC joined as a strategic partner in PMHBL by taking 23% equity in April 2003. Post debt restructuring of the company, the equity holding of HPCL & ONGC increased to 28.766% each. The Pipeline is meeting the transportation needs between Mangalore-Hassan-Bangalore.

During 2009-10, PMHBL achieved 3% higher throughput at 2.527 MMT as compared to 2.452 MMT in 2008-09. Revenue generated during 2009-10 was higher by 7% at Rs. 69.18 crores as compared to Rs. 64.87 crores in the previous year.

### **Bhagyanagar Gas Ltd. (BGL)**

BGL was incorporated on August 22, 2003 as a Joint Venture Company by GAIL and HPCL for distribution and marketing of environmental friendly fuels (green fuels) viz. CNG and Auto LPG for use in the transportation, domestic, commercial and industrial sectors in the State of Andhra Pradesh.

During the year, a new CNG station was commissioned at Hyderabad, Meerpet. BGL is now operating 6 CNG dispensing stations in Vijayawada, 4 CNG dispensing stations in Hyderabad and 1 CNG dispensing station in Rajahmundry. During the year, BGL was successful in obtaining Authorisation from Petroleum & Natural Gas Regulatory Board (PNGRB) to carry on the City Gas Distribution (CGD) in the cities of Hyderabad and Vijayawada.

BGL is also operating 4 Auto LPG Outlets-3 in Hyderabad and 1 in Tirupati. BGL achieved sales of Rs. 36.04 crores during 2009-10, an increase of 2.06 % as compared to the previous year.

The company is in the process of inducting strategic equity investors.

### **Aavantika Gas Ltd. (AGL)**

AGL was incorporated on June 07, 2006 as a Joint Venture Company by GAIL and HPCL for distribution and marketing of CNG and Auto LPG for use in the transportation, domestic, commercial and industrial sectors in the State of Madhya Pradesh.

AGL has been authorized by MOP&NG as well as PNGRB to carry City Gas Distribution (CGD) operations at Indore, Ujjain and Gwalior. AGL commenced commercial operations from its Mother station at Indore and 5 Daughter stations (4 in Indore and 1 in Ujjain) in the year 2008-09. CNG sales have grown by more than 12.5% (compounded monthly) and crossed monthly sales of 4 lakh kgs in May 2010. AGL has also completed a pilot project for supplying Piped Natural Gas to industrial customers at Indore.

AGL is at advanced stage of implementing a project for laying 40 km long Steel Pipeline grid and for commencing 10 CNG stations in Indore. AGL is also in the process of establishing Mother Stations at Gwalior and Ujjain as well as dedicated CNG stations for city bus services at Indore and Ujjain.

### **Cautionary Statement**

Matters covered in the Management Discussion and Analysis Reports describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. The actual performance could vary from those projected or implied. Important or unforeseen factors that could make a difference to the Company's operations includes economic conditions affecting demand / supply and price conditions in the domestic market in which the Company predominantly operates, changes in regulations and other incidental factors.



## Auditors' Report

TO THE MEMBERS OF HINDUSTAN PETROLEUM CORPORATION LIMITED

1. We have audited the attached Balance Sheet of **Hindustan Petroleum Corporation Limited** as at March 31, 2010, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto in which are incorporated Accounts of the Branch audited by the Branch Auditor. 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 the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit;
  - (b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as it appears from our examination of these books, and proper returns, adequate for the purposes of our audit, have been received from the branch not visited by us;
  - (c) The Branch Auditors' report, made available to us, has been appropriately dealt with while preparing our report;
  - (d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited returns from the branch;
  - (e) 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;
  - (f) Disclosure in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required for Government Companies as per Notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.
  - (g) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with notes 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;
    - (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
    - (ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - (iii) 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**  
Firm No. : 109208w

G. Sankar  
**Partner**  
Membership No. 46050

Place: New Delhi  
Date : 26<sup>th</sup> May 2010

For Om Agarwal & Co.  
**Chartered Accountants**  
Firm No. : 000971c

O. P. Agarwal  
**Partner**  
Membership No. 016603



## Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our Report of even date)

1. (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) As explained to us, the Company, having regard to the size and nature of its business, has adopted a practice of carrying out physical verification of its fixed assets, except LPG cylinders and fixed assets of the erstwhile Kosan Gas Company undertaking, not handed over, on a staggered basis, over a period of five years in the case of furniture, fixtures and office equipment and over a period of three years in the case of Plant and Machinery and other assets. We were informed that discrepancies noticed on such verification were not material as compared to the book records and have been properly dealt with in the books of account. The existence of fixed assets situated at the residence of employees has, however, been ascertained on a self-declaration basis.
- (c) Fixed Assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.
2. (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals. In the case of materials lying with third parties, certificates confirming stocks held have been received from them.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory 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 and according to the information and explanations given to us, the Company has maintained proper records of inventory. We were informed that discrepancies noticed on physical verification, as compared to the book records, were not material and have been properly dealt with in the books of account.
3. Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has neither granted nor taken loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, sub clauses (b), (c), (d), (e), (f) and (g) of sub-para (iii) of para 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, and having regard to the explanations that some of the items are of a specialized nature, in respect of which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
5. In our opinion and according to the information and explanations given to us, there are no contracts and arrangements referred to in Section 301 of the Companies Act, 1956 entered into during the year that need to be entered in the register maintained under that Section. Accordingly, sub clause (b) of sub-para (v) of para 4 of the Order is not applicable to the Company for the current year.
6. In our opinion, and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and Section 58AA or any other relevant provisions of the Companies Act, 1956, and the rules framed thereunder with regard to deposits accepted from the public. We have been informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that *prima facie* the prescribed accounts and records have been maintained and are being made. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.



## Annexure to the Auditors' Report

9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has, during the year, been generally regular in depositing with the appropriate authorities, undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of account, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess were in arrears, as at March 31, 2010, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, dues relating to Income tax, Sales tax, Custom duty, Service tax, Excise duty which have not been deposited on account of disputes with the related authorities, have been reflected in the table below:

STATUTE	FORUM WHERE DISPUTE IS PENDING	AMOUNT IN RS. / CRORES	PERIOD TO WHICH THE AMOUNT RELATES
<b>Income Tax Act, 1961</b>	Appellate Tribunal	0.20	2006-07
		<b>0.20</b>	
<b>Central Excise Act, 1944</b>	Commissioner (A)	3.75	1998-1999, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008 1994 -1996,1997-1998,1998-1999,1999-2000, 2001-2002, 2002-2003, 2003-2004, 2005-2006 1993-1997, 1997-1999,1999-2000, 2000-2001, 2001-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009 1999-2002, 2003-2004, 2004-2005, 2005-2006
	Assistant Commissioner	3.58	
	CESTAT	414.63	
	Revisionary authority	1.56	
		<b>423.52</b>	
<b>Various Central &amp; State Sales Tax Acts</b>	Board of Revenue	0.19	1985-1986,1986-1987 1999-2000, 2000-2001 1985-1987, 1987-1988,1988-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008 1979-1985,1987-1997, 1998-1999, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2006-2007 1998-1999, 2002-2003, 2003-2004, 2004-2005 1976-1979,1986-1987,1987-1988,1992-1993,1993-1994,1994-1995,1995-1996,1996-1997,1997-1998,1998-1999,1999-2000, 2000-2001, 2001-2002, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2008-2009
	Rajasthan Kar Board	2.82	
	STAT	457.27	
	High Court	424.62	
	Supreme Court	159.06	
	Commissioner / DCCT / ADC / JCCT / ACCT	4,132.25	
		<b>5,176.21</b>	
<b>Custom Act, 1962</b>	CESTAT	64.72	1992-1997,1997-1998,1998-1999,1999-2002, 2002-2003, 2003-2004, 2005-2006 2003-2004, 2004-2005
	Commissioner(A)	0.54	
		<b>65.26</b>	
<b>Service Tax</b>	CESTAT	10.26	2002-2003, 2003-2006, 2006-2007, 2007-2008 2004-2005, 2005-2006
	Commissioner(A)	0.82	
		<b>11.08</b>	
	<b>Grand Total</b>	<b>5,676.07</b>	

**Annexure to the Auditors' Report**

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately preceding such financial year.
11. According to the information and explanations given to us, and based on checks carried out by us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of sub-para (xiii) of para 4 of the Order are not applicable to the Company.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore the provisions of sub-para (xiv) of para 4 of the Order are not applicable to the Company.
15. In our opinion and according to information and explanations provided to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
16. In our opinion and according to information and explanations given to us, the term loans taken during the year, *prima facie*, have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us, and based on our overall examination of Balance Sheet and considering investment in "Oil Bonds" issued by the Government of India towards under-recoveries on sale of sensitive petroleum products as short term application of funds, funds raised on short- term basis have, *prima facie*, not been used for making long-term investments.
18. According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has created necessary securities or charge as per the debenture trust deed in respect of debentures issued and outstanding at the year end.
20. The Company has not raised any money by way of public issue during the financial year.
21. According to information and explanations given to us and based on audit procedures performed and representations obtained from the management, we report that no material fraud on or by the Company, has been noticed or reported during the year under audit.

For V. Sankar Aiyar & Co.  
**Chartered Accountants**  
Firm No. : 109208w

G. Sankar  
**Partner**  
Membership No. 46050

Place : New Delhi  
Date : 26<sup>th</sup> May 2010

For Om Agarwal & Co.  
**Chartered Accountants**  
Firm No. : 000971c

Om Prakash Agarwal  
**Partner**  
Membership No. 016603



**Balance Sheet as at 31st March, 2010**

		Rs./Crores	
	SCHEDULE	2009-10	2008-09
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds:			
a) Capital	1	339.01	339.01
b) Reserves and Surplus	2	11,218.96	10,391.62
		<u>11,557.97</u>	<u>10,730.63</u>
Loan Funds:			
a) Secured Loans	3	1,375.88	698.83
b) Unsecured Loans	4	19,926.49	22,056.68
		<u>21,302.37</u>	<u>22,755.51</u>
Deferred Tax Liability		1,807.97	1,603.37
<b>TOTAL</b>		<u><u>34,668.31</u></u>	<u><u>35,089.51</u></u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets:	5		
a) Gross Block		24,988.37	20,208.83
b) Less: Depreciation		9,681.70	8,554.08
c) Net Block		<u>15,306.67</u>	<u>11,654.75</u>
d) Capital Work-in-Progress	6	3,887.59	5,001.07
		<u>19,194.26</u>	<u>16,655.82</u>
Investments	7	11,387.22	14,196.47
Current Assets, Loans and Advances:			
a) Inventories	8	12,579.22	8,793.03
b) Sundry Debtors	9	2,437.34	2,240.91
c) Cash and Bank Balances	10	243.17	608.64
d) Other Current Assets	11	123.74	181.15
e) Loans and Advances	12	5,258.47	4,180.62
		<u>20,641.94</u>	<u>16,004.35</u>
Less:			
Current Liabilities and Provisions:	13		
a) Liabilities		14,449.90	10,510.26
b) Provisions		2,105.21	1,256.87
		<u>16,555.11</u>	<u>11,767.13</u>
Net Current Assets		<u>4,086.83</u>	<u>4,237.22</u>
<b>TOTAL</b>		<u><u>34,668.31</u></u>	<u><u>35,089.51</u></u>
<b>STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS</b>	20		

**FOR AND ON BEHALF OF THE BOARD**

ARUN BALAKRISHNAN  
Chairman & Managing Director

B. MUKHERJEE  
Director-Finance

SHRIKANT M. BHOSKAR  
Company Secretary

Place : New Delhi  
Date : 26th May 10

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
Firm No. 109208w

G. SANKAR  
Partner  
Membership No. 46050

For OM AGARWAL & CO.  
Chartered Accountants  
Firm No. 000971c

OM PRAKASH AGARWAL  
Partner  
Membership No. 016603



## 58<sup>th</sup> Annual Report 2009-2010

### Profit and Loss Account for the year ended 31st March, 2010

		Rs./Crores	
	SCHEDULE	2009-10	2008-09
<b>INCOME</b>			
Sale of Products		108,598.68	116,427.83
(Net of Discount of Rs. 1,099.72 crores; 2008-09 Rs. 734.50 crores)			
Less : Excise Duty Paid		7,251.17	7,050.23
Net Sales		101,347.51	109,377.60
Recovery under Subsidy Schemes		6,289.95	15,374.82
Other Income	14	1,646.16	905.79
		109,283.62	125,658.21
<b>INCREASE /(DECREASE) IN INVENTORY</b>	15	3,249.96	(1,836.78)
<b>EXPENDITURE AND CHARGES</b>			
Purchase of Products for resale		62,677.82	73,394.61
Raw materials consumed		37,727.59	40,995.22
Packages consumed		136.39	127.12
Excise Duty on Inventory differential		337.08	(182.40)
Transshipping Expenses		2,653.56	2,437.15
Payments to and provisions for Employees	16	1,617.32	1,135.53
Exploration Expenses		255.62	71.70
Other Operating Expenses	17	2,938.86	2,066.15
Depreciation/Amortisation		1,164.40	981.29
Borrowing Cost	18	903.75	2,082.84
		110,412.39	123,109.21
<b>PROFIT FOR THE YEAR BEFORE PRIOR PERIOD ADJUSTMENTS AND TAXES</b>		2,121.19	712.22
<b>PRIOR PERIOD ADJUSTMENTS DEBITS / (CREDITS) (NET)</b>	19	(3.84)	(0.01)
<b>PROFIT BEFORE TAXES</b>		2,125.03	712.23
PROVISION FOR CURRENT TAXATION		561.50	227.60
PROVISION FOR DEFERRED TAXATION (NET)		204.60	34.29
PROVISION FOR TAXATION OF EARLIER YEARS PROVIDED / (WRITTEN BACK)		57.51	(111.77)
PROVISION FOR DEFERRED TAX OF EARLIER YEARS WRITTEN BACK		-	(26.90)
PROVISION FOR FRINGE BENEFIT TAX		0.05	14.03
<b>PROFIT AFTER TAXES</b>		1,301.37	574.98
Balance brought forward		8,104.16	7,794.67
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		9,405.53	8,369.65
<b>APPROPRIATED FOR:</b>			
General Reserve		130.14	57.50
Debenture Redemption Reserve		86.40	-
Proposed Final Dividend		406.35	177.78
Tax on Distributed Profits		67.49	30.21
<b>BALANCE CARRIED FORWARD</b>		8,715.15	8,104.16
<b>EARNINGS PER SHARE (in Rs.) - Basic &amp; Diluted</b>		38.43	16.98
(2009-10 : EPS = Net Profit - Rs. 1301.37 crores / Weighted avg. no. of shares - 33.863 crores)			
(2008-09 : EPS = Net Profit - Rs. 574.98 crores / Weighted avg. no. of shares - 33.863 crores)			
<b>STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS</b>	20		

#### FOR AND ON BEHALF OF THE BOARD

ARUN BALAKRISHNAN

Chairman & Managing Director

B. MUKHERJEE  
Director-Finance

SHRIKANT M. BHOSKAR  
Company Secretary

Place : New Delhi  
Date : 26th May 10

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
Firm No. 109208w

G. SANKAR  
Partner  
Membership No. 46050

For OM AGARWAL & CO.  
Chartered Accountants  
Firm No. 000971c

OM PRAKASH AGARWAL  
Partner  
Membership No. 016603



## Schedules forming part of the Balance Sheet

		Rs./ Crores	
		2009-10	2008-09
<b>1. CAPITAL</b>			
A. Authorised:			
75,000 Cumulative Redeemable Preference Shares of Rs. 100/- each		0.75	0.75
34,92,50,000 Equity Shares of Rs.10/- each		349.25	349.25
		<u>350.00</u>	<u>350.00</u>
B. Issued, Subscribed & Called up :			
33,93,30,000 Equity Shares of Rs.10 each		339.33	339.33
Less: 7,02,750 Shares Forfeited		(0.70)	(0.70)
33,86,27,250 equity shares of Rs. 10 each fully paid up		<u>338.63</u>	<u>338.63</u>
Add: Shares Forfeited (money received)		0.39	0.39
		<u>339.01</u>	<u>339.01</u>
<b>NOTES :-</b>			
(1)	77,50,000 fully paid up equity shares of Rs. 10/- each were allotted to the shareholders of Lube India Limited on the amalgamation of that company for consideration other than cash.		
(2)	52,00,000 fully paid up equity shares of Rs. 10/- each were allotted to the President of India, for consideration other than cash, on the amalgamation of Caltex Oil Refining India Limited with the Corporation.		
(3)	26,44,30,000 equity shares of Rs. 10/- each were allotted as fully paid bonus shares by capitalisation of Capital Reserve, Capital Redemption Reserve and accumulated profits.		
(4)	During the financial year 2007-08, Company has forfeited 7,02,750 shares issued as a part of the public issue in 1994-95, due to non receipt of allotment and/or call money from shareholders. Accordingly, the paid up share capital has been reduced from Rs. 339.33 crores to Rs. 338.63 crores.		
<b>2. RESERVES AND SURPLUS</b>			
Share Premium Account			
As per last Balance Sheet		1,153.77	1,153.77
Debenture Redemption Reserve			
As per last Balance Sheet		-	-
Add: Transfer from Profit & Loss Account		<u>86.40</u>	<u>-</u>
		86.40	-
Capital Grant			
As per last Balance Sheet		4.36	4.55
Received during the year		<u>4.36</u>	<u>4.55</u>
		(0.19)	(0.19)
Less: Amortised during the year		<u>4.17</u>	<u>4.36</u>
General Reserve			
As per last Balance Sheet		1,129.33	1,271.29
Add: Transfer from Profit & Loss Account		130.14	57.50
Less : Exchange Rate Vatiation on Restatment of ECB of 2007-08 in line with transitional provisions of AS-11		-	(199.46)
		<u>1,259.47</u>	<u>1,129.33</u>
Profit and Loss Account			
Surplus per Account annexed		8,715.15	8,104.16
		<u>11,218.96</u>	<u>10,391.62</u>
<b>3. SECURED LOANS</b>			
i. Collateral Borrowing and Lending Obligation (CBLO)			
(Secured by Pledge of Oil Bonds)		250.00	390.00
(Due for repayment within one year : Rs. 250 crores; 2008-09 : Rs. 390 crores)			
ii. Overdrafts from Banks		125.88	308.83
(Secured by hypothecation of Stock-in-Trade)			
iii. 7.35% Non-Convertible Debentures (repayable on 04th December 2012)		1,000.00	-
(Secured by mortgage, on first pari passu charge basis, over certain fixed assets of the Company situated at Mumbai Refinery)			
		<u>1,375.88</u>	<u>698.83</u>



## 58<sup>th</sup> Annual Report 2009-2010

### Schedules forming part of the Balance Sheet

		Rs./ Crores	
		2009-10	2008-09
4. UNSECURED LOANS			
Fixed Deposits		0.02	0.02
Clean Loans from Banks		7,975.00	15,690.00
(Due for repayment within one year : Rs. 7,975 crores; 2008-09 : Rs. 15,690 crores)			
Short Term Loans from Banks		4,040.60	1,289.35
(repayable in foreign currency)			
(Due for repayment within one year : Rs. 4,040.60 crores; 2008-09 : Rs. 1,289.35 crores)			
Term Loan from Oil Industry Development Board		548.00	1,010.00
(Due for repayment within one year : Rs. 96.25 crores; 2008-09 : Rs. 600 crores)			
Syndicated Loans from Foreign Banks		2,012.87	2,162.81
(repayable in foreign currency)			
(Due for repayment within one year Rs. Nil; 2008-09 :Rs. Nil)			
Inter Company Deposits		2,500.00	1,304.50
(Due for repayment within one year Rs. 2,500 crores; 2008-09 : Rs. 1,304.50 crores)			
Commercial Paper		2,850.00	600.00
(Due for repayment within one year Rs. 2,850 crores; 2008-09 : Rs. 600 crores)			
(Maximum amount raised during 2009-10 : Rs. 4,500 crores; 2008-09 : Rs. 800 crores)			
		<b>19,926.49</b>	<b>22,056.68</b>
5. FIXED ASSETS (A & B)			(Rs. /Crores)

	Gross Block at cost as at 01/04/2009	Net Additions/ Reclassifi- cations	Net Deductions/ Reclassifi- cations	Gross Block at cost as at 31/03/2010	Depreciation and Amortisation for the year 2009-10	Total Depreciation and Amortisation upto 31/03/2010	Net Balance as at 31/03/2010	Net Balance as at 31/03/2009
A. OTHER THAN INTANGIBLE ASSETS								
1 Land -Freehold	542.28	31.48	-	573.76	-	-	573.76	542.28
2 Roads and Culverts	1056.99	221.24	2.37	1275.86	20.76	119.73	1156.13	955.82
3 Buildings	1950.01	263.91	5.01	2208.91	47.39	303.14	1905.77	1691.35
4 Leasehold Property - Land	328.26	36.70	0.28	364.68	11.13	48.46	316.22	290.70
5 Railway Siding & Rolling Stock	281.99	10.02	-	292.01	12.51	165.60	126.41	128.91
6 Plant & Machinery	15297.64	4107.91	26.30	19379.25	997.84	8648.20	10731.05	7622.71
7 Furniture, Fixtures & Office/ Laboratory Equipment	506.68	76.11	9.29	573.50	41.70	254.19	319.31	286.86
8 Transport Equipment	125.60	28.46	3.33	150.73	11.98	70.00	80.73	64.55
9 Unallocated Capital Expenditure on Land Development	0.20	2.21	-	2.41	-	0.20	2.21	-
TOTAL(A)	20089.65	4778.04	46.58	24821.11	1143.31	9609.52	15211.59	11583.18
B INTANGIBLE ASSETS								
1 Right of Way	16.81	0.04	-	16.85	-	-	16.85	16.81
2 Technical / Process Licenses	10.97	22.52	-	33.49	4.31	8.44	25.05	6.45
3 Software	91.40	25.56	0.04	116.92	20.30	63.74	53.18	48.31
TOTAL (B)	119.18	48.12	0.04	167.26	24.61	72.18	95.08	71.57
TOTAL (A+B)	20208.83	4826.17	46.62	24988.37	1167.92	9681.70	15306.67	11654.75
PREVIOUS YEAR	19570.05	765.50	126.72	20208.83	981.43	8554.08	11654.75	

- A. Includes assets costing Rs. 76,191/- (2008-09 : Rs. 76,191/-) of erstwhile Kosan Gas Company not handed over to the Corporation. In case of these assets, Kosan Gas Company was to give up their claim. However, in view of the tenancy right sought by third party, the matter is under litigation.
- B. Includes Rs. 76.90 Crores (2008-09 : Rs. 74.75 Crores) being the Corporation's Share cost of land and other assets jointly owned with other Oil Companies.
- C. Title Deeds to some of the lands acquired are still to be obtained. In certain cases, registration of the title of the assets is pending as the legal formalities are yet to be completed.
- D. Includes Rs. 0.01 lakhs (2008-09 : Rs. 0.01 lakhs) being share application money in co-operative housing societies.
- E. Includes Rs. 56.20 crores (2008-09 : Rs. 53.53 crores) towards Plant & Machinery, Roads & Culverts, Transformers & Transmission Lines, Railway Siding & Rolling Stock, ownership of which does not vest with the Corporation. These assets are amortised at the rate of depreciation specified in Schedule XIV of the Companies Act, 1956.



## Schedules forming part of the Balance Sheet

F. Includes following assets which are used for distribution of PDS Kerosene under Jana Kalyan Pariyojna against which financial assistance provided by OADB.

(Rs./Crores)

Description	First Cost (31/03/2010)	First Cost (31/03/2009)
Roads & Culverts	0.16	0.16
Buildings	1.68	1.70
Plant & Machinery	3.28	3.28
Total	5.12	5.14

- G. Includes assets retired from active use and held for disposal - Gross Block : Rs. 41.78 crores / Net Block : Rs. 12.98 crores ( 2008-09 : Gross Block : Rs. 27.85 crores / Net block : Rs. 6.07 crores). These assets are valued at their Net Book Value or Net Realisable Value whichever is lower : Rs. 4.72 crores (2008-09 : Rs. 0.98 crores).
- H. Additions / Re-classifications are net of Rs. Nil (2008-09 : Rs. 1,018.72 Crores) towards reversal of assets capitalised earlier.
- I. Depreciation and amortization is net of Rs. Nil (2008-09 : Rs. 54.83 Crores) towards reversal of depreciation on (H) above.
- J. Deprecation for the year includes Rs. 3.15 Crores (2008-09 : Rs. Nil) on Intangible assets and Rs. 0.37 Crores (2008-09 : Rs. Nil) on Plant and Machinery towards Prior Period.

Rs./ Crores

	2009-10	2008-09
<b>6. CAPITAL WORK-IN-PROGRESS (AT COST)</b>		
Unallocated Capital Expenditure and Materials at Site	3,325.76	4,044.61
Advances for Capital Expenditure	49.35	84.09
Capital Stores	77.21	39.65
Capital Stores lying with Contractors	165.41	4.49
Capital goods in transit	4.43	12.26
	<u>3,622.16</u>	<u>4,185.10</u>
Construction period expenses pending apportionment (Net of recovery) :		
Establishment charges	88.96	76.09
Interest	169.66	576.73
Other Borrowing Cost	6.81	163.15
Depreciation	0.00	0.00
	<u>265.43</u>	<u>815.97</u>
	<u>3,887.59</u>	<u>5,001.07</u>
<b>7. INVESTMENTS</b>		
<b>I. LONG TERM INVESTMENTS (at Cost):</b>		
<b>A. TRADE INVESTMENTS</b>		
<b>Quoted</b>		
1. Mangalore Refinery and Petrochemicals Ltd. 29,71,53,518 Equity Shares of Rs. 10 each fully paid up	471.68	471.68
2. Oil India Ltd. 53,50,110 Equity Shares of Rs. 10 each fully paid up purchased / allotted during the year	561.76	-
3. 6.35% Oil Marketing Companies' GOI Special Bonds 2024 (Re-classified under Current Investments during the year)	-	4,603.73
4. 6.90% Oil Marketing Companies' GOI Special Bonds 2026	3,500.00	3,500.00
<b>Unquoted</b>		
1. HPCL-Mittal Energy Ltd. 1,22,64,70,000 Equity Shares (76,09,70,000 Equity Shares for 2008-09)	1,226.47	760.97
2. Hindustan Colas Ltd. 47,25,000 Equity Shares of Rs. 10 each fully paid-up	4.73	4.73
3. Petronet India Ltd. 1,59,99,999 Equity Shares of Rs. 10 each fully paid up Less : Provision for Dimunition	16.00 (16.00)	16.00 (16.00)
4. Petronet MHB Ltd. 15,78,41,000 Equity Shares of Rs. 10 each fully paid up	157.84	157.84



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### Schedules forming part of the Balance Sheet

	Rs./ Crores	
	2009-10	2008-09
5. Prize Petroleum Co. Ltd 99,99,600 Equity Shares of Rs. 10 each fully paid up	10.00	10.00
5,00,00,000 Preference Shares of Rs. 10 each, Rs. 6.70 each paid up (Rs. 6.00 each paid up for 2008-09)	33.50	30.00
6. South Asia LPG Co. Pvt. Ltd. 5,00,00,000 Equity Shares of Rs. 10 each fully paid up	50.00	50.00
7. Bhagyanagar Gas Ltd. 12,497 Equity Shares of Rs. 10 each fully paid up	0.01	0.01
8. Aavantika Gas Ltd. 12,498 Equity Shares of Rs. 10 each fully paid up	0.01	0.01
9. CREDA HPCL Biofuel Ltd. 78,26,923 Equity Shares of Rs. 10 each fully paid up	7.83	7.83
10. HPCL - Biofuel Ltd. 10,00,00,000 Equity Shares of Rs. 10 each fully paid up purchased/ allotted during the year	100.00	-
TOTAL (A)	6,123.83	9,596.80
B. OTHER INVESTMENTS		
Quoted		
1. Government Securities of the face value of Rs. 0.02 Crores (2008-09 : Rs. 0.02 crores)		
- Deposited with Others	0.02	0.02
- On hand - Rs. 0.25 lakhs (2008-09 : Rs. 0.25 lakhs)	0.00	0.00
2. Scooters India Ltd. 10,000 Equity Shares of Rs. 10 each fully paid up	0.01	0.01
Unquoted		
1. Government Securities of the face value of Rs. 0.24 lakhs (2008-09: Rs. 0.24 lakhs)		
- Deposited with Others - Rs. 0.10 lakhs ( 2008-09: Rs. 0.10 lakhs)	0.00	0.00
- On hand** - Rs. 0.14 lakhs ( 2008-09 : Rs. 0.14 lakhs)	0.00	0.00
2. East India Clinic Ltd. - 1/2% Debenture of face value of - Rs.0.15 lakhs (2008-09: Rs.0.15 lakhs)	0.00	0.00
- 5% Debenture of face value of - Rs.0.07 lakhs (2008-09: Rs.0.07 lakhs)	0.00	0.00
3. Shushrusha Citizen Co-operative Hospital Limited 100 Equity Shares of Rs. 100/- each fully paid up - Rs. 0.10 lakhs (2008-09: Rs. 0.10 lakhs)	0.00	0.00
4. Petroleum India International (Association of Persons)* Contribution towards Seed Capital	5.00	5.00
TOTAL (B)	5.03	5.03
TOTAL LONG TERM INVESTMENTS	6,128.86	9,601.83
Less: Provision for loss on Investments** - Rs. Nil (2008-09 : Rs. 0.14 lakhs)	0.00	0.00
TOTAL: I	6,128.86	9,601.83
II. CURRENT INVESTMENTS (at Cost or Fair Value whichever is lower)		
TRADE INVESTMENTS		
Quoted		
i. 7.47% Oil Marketing Companies' GOI Special Bonds, 2012	10.00	10.00
ii. 7.61% Oil Marketing Companies' GOI Special Bonds, 2015	5.12	5.12
iii. 7.95% Oil Marketing Companies' GOI Special Bonds, 2025	-	243.26
iv. 8.20% Oil Marketing Companies' GOI Special Bonds, 2023	-	1,403.73
v. 6.90% Oil Marketing Companies' GOI Special Bonds, 2026	80.00	894.12
vi. 8.00% Oil Marketing Companies' GOI Special Bonds, 2026	23.76	2,038.41
vii. 8.20% Oil Marketing Companies' GOI Special Bonds, 2024***	1,292.64	-
vii. 6.35% Oil Marketing Companies' GOI Special Bonds 2024 (refer note 8 of Schedule 20B)	3,846.85	-
TOTAL CURRENT INVESTMENTS - II	5,258.36	4,594.64
TOTAL (I + II)	11,387.22	14,196.47



## Schedules forming part of the Balance Sheet

	Cost		Rs./ Crores Market / Redemption Value	
	2009-10	2008-09	2009-10	2008-09
Aggregate of quoted Investments	10,567.08	13,241.60	10,226.97	12,948.34
Aggregate of unquoted Investments	1,595.39	1,026.39		
	<u>12,162.47</u>	<u>14,267.99</u>		

- \* Members in Petroleum India International (AOP) : Hindustan Petroleum Corporation Ltd., Bharat Petroleum Corporation Ltd., Engineers India Ltd., Indian Oil Corporation Ltd., Indian Petrochemicals Corporation Ltd., Chennai Petroleum Corporation Ltd. and Oil India Ltd.
- \*\* Includes Rs. 0.14 lakhs (2008-09 : Rs. 0.14 lakhs) not in the possession of the Company
- \*\*\* Pledged with Clearing Corporation of India Limited against CBLO Loan

	Rs./ Crores	
	2009-10	2008-09
<b>8. INVENTORIES</b>		
(As per Inventory taken, valued and certified by the Management)		
Raw Materials (Including in transit - Rs. 661.68 crores; 2008-09 : Rs. 885.66 crores)	2,578.91	2,055.38
Finished Products - (Including in transit - Rs. 116.29 crores; 2008-09 : Rs. 6.12 crores)	8,966.92	6,215.09
Stock in Process	836.89	338.76
Packages	8.16	7.49
	<u>12,390.88</u>	<u>8,616.72</u>
Stores and Spares *	188.34	176.31
	<u>12,579.22</u>	<u>8,793.03</u>
* Includes stock lying with contractors Rs. 1.73 crores (2008-09 : Rs. 1.18 crores)		
<b>9. SUNDRY DEBTORS : (Unsecured)</b>		
Over six months :		
Considered good	72.11	564.90
Considered doubtful	78.65	60.15
Others :		
Considered good	2,388.27	1,696.78
	<u>2,539.03</u>	<u>2,321.83</u>
Less: Provision for Doubtful Debts *	101.69	80.92
	<u>2,437.34</u>	<u>2,240.91</u>
*Provision for doubtful debts, in addition to specific provision, includes an ad-hoc provision @ one per cent of outstanding domestic debts (other than those relating to oil marketing companies and subsidiary/joint venture companies).		
<b>10. CASH AND BANK BALANCES</b>		
Cash on hand	1.45	1.41
Cheques Awaiting Deposit	3.59	3.62
With Scheduled Banks:		
- On Current Accounts	233.73	599.62
- On Non-operative Current Accounts*	0.01	0.01
- On Fixed Deposit Accounts **	4.29	3.88
With Others:		
In Current Account with Municipal Co-operative Bank Ltd. (maximum balance during the year Rs. 0.17 crores, 2008-09 : Rs.0.14 crores)	0.11	0.11
	<u>243.17</u>	<u>608.64</u>

- \* Represents amount deposited as per Court Order pending final disposal.
- \*\* Includes lodged as security deposit with Mumbai Port Trust - Rs. 0.54 crores ( 2008-09 : Rs.0.54 crores) and with IAAI - Rs. 0.44 crores ( 2008-09 : Rs.0.27 crores)

**Schedules forming part of the Balance Sheet**

	Rs./ Crores	
	2009-10	2008-09
<b>11. OTHER CURRENT ASSETS</b>		
Interest accrued on Bank Deposits and Investments	123.74	181.15
<b>12. LOANS AND ADVANCES</b>		
Secured, considered good :		
Advances recoverable in cash or in kind or for value to be received *	363.45	412.31
Interest Accrued thereon	154.57	146.29
Unsecured, considered good :		
Advances recoverable in cash or in kind or for value to be received	19.98	3.70
Balances with Excise, Customs, Port Trust etc.	102.49	119.06
Other Deposits	261.54	167.09
Prepaid Expenses	99.84	54.84
Amounts recoverable under Subsidy Schemes**	3,041.09	2,075.40
Share application money pending allotment	4.98	4.98
Advance towards equity	421.15	24.50
Other Accounts Receivable ***	789.38	1,172.45
Unsecured, considered doubtful :		
Accounts Receivable & Deposits	3.45	3.85
	5,261.92	4,184.46
Less : Provision for Doubtful Receivables	3.45	3.85
	5,258.47	4,180.61
<b>* Includes Rs. 0.28 crores, (2008-09 : Rs. 0.29 crores) due from Directors; maximum balance - Rs. 0.35 crores, (2008-09 : Rs. 0.43 crores) and Rs. Nil (2008-09 : Rs. 0.01 crores) due from an Officer; maximum balance - Rs. Nil crores, (2008-09 : Rs. 0.01 crores)</b>		
<b>** Includes Rs. 3,034.08 crores towards Budgetary Support for FY 2009 - 10 from Govt. of India, (2008 - 09 : Oil Bonds Receivable Rs. 2,033.99 crores)</b>		
<b>*** Includes Rs. 6.30 crores (2008-09 : Rs. 5.87 crores) being amount due towards Company's share of profit in Petroleum India International</b>		
<b>13. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors		
i) Total outstanding dues of Micro, Small and Medium Enterprises*	1.81	1.54
ii) Total outstanding dues of creditors other than above	7,391.32	5,643.87
Deposits from Dealers/Consumers for LPG Cylinders	3,725.70	3,210.02
Other Deposits	183.34	167.02
Accrued Charges/Credits	56.42	42.42
Interest accrued but not due on loans	78.78	116.34
Preference share capital redeemed remaining unclaimed/unencashed	0.01	0.01
Unclaimed Dividend**	3.01	4.29
Other Liabilities	3,009.51	1,324.75
	14,449.90	10,510.26
<b>B. Provisions</b>		
Provision for Tax (Net)	551.12	326.62
Provision For Dividend	406.35	177.78
Provision for Gratuity & Pension	155.49	114.10
Provision for Other Long Term Benefits	484.07	363.60
Provision for Other Employee Benefits	440.53	244.40
Provision for Fringe Benefit Tax	0.16	0.16
Tax on Distributed Profits	67.49	30.21
	2,105.21	1,256.87
	16,555.11	11,767.13

\* To the extent Micro and Small Enterprises have been identified, the outstanding balance including interest thereon, if any, as on March 31, 2010 is disclosed on which Auditors have relied upon.

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



## Schedules forming part of the Profit and Loss Account

	Rs./ Crores	
	2009-10	2008-09
<b>14. OTHER INCOME</b>		
Interest (Gross): *		
On Investments		
Long Term Investments	241.50	120.77
Current Investments	457.87	291.55
On Deposits	0.37	0.24
On Staff Loans	15.40	17.00
On Customers' Accounts	54.28	75.69
On Others	38.00	31.82
	<u>807.42</u>	<u>537.07</u>
Dividend income	46.25	36.84
Share of Profit from Petroleum India International (AOP)	0.62	0.82
Rent Recoveries	61.59	51.46
Profit on sale of Current Investments	-	37.83
Exchange rate variation (Net)	533.30	-
Profit on sale of fixed assets (Net)	1.66	0.81
Miscellaneous Income **	195.32	240.96
	<u>838.74</u>	<u>368.72</u>
	<u>1,646.16</u>	<u>905.79</u>
 Note:		
* Tax deducted at source amounts to Rs. Nil (2008-09 : Rs.0.11 crores)		
** Miscellaneous Income Includes Rs. 0.19 crores (2008-09 : Rs. 0.19 crores) on account of amortisation of capital grant and Rs. Nil (2008-09 : Rs. Nil) on account of recognition of revenue grant from OADB during the year.		
<b>15. INCREASE / (DECREASE) IN INVENTORY</b>		
Closing Stock:		
Stock in Process	836.89	338.76
Finished Products	8,966.92	6,215.09
	<u>9,803.81</u>	<u>6,553.85</u>
Less: Opening Stock:		
Stock in Process	338.76	485.61
Finished Products	6,215.09	7,905.02
	<u>6,553.85</u>	<u>8,390.63</u>
	<u>3,249.96</u>	<u>(1,836.78)</u>
 <b>16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages, Bonus, etc.	1,143.90	829.90
Contribution to Provident Fund	77.34	46.93
Pension, Gratuity etc.	142.76	85.55
Employee Welfare Expenses	253.32	173.15
	<u>1,617.32</u>	<u>1,135.53</u>



**Schedules forming part of the Profit and Loss Account**

	Rs./ Crores	
	2009-10	2008-09
<b>17. OTHER OPERATING EXPENSES</b>		
Consumption of Stores, Spares and Chemicals	174.27	121.36
Power and Fuel	2,412.28	2,304.62
Less : Fuel of own production consumed	2,164.07	2,285.60
	248.21	19.02
Repairs and Maintenance - Buildings	38.34	27.93
Repairs and Maintenance - Plant & Machinery	425.19	344.51
Repairs and Maintenance - Other Assets	96.16	82.74
Insurance	21.81	17.18
Rates and Taxes	48.87	38.66
Irrecoverable Taxes and Other Levies	123.55	140.35
Equipment Hire Charges	6.22	1.29
Rent	137.38	125.93
Travelling and Conveyance	97.39	98.20
Printing and Stationery	10.75	9.55
Electricity and Water	225.50	173.17
Charities and Donations	15.16	14.00
Stores & spares written off	1.82	0.81
Loss on Sale of Current Investment	56.75	-
Loss on Sale of Long Term Investment	-	1.27
Provision for Diminution in value of Current Investments	703.73	(75.28)
Provision for Doubtful Receivables	-	0.93
(After adjusting provision no longer required)		
Provision for Doubtful Debts	20.47	6.78
(After adjusting provision no longer required)		
Loss on Sale/ write off of Fixed Assets/ CWIP (Net)	-	8.28
Security Charges	66.55	58.12
Advertisement & Publicity	104.48	83.72
Sundry Expenses and Charges (Not otherwise classified)	291.05	255.89
Consultancy & Technical Services	25.21	28.73
Exchange Rate Variation (Net)	-	483.02
	<u>2,938.86</u>	<u>2,066.15</u>
<b>18. BORROWING COST</b>		
Interest on :		
- Long Term Loans	23.61	55.28
- Short Term Loans	549.06	1,305.26
- Overdraft from Banks	312.52	719.22
- Others	18.56	3.08
	<u>903.75</u>	<u>2,082.84</u>
<b>19. PRIOR PERIOD DEBITS / (CREDITS)</b>		
Raw Material & Packages	(4.70)	(0.16)
Depreciation	3.52	0.15
Exchange rate variation (Net)	(2.66)	-
	<u>(3.84)</u>	<u>(0.01)</u>

## Statement of Significant Accounting Policies and Notes forming part of Accounts

### 20 A. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP), Accounting Standards referred to in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956. All income and expenditure having material bearing are recognized on accrual basis, except where otherwise stated. Necessary estimates and assumptions of income and expenditure are made during the reporting period and difference between the actual and the estimates are recognised in the period in which the results materialise.

#### 1. FIXED ASSETS

- a. Land acquired on lease for 99 years or more is treated as freehold land.
- b. Technical know-how /licence fee relating to plants/ facilities are capitalized as part of cost of the underlying asset.

#### 2. INTANGIBLE ASSETS

- a. Cost of Right of Way for laying pipelines is capitalised as Intangible Asset and being perpetual in nature, is not amortised.
- b. Technical know-how /licence fee relating to production process and process design are recognized as Intangible Assets.
- c. Cost of Software directly identified with hardware is capitalised along with the cost of hardware. Application software is capitalised as Intangible Asset.

#### 3. CONSTRUCTION PERIOD EXPENSES ON PROJECTS

- a. Related expenditure (including temporary facilities and crop compensation expenses) incurred during construction period in respect of plan projects and major non-plan projects are capitalised.
- b. Financing cost incurred during the construction period on loans specifically borrowed and utilised for projects is capitalised. Financing cost includes exchange losses in relation to borrowings denominated in foreign currency.
- c. Financing cost, if any, incurred on general borrowings used for projects during the construction period is capitalised at the weighted average cost.

#### 4. DEPRECIATION

- a. Depreciation on Fixed Assets is provided on the Straight Line method, in the manner and at the rates prescribed under Schedule XIV to the Companies Act, 1956 and is charged pro rata on a monthly basis on assets, from / up to and inclusive of the month of capitalisation / sale, disposal or deletion during the year.
- b. All assets costing up to Rs. 5000/-, other than LPG cylinders and pressure regulators, are fully depreciated in the year of capitalisation.
- c. Premium on leasehold land is amortised over the period of lease.
- d. Machinery Spares, which can be used only in connection with an item of fixed asset and the use of which is expected to be irregular, are depreciated over a period not exceeding the useful life of the principal item of fixed asset.
- e. Intangible Assets other than application software are amortized on a straight line basis over a period of ten years or life of the underlying plant/facility, whichever is earlier.
- f. Application software are normally amortised over a period of four years, or over its useful life, whichever is earlier.

#### 5. IMPAIRMENT OF ASSETS

At each balance sheet date, an assessment is made of whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of assets of cash generating units(CGU) exceeds their recoverable amount.

#### 6. FOREIGN CURRENCY TRANSACTIONS

- a. Foreign Currency transactions during the year are recorded at the exchange rates prevailing on the date of transactions.
- b. All foreign currency assets, liabilities and forward contracts are restated at the rates prevailing at the year end.
- c. All exchange differences (except as stated in para 3 (b) of Schedule 20A and para 10 of Schedule 20B) are dealt with in the profit and loss account including those covered by forward contracts, where the premium / discount arising from such contracts are recognised over the period of contracts.
- d. The realised gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year, are recognised in the Profit & Loss Account along with the underlying transaction. However, in respect of contracts, the pricing period of which extends beyond the balance sheet date, suitable provision is made for likely loss, if any.

#### 7. INVESTMENTS

- a. Long-term investments are valued at cost and provision for diminution in value thereof is made, wherever such diminution is other than temporary.

## Statement of Significant Accounting Policies and Notes forming part of Accounts

- b. Current investments are valued at the lower of cost and fair value.
8. INVENTORIES
  - a. Crude oil is valued at cost on First In First Out (FIFO) basis or at net realisable value, whichever is lower.
  - b. Raw material for lubricants and finished lubricants are valued at weighted average cost or at net realisable value, whichever is lower.
  - c. Stock-in process is valued at raw material cost plus cost of conversion or at net realisable value, whichever is lower.
  - d. Finished products other than Lubricants are valued at cost (on FIFO basis) or at net realisable value, whichever is lower.
  - e. Empty packages are valued at weighted average cost.
  - f. Stores and spares are valued at weighted average cost.
  - g. Value of surplus, obsolete and slow moving stores and spares, if any, is reduced to net realisable value. Surplus items, when transferred from completed projects are valued at cost / estimated value, pending periodic assessment/ascertainment of condition.
9. DUTIES ON BONDED STOCKS
 

Excise / Customs duty is provided on stocks stored in Bonded Warehouses (excluding goods exempted from duty / exports or where liability to pay duty is transferred to consignee).
10. GRANTS
  - a. In case of depreciable assets, the cost of the asset is shown at gross value and grant thereon is treated as Capital Grants, which is recognised in the Profit and Loss Account over the period and in the proportion in which depreciation is charged.
  - b. Grants received against revenue items are recognised as income.
11. PROVISIONS
 

A provision is recognised when there is a present obligation as a result of a 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.
12. EXPLORATION & PRODUCTION EXPENDITURE
 

"Successful Efforts Method" of accounting is followed for Oil & Gas exploration and production activities as stated below:

  - a. Cost of surveys, studies, carrying and retaining undeveloped properties are expensed out in the year of incurrence.
  - b. Cost of acquisition, drilling and development are treated as capital work-in-progress when incurred and are capitalised when the well is ready to commence commercial production.
  - c. Accumulated costs on exploratory wells in progress are expensed out in the year in which they are determined to be dry.

The proportionate share in the assets, liabilities, income and expenditure of joint operations are accounted as per the participating interest in such joint operations.
13. EMPLOYEE BENEFITS
 

Liability towards long term defined employee benefits - leave encashment, gratuity, pension, post - retirement medical benefits, long service awards, ex-gratia, death benefits and resettlement allowance are determined on actuarial valuation by independent actuaries at the year end by using Projected Unit Credit method. Liability so determined is funded in the case of leave encashment and gratuity, and provided for in other cases.

In respect of Provident Fund, the contribution for the period is recognized as expense and charged to Profit & Loss Account.

Short term employee benefits are recognized as an expense at an undiscounted amount in the Profit and Loss Account of the year in which the related services are rendered.
14. SALE OF PRODUCTS
 

Sales are net of discount, include applicable excise duty, surcharge and other elements as are allowed to be recovered as part of the price but excludes VAT/sales tax.
15. RESEARCH & DEVELOPMENT
 

Expenditure incurred on research activities is charged off in the year in which it is incurred. Expenses directly related to development activities which are capable of generating future economic resources, are treated as intangible assets.



## Statement of Significant Accounting Policies and Notes forming part of Accounts

### 16. TAXES ON INCOME

- Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.
- Deferred tax on account of timing difference between taxable and accounting income is provided by using tax rates and tax laws enacted or substantively enacted as at the balance sheet date.

### 17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities are considered only for items exceeding Rs. 5.00 lakhs in each case. Contingent Liabilities in respect of show cause notices are considered only when converted into demands. Capital Commitments are considered only for items exceeding Rs. 1.00 lakh in each case.

### 18. ACCOUNTING/CLASSIFICATION OF EXPENDITURE AND INCOME

- Insurance claims are accounted on acceptance basis.
- All other claims/entitlements are accounted on the merits of each case/realisation.
- Raw materials consumed are net of discount towards sharing of under-recoveries.
- Income and expenditure of previous years, individually amounting to Rs. 5 lakhs and below are not considered as prior period items.

### 20. B. NOTES FORMING PART OF ACCOUNTS

- During the year, ONGC and GAIL offered discount on prices of crude, SKO and LPG purchased from them. Accordingly, the Corporation has accounted the discount as under :
  - Rs. 796.00 crores (2008-09 : Rs. 995.13 crores) discount received on purchase of SKO (PDS) and LPG (Domestic) from ONGC and GAIL has been adjusted against 'Purchase of Product for Resale'.
  - Rs. 2451.14 crores (2008-09 : Rs. 6,181.82 crores) discount received on crude oil purchased from ONGC has been adjusted against 'Raw Material Cost'.
- In principle approval of Government of India for Budgetary Support amounting to Rs.5563.13 crores (2008-09 : Oil Bonds for Rs. 14,692.77 crores), has been received and the same have been accounted under 'Recovery under Subsidy Schemes'.
- Inter-Oil Company transactions are reconciled on a continuous basis. However, year end balances are subject to confirmation/reconciliation.
  - Customers' Accounts are reconciled on an ongoing basis and such reconciliation is not likely to have a material impact on the outstanding or classification of the accounts.
- Additional provision for taxation amounting to Rs. 57.51 crores has been created based on the Assessment / Appellate Orders in respect of earlier years received during the year.
- The Corporation has, as at the balance sheet date, entered into foreign exchange hedging contracts amounting to USD 1560.12 million (2008-09 : USD 900.12 million) to hedge its foreign currency exposure towards loans/export earnings. The Corporation does not generally hedge the risks on account of foreign currency exposure for the payment of crude. Exposures not hedged as of balance sheet date amounted to USD 925.47 million (2008-09: USD 562.13 million) towards purchase of crude and USD 170.12 million (2008-09 : USD 170.12 million) in respect of loans taken.
- A new wholly owned subsidiary company, " M/s. HPCL Biofuels Limited" has been incorporated on October 16, 2009 to produce biofuels, such as - ethanol, which is blended with petrol.
- Deferred Tax Assets/(Liabilities) arising due to timing differences comprise of:

	Rs./ Crores	
	2009-10	2008-09
Deferred Tax Assets		
Provision for Employee Benefits	164.96	144.30
Others	284.69	125.70
Total (A)	449.65	270.00
Deferred Tax Liabilities		
Depreciation	(2247.03)	(1863.72)
Others	(10.59)	(9.65)
Total (B)	(2257.62)	(1873.37)
Deferred Tax Liabilities (A + B)	(1807.97)	(1603.37)

- During the current year, investments in "6.35% Oil Marketing Companies' GOI Special Bonds 2024" amounting to Rs. 4603.73 Crores have been reclassified from 'Long Term Investments' to 'Current Investments'. Consequently, an amount of Rs. 756.88 Crores has been provided in the books of accounts towards diminution in the value for this investment.

**Statement of Significant Accounting Policies and Notes forming part of Accounts**

9. The employee cost for the year 2009-10 is higher due to provision made for Rs. 318.25 Crores towards revision in the salary for non-management staff, and perquisites & retiral benefits for management employees.
10. In accordance with the option as per AS-11 (notified under the Company's Accounting Standard Rules, 2006) exercised in the year 2008-09, the Corporation has adjusted the exchange differences arising on long term foreign currency monetary items to the cost of assets.
11. In line with the Industry practice, the Corporation has changed during the current year its Accounting Policy relating to costs incurred on technical know-how and license fee, and its amortization. This has resulted in decrease in Profit for the current year by Rs. 3.80 crores (including Rs. 3.15 crores for prior periods).
12. To the extent Micro and Small Enterprises have been identified, the outstanding balance, including interest thereon, if any, as at balance sheet date is disclosed on which Auditors have relied upon :

(Rs. /Crores)

Sr. No.	Particulars	2009-10	2008-09
1.	Amounts payable to "suppliers" under MSMED Act, as on 31/03/10 : - Principal - Interest	1.81 -	1.54 -
2.	Amounts paid to "suppliers" under MSMED Act, beyond appointed day during F.Y. 2009-10 (irrespective of whether it pertains to current year or earlier years) : - Principal - Interest	- -	- -
3.	Amount of interest due / payable on delayed principal which has already been paid during the current year (without interest or with part interest)	-	-
4.	Amount accrued and remaining unpaid at the end of Accounting Year	-	-
5.	Amount of interest which is due and payable, which is carried forward from last year	-	-

**13. Related Party disclosure:**

(Rs. /Crores)

Particulars	2009 - 10	2008 - 09
Sales	214.44	247.36
Purchases	18.09	23.92
Investments made in equity	465.50	378.00
Investments made in Preference Shares	3.50	30.00
Advance towards equity - given / (transferred to Investment)	327.49	(15.00)
Share application money pending allotment - given / (transferred to Investment)	-	(200.00)
Loans given / (taken)	-	(1,655.00)
Interest - (paid)	-	(7.98)
Dividend - received	0.71	1.18
Services - given	4.89	5.09
Lease Rentals - Received	0.79	0.72
Others - provided / (availed)	(83.95)	(82.06)
Closing Balance	6.21	21.04

The names of related parties are as follows:

Joint Venture Companies: HPCL-Mittal Energy Ltd., Hindustan Colas Ltd., South Asia LPG Company Pvt. Ltd., Prize Petroleum Co. Ltd., Petronet India Ltd., and Aavantika Gas Ltd.

Key Management Personnel: Shri Arun Balakrishnan, Chairman and Managing Director, Shri S. Roy Choudhury, Director Marketing, Shri V. Viziasaradhi, Director - Human Resources, Shri B. Mukherjee, Director - Finance, Shri K. Murali, Director - Refineries.



## Statement of Significant Accounting Policies and Notes forming part of Accounts

Details of remuneration to directors are given in note 20 B. 17 E of Notes to Accounts and dues from Directors are given in Schedule 12 of the Balance Sheet.

The above disclosure does not include HPCL Biofuels Ltd. & Creda-HPCL Biofuel Ltd. (Subsidiary Companies) and Mangalore Refinery and Petrochemicals Ltd., Petronet MHB Ltd. and Bhagyanagar Gas Ltd. (Joint Venture Companies) for which no disclosure is required as they are state-controlled enterprises.

- A) The Corporation has entered into production sharing oil & gas exploration contracts in India and overseas in consortium with other body corporates. These consortia are:

Name of the Block	Participating Interest of HPCL in %	
	31/03/2010	31/03/2009
<b>In India</b>		
Under NELP IV		
KK- DWN-2002/2	20	20
KK- DWN-2002/3	20	20
CB- ONN-2002/3	15	15
Under NELP V		
AA-ONN-2003/03	15	15
Under NELP VI		
CY-DWN-2004/1	10	10
CY-DWN-2004/2	10	10
CY-DWN-2004/3	10	10
CY-DWN-2004/4	10	10
CY-PR-DWN-2004/1	10	10
CY-PR-DWN-2004/2	10	10
KG-DWN-2004/1	10	10
KG-DWN-2004/2	10	10
KG-DWN-2004/3	10	10
KG-DWN-2004/5	10	10
KG-DWN-2004/6	10	10
MB-OSN-2004/1	20	20
MB-OSN-2004/2	20	20
RJ-ONN-2004/1	22.22	22.22
RJ-ONN-2004/3	15	15
<b>Outside India</b>		
BLOCK 56-OMAN	12.50	12.50
BLOCK WA-388-P, AUSTRALIA	14	14
SOUTH SENAI, EGYPT	25	25
SOUTH QUSEIR, EGYPT	25	25

- B) Two exploration blocks at Egypt were awarded during the year 2008-09 with GSPC (Operator) and Oil India Ltd. HPCL has 25% participating interest in both of these blocks. Production sharing contract for these blocks is yet to be signed.



**Statement of Significant Accounting Policies and Notes forming part of Accounts**

14. In compliance of AS-27 'Financial Reporting of Interest in Joint Ventures', the required information is as under:

a) Jointly Controlled Entities

	Country of Incorporation	Percentage of ownership interest as on 31st March, 2010	Percentage of ownership interest as on 31st March, 2009
HPCL-Mittal Energy Ltd.	India	49.00	49.00
Hindustan Colas Ltd.	India	50.00	50.00
South Asia LPG Company Pvt. Ltd.	India	50.00	50.00
Mangalore Refinery and Petrochemicals Ltd.	India	16.95	16.95
Prize Petroleum Company Ltd.	India	50.00	50.00
Petronet India Ltd.*	India	16.00	16.00
Petronet MHB Ltd.	India	28.77	28.77
Bhagyanagar Gas Ltd.	India	25.00	25.00
Aavantika Gas Ltd.	India	25.00	25.00

\*Corporation's share in Petronet India Ltd. is not reported hereunder as the Management had provided for full diminution in the value of investment during the financial year 2006-07.

b) In respect of jointly controlled entities, the Corporation's share of assets, liabilities, income, expenses, contingent liabilities and capital commitments as furnished below on the basis of audited / unaudited financial statements received from these joint venture companies:

	Rs. / Crores	
	2009-10	2008-09
i. Assets		
• Long Term Assets	5,764.66	2,461.10
• Investments	275.24	108.98
• Current Assets	1,829.15	1,507.47
ii. Liabilities		
• Loans (Secured & Unsecured)	3,050.57	1,322.85
• Current Liabilities & Provisions	1,918.95	814.51
• Deferred Tax Liability	104.34	83.05
iii. Income	5,783.07	6,767.47
iv. Expenses*	5,608.58	6,440.46
v. Contingent Liabilities	74.19	103.45
vi. Capital Commitments	4,168.04	4,735.25
* Including Tax		

15. Operating Leases :

Assets taken on lease primarily consist of properties for use by the Corporation and leased land taken for the purpose of setting up retail outlets. These lease arrangements are normally renewed on expiry of the term. Amount of lease rental expenses recognized in the Profit and Loss Account is given under Schedule 17 – "Other Operating Expenses".

16. Considering the Government policies and modalities of compensating the oil marketing companies towards under-recoveries, future cash flows have been worked out based on the desired margins for deciding on impairment of related Cash Generating Units. Since there is no indication of impairment of assets as at Balance Sheet date as per the assessment carried out, no impairment has been considered. In view of assumptions being technical, peculiar to the industry and Government policy, the auditors have relied on the same.


**Statement of Significant Accounting Policies and Notes forming part of Accounts**

		Rs./ Crores	
		2009-10	2008-09
17 A.	Estimated amount of contracts remaining to be executed on Capital Account not provided for	1,581.84	1,491.99
B.	No provision has been made in the accounts in respect of the following disputed demands/claims since they are subject to appeals/representations filed by the Corporation		
i.	Income Tax	0.20	0.20
ii.	Sales Tax/Octroi	2,402.45	2,661.56
iii.	Excise/Customs	270.61	356.90
iv.	Land Rentals & Licence Fees	71.29	81.91
v.	Others	60.56	146.80
		<u>2,805.11</u>	<u>3,247.37</u>
C. (I)	Contingent Liabilities not provided for in respect of appeals filed against the Corporation*		
i.	Sales Tax/Octroi	4.68	89.40
ii.	Excise/Customs	36.13	55.76
iii.	Employee Benefits/Demands (to the extent quantifiable)	131.09	112.39
iv.	Claims against the Corporation not acknowledged as debts	170.98	197.72
v.	Others	-	94.27
		<u>795.41</u>	<u>699.53</u>
*The Company has not considered those disputed demands/claims as Contingent Liabilities, the outflow of resources for which would be remote.			
(II)	Uncalled liability on partly paid up preference shares	16.50	20.00
		<u>16.50</u>	<u>20.00</u>
D.	Payment to Auditors:		
i.	Audit fees	0.18	0.18
ii.	Other Services	0.13	0.11
iii.	Reimbursement of expenses	0.03	0.02
		<u>0.34</u>	<u>0.31</u>
E.	Managerial Remuneration :		
i.	Salary and Allowances	1.03	0.47
ii.	Contribution to Provident Fund and other funds	0.11	0.05
iii.	Pension and Gratuity	0.02	0.02
iv.	Other benefits	0.40	0.54
		<u>1.56</u>	<u>1.08</u>
F.	C.I.F.value of imports during the year(excludes canalised imports):		
i.	Raw materials	29,157.96	32,587.20
ii.	Stores, Spares and Chemicals	127.68	78.05
iii.	Capital Goods, Components and Spares	89.07	55.26
G.	(i) Expenditure in foreign currency on account of: (on cash basis) Engineering, Technical and other services, demurrage charges, royalties, interest and other matters	127.66	358.10
	(ii) Foreign Currency payments for crude	25,791.19	33,508.85
H.	Earnings in foreign exchange :		
	Export of goods calculated on FOB basis	6,382.26	6,021.26
	Includes Rs. 216.13 crores ( 2007-08 : Rs.597.05 crores) received in Indian currency out of repatriable funds of foreign customers		

## Statement of Significant Accounting Policies and Notes forming part of Accounts

	Rs./ Crores	
	2009-10	2008-09
I. Value of Raw Materials, Spare Parts and Components consumed		
(i) Raw Materials		
- Imported (in %)	74.83	79.39
- Imported (in Value)	29,091.57	34,108.60
- Indigenous (in %)	25.17	20.61
- Indigenous (in Value)	9,785.68	8,854.00
(ii) Spare Parts & Components:		
- Imported (in %)	35.29	24.29
- Imported (in Value)	78.94	37.02
- Indigenous (in %)	64.71	75.71
- Indigenous (in Value)	144.77	115.40
J. Licensed capacity at year end in Metric Tonnes per annum as certified by the Management on which the Auditors have relied upon:		
(a) Petroleum fuel and lube products	14,000,000	13,000,000
(b) Lubricating Oils	N/A	N/A
(c) Textile Auxiliaries	N/A	N/A
(d) Hydraulic Brake Fluid	N/A	N/A
(e) Insecticides	N/A	N/A
(f) Greases	N/A	N/A
K. Installed capacity at year end in Metric Tonnes per annum as certified by the Management on which the Auditors have relied upon:		
(a) Petroleum fuel and lube products	14,000,000	13,000,000
(b) Lubricating Oils, Greases and Textile Auxiliaries *	319,779	319,779
(c) Hydraulic Brake Fluid and Insecticides	4,062	4,062
* Product manufacturing facilities are interchangeable		
L. Production in Metric Tonnes:		
(a) Petroleum fuel and lube products		
i. Bulk Petroleum Products	14,261,604	14,473,977
ii. Lubricating Oil Base Stocks (including Transformer Oil Base Stocks)	346,858	312,246
iii. Carbon Black Feed Stock	39,928	34,878
iv. Axle Oil	12	14
v. Rubber Processing oil	63,355	43,206
(b) Lubricating Oils	358,224	266,104
(c) Textile Auxiliaries	12	169
(d) Insecticides	154	205
(e) Greases	2,329	2,340



## Statement of Significant Accounting Policies and Notes forming part of Accounts

17 M. Information for each class of goods purchased, sold and stocks during the year :

Value in Rs./Crores

		Opening Stock		Purchases		Sales*		Closing Stock	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
a. Bulk Petroleum Products	MT Value	2292741 5,849	2323886 7,621	18323635 62,654	17032702 73,371	32240256 105,543	31570143 113,734	2525308 8,651	2292741 5,849
b. Lubricating Oil Base Stocks(Incl. Transformer Oil Base stock)	MT Value	42558 134	22569 84	- -	- -	133087 438	76636 324	20135 87	42558 134
c. Carbon Black Feed Stock	MT Value	1465 2	1395 3	- -	- -	39791 107	34113 100	1061 3	1465 2
d. Axle Oil	MT Value	20 0	11 0	- -	- -	9 0	6 0	23 0	20 0
e. Lubricating Oils	MT Value	27246 207	31266 177	- -	- -	355607 2451	298113 2203	29825 207	27246 207
f. Textile Auxillaries	MT Value	51 0	41 0	- -	- -	32 0	160 1	31 0	51 0
g. Insecticides	MT Value	328 3	336 2	86 1	8 0	258 3	221 3	0 0	328 3
h. Greases	MT Value	2417 19	2080 16	2674 23	3882 23	4911 56	5885 63	2353 18	2417 19
i. Automotive Accessories	MT Value	0 0	0 0	- -	- -	0 0	0 0	0 0	0 0
Total Value	MT	2366824 6,215.09	2381584 7,905.02	18326395 62,677.82	17036592 73,394.61	32773951 108,598.68	31985277 116,427.83	2578736 8,966.92	2366824 6,215.09

\* Sales include sales to Other Oil Companies

No adjustment for Transit/Operation/Temperature Variations/Consumption for Own Use have been made in the above information  
Previous year's figures have been regrouped and rearranged wherever necessary for comparison and adjustment.

Rs./ Crores

N. Raw Materials consumed:

(a) Crude Oil Processed:

- Tonnes

- Value

(b) Other Petroleum Products:

- Tonnes

- Value

(c) Additives, Inhibitors and Chemicals:

- Value

(d) Non-Petroleum Products:

- Value

O. Expenditure incurred on Research and Development:

- Capital

- Revenue

P. Interest on Project specific borrowings capitalised

Q. Exchange Differences:

i) Adjusted in the carrying amount of Fixed Assets during the accounting period.

ii) In respect of Forward Exchange contracts to be recognised

in Profit or Loss for one or more subsequent accounting periods

	2009-10	2008-09
(a) Crude Oil Processed:		
- Tonnes	15,678,431	15,829,171
- Value	37,526.62	41,593.79
(b) Other Petroleum Products:		
- Tonnes	345,379	251,686
- Value	1123.38	1162.33
(c) Additives, Inhibitors and Chemicals:		
- Value	196.26	156.27
(d) Non-Petroleum Products:		
- Value	34.80	50.21
O. Expenditure incurred on Research and Development:		
- Capital	17.72	12.85
- Revenue	0.85	1.51
P. Interest on Project specific borrowings capitalised	96.22	89.91
Q. Exchange Differences:		
i) Adjusted in the carrying amount of Fixed Assets during the accounting period.	(11.83)	609.48
ii) In respect of Forward Exchange contracts to be recognised in Profit or Loss for one or more subsequent accounting periods	129.20	162.69



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### Statement of Significant Accounting Policies and Notes forming part of Accounts

R. Information regarding Primary Segment Reporting as per AS-17 for the year ended March 31, 2010 is as under:

Rs./ Crores

	Downstream Petroleum	2009-10 Exploration & Production	Total	Downstream Petroleum	2008-09 Exploration & Production	Total
Revenue						
External Revenue	108,427.66	-	108,427.66	125,044.85	-	125,044.85
Inter-segment Revenue	-	-	-	-	-	-
Total Revenue	108,427.66	-	108,427.66	125,044.85	-	125,044.85
Result						
Segment Results	3,190.59	(255.62)	2,934.97	2,180.19	(71.70)	2,108.49
Less: Unallocated Expenses						
Net of unallocated Income	-	-	-	-	-	-
Operating Profit	3,190.59	(255.62)	2,934.97	2,180.19	(71.70)	2,108.49
Less:						
Borrowing Cost			903.75			2,082.84
Provision for diminution in investments			703.73			(75.28)
Loss on Sale of Investments			56.75			1.27
Prior Year Expenditure			-			-
Add:						
Interest/Dividend (Including Share of profit from PII)			854.29			574.73
Profit on Sale of Investments			-			37.83
Profit before Tax			2,125.03			712.23
Less: Taxes (including Deferred tax / FBT)			823.66			137.25
Profit after Tax			1,301.37			574.98
Other Information						
Segment Assets	38,735.04	33.27	38,768.31	31,849.39	41.55	31,890.94
Corporate Assets			12,455.11			14,965.69
Total Assets			51,223.42			46,856.63
Segment Liabilities	15,033.39	414.80	15,448.19	10,944.25	167.46	11,111.71
Corporate Liabilities			24,217.25			25,014.29
Total Liabilities			39,665.44			36,126.01
Capital Expenditure	3,720.97	(8.28)	3,712.69	2,434.09	16.53	2,450.62
Depreciation	1,164.40	-	1,164.40	981.29	-	981.29
Non cash expenses excluding depreciation			(533.30)			483.02

Notes:

- The Company is engaged in the following business segments:
  - Downstream i.e. Refining and Marketing of Petroleum Products
  - Exploration and Production of Hydrocarbons

Segments have been identified taking into account the nature of activities and the nature of risks and returns.
- Segment Revenue comprises the following:
  - Turnover (Net of Excise Duties)
  - Subsidy from Government of India
  - Other income (excluding interest income, dividend income and investment income)
- There are no geographical segments.



## Statement of Significant Accounting Policies and Notes forming part of Accounts

### 18. Defined Benefit Plans - As per actuarial valuation

(Rs. / Crores)

	Particulars	Leave Encashment	Gratuity	Pension	Post Retirement Medical Benefit	Long Service Awards	Ex - Gratia	Death Benefits	Resettle-ment Allowance
		Funded	Funded	Non-Funded	Non-Funded	Non-Funded	Non-Funded	Non-Funded	Non-Funded
	Refer foot-notes :	1	2	3	4	5	6	7	8
1	Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2010								
	Defined Benefit Obligation at the beginning of the year	217.37	240.31	47.85	64.75	27.37	28.76	25.35	1.60
	Interest Cost	146.53	143.86	39.56	58.43	31.08	33.20	22.96	-
		17.92	19.89	4.00	6.00	2.00	2.00	2.00	-
		11.72	11.51	2.94	5.00	3.00	2.00	2.00	-
	Current Service Cost	6.57	11.66	0.07	7.40	4.98	-	-	0.15
		49.55	2.26	0.06	2.45	4.63	-	-	-
	Past Service Cost (Vested Benefits)	-	-	-	-	-	-	-	-
	Benefit Paid	-	(6.64)	(5.94)	(4.55)	(3.88)	(4.10)	(4.47)	(0.11)
		-	(6.44)	(5.67)	(2.01)	(2.98)	(7.31)	(3.96)	-
	Actuarial (gain)/loss on Obligation	19.71	97.49	(1.90)	42.39	17.38	4.01	3.57	0.20
		9.57	89.12	10.95	0.89	(8.36)	0.87	4.35	-
	Defined Benefit Obligation at the end of the year	261.57	362.71	44.08	115.99	47.85	30.67	26.45	1.84
		217.37	240.31	47.85	64.75	27.37	28.76	25.35	-
2	Change in Fair Value of Assets during the year ended March 31, 2010								
	Fair Value of Plan Asset at the beginning of the year	163.45	174.06	N/A	N/A	N/A	N/A	N/A	N/A
		109.78	165.04	N/A	N/A	N/A	N/A	N/A	N/A
	Expected return on Plan Assets	20.35	22.13	N/A	N/A	N/A	N/A	N/A	N/A
		14.07	15.46	N/A	N/A	N/A	N/A	N/A	N/A
	Actuarial gain/(loss)	-	-	N/A	N/A	N/A	N/A	N/A	N/A
		-	-	N/A	N/A	N/A	N/A	N/A	N/A
	Contribution by employer	53.92	66.25	5.94	4.55	3.88	4.10	4.47	0.11
		39.60	-	5.67	2.01	2.98	7.31	3.96	-
	Benefit Paid	-	(6.64)	(5.94)	(4.55)	(3.88)	(4.10)	(4.47)	(0.11)
		-	(6.44)	(5.67)	(2.01)	(2.98)	(7.31)	(3.96)	-
	Fair Value of Plan Asset at the end of the year	237.72	255.80	N/A	N/A	N/A	N/A	N/A	N/A
		163.45	174.06	N/A	N/A	N/A	N/A	N/A	N/A
3	Net asset/(liability) recognized in balance sheet as at March 31, 2010								
	Defined Benefit Obligation at the end of the year	261.57	362.71	44.08	115.99	47.85	30.67	26.45	1.84
		217.37	240.31	47.85	64.75	27.37	28.76	25.35	-
	Fair Value of Plan Asset at the end of the year	237.72	255.80	-	-	-	-	-	-
		163.45	174.06	-	-	-	-	-	-
	Amount recognised in the Balance Sheet - Schedule 13 B	(23.85)	(106.91)	(44.08)	(115.99)	(47.85)	(30.67)	(26.45)	(1.84)
		(53.92)	(66.24)	(47.85)	(64.75)	(27.37)	(28.76)	(25.35)	-
4	Components of employer expenses								
	Current Service Cost	6.57	11.66	0.07	7.40	4.98	-	-	0.15
		49.55	2.26	0.06	2.45	4.63	-	-	-
	Interest Cost	17.92	19.89	4.00	6.00	2.00	2.00	2.00	-
		11.72	11.51	2.94	5.00	3.00	2.00	2.00	-
	Past Service Cost (Vested Benefits)	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
	Expected Return on Plan Asset	(20.35)	(22.13)	-	-	-	-	-	-
		(14.07)	(15.46)	-	-	-	-	-	-
	Actuarial (gain)/loss	19.71	97.49	(1.90)	42.39	17.38	4.01	3.57	0.20
		9.57	89.12	10.95	0.89	(8.36)	0.87	4.35	-
	Total expenses recognized in Profit and Loss Account in Schedule 16	23.85	106.91	2.17	55.79	24.36	6.01	5.57	0.35
		56.77	87.42	13.96	8.34	(0.73)	2.87	6.35	-
5	Actuarial Assumptions								
	Discount Rate	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
	Expected return on plan assets	Note 9	Note 9	-	-	-	-	-	-
	Salary escalation	4.00%	4.00%	-	-	-	-	-	-
	Inflation	-	-	-	5.00%	-	-	-	-
	Mortality rate	-	-	-	-	-	-	-	-
	LIC (1994-96) Mortality Table								
6	The major categories of plan assets as a percentage to total plan assets								
	Central & State Govt. Securities	56.00%	56.00%	N/A	N/A	N/A	N/A	N/A	N/A
	Bonds / Debentures	36.00%	36.00%	N/A	N/A	N/A	N/A	N/A	N/A
	Others	8.00%	8.00%	N/A	N/A	N/A	N/A	N/A	N/A
7	Effect of one percentage point change in assumed medical inflation rate for Post Retirement Medical Benefit	One percentage point increase in medical inflation rate			One percentage point decrease in medical inflation rate				
	Revised DBO as at March 31, 2010	126.95			109.32				
	Revised service cost for 2009-10	7.21			7.82				
	Revised interest cost for 2009-10	6.75			5.25				



## Statement of Significant Accounting Policies and Notes forming part of Accounts

Foot Notes :

1	<b>Leave Encashment</b> : All employees are entitled to avail earned leave and sick leave during the service period and the same can be encashed on superannuation, resignation, termination or by nominee on death. Further, the accumulated earned leave can also be encashed during the service period. The contribution for increase in actuarial liability as of March 31, 2010 over March 31, 2009 towards leave encashment is funded to LIC. As per the practice followed, payment made to employees during the year to the extent of Rs. 43.12 crores is not claimed from LIC, hence, benefit paid during the year is shown as "Nil" in the above table. Total expenses recognized in Profit and Loss Account on account of this benefit is Rs. 66.98 crores (i.e. provision of Rs. 23.86 crores towards increase in liability and payments made by Corporation for Rs. 43.12 crores).
2	<b>Gratuity</b> : All employees are entitled to receive gratuity as per the provisions of Payment of Gratuity Act, 1972. Based on guidelines issued by Department of Public Enterprises the enhancement in Gratuity ceiling limit from Rs. 3.50 lakhs to Rs. 10 lakhs has been considered for all employees.
3	<b>Pension</b> : The employees covered by the Pension Plan of the Corporation are entitled to receive monthly pension for life.
4	<b>Post Retirement Medical Benefit</b> : The serving and superannuated employees are covered under medical insurance policy taken by Corporation. It provides reimbursement of medical expenses for self and dependents as per the terms of the policy.
5	<b>Long Service Awards</b> : The Corporation has policy of giving service awards to its employees in the form of memento on completion of specified length of service and superannuation.
6	<b>Ex-gratia</b> : The ex-employees of Corporation covered under the Scheme are entitled to get ex-gratia based on the grade at the time of their retirement. The benefit will be paid to eligible employees till their survival, and after that, till the survival of their spouse.
7	<b>Death Benefits</b> : The families of deceased employees are paid at a specified percentage of last drawn salary till the notional date of retirement age under the provisions of Superannuation Benefit Fund Scheme.
8	<b>Resettlement Allowance</b> : At the time of retirement, the employees are allowed to permanently settle down at a place other than the location of the last posting.
9	The fair value of the assets of Provident Fund Trust and the returns on these assets as on the Balance Sheet date is greater than the obligation, including interest, and no additional provision is required to be recognized in the Profit and Loss Account over and above the fixed contribution recognized.
10	The expected return on plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.
11	The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
12	Figures in italics represent last year figures



## Cash flow Statement for the year ended 31st March, 2010

	Rs./ Crores	
	2009-10	2008-09
<b>A. Cash Flow From Operating Activities</b>		
Net Profit/(Loss)before Tax & Extraordinary items	2,125.03	712.23
Adjustments for :		
Depreciation prior period	3.52	0.15
Depreciation / Amortisation	1,164.40	981.29
Raw Material & Packages	(4.70)	(0.16)
Loss/(Profit) on Sale/Write off of Fixed Assets/ CWIP	(1.66)	7.46
Amortisation of capital grant	(0.19)	(0.19)
Spares written off	1.82	1.88
Provision for diminution in value of investments	703.73	(75.28)
Borrowing Cost	903.75	2,082.84
Exchange rate difference on loans	102.24	(165.02)
Oil Bond receivable	-	(2,037.89)
Provision for Doubtful Debts & Receivable	20.47	7.71
Interest Income	(699.37)	(412.70)
Share of Profit from PII	(0.62)	(0.82)
Dividend Received	(46.26)	(36.84)
(Profit)/Loss on sale of short term investment	56.75	(36.57)
Operating Profit before Working Capital Changes	4,328.91	1,028.09
Increase /( Decrease) in Working Capital :		
Trade Receivables	(217.29)	(537.03)
Other Receivables	(633.36)	2,881.84
Inventories	(3,788.00)	3,225.16
Trade and other Payables	3,985.70	(723.83)
	(652.95)	4,846.14
Cash generated from operations	3,675.96	5,874.23
Direct Taxes / FBT refund / (paid) - Net	(394.56)	(33.47)
Cash Flow before extraordinary items	3,281.40	5,840.76
Extraordinary items	-	-
Net Cash from operating activities (A)	3,281.40	5,840.76
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets (includes Capital Work in Progress / excluding interest capitalised)	(3,617.98)	(1,927.45)
Sale of Fixed Assets	7.98	51.22
Purchase of Investment (Including share application money pending allotment/Advance towards Equity)	(3,461.40)	(16,306.22)
Investment in Subsidiary	(100.00)	(7.83)
Sale Proceeds of Oil bonds	5,213.52	9,275.49
Interest received	756.78	281.01
Dividend Received	46.26	36.84
Share of profit from PII	0.62	0.82
Net Cash from investing activities (B)	(1,154.22)	(8,596.12)

**Cash flow Statement for the year ended 31st March, 2010**

	Rs./ Crores	
	2009-10	2008-09
C. Cash Flow From Financing Activities		
Long term loans raised/(repaid)	538.00	(65.00)
Short term loans raised / (repaid)	(1,516.05)	5,667.52
Interest Paid on Loans	(1,122.39)	(2,208.50)
Dividend paid (including dividend distribution tax)	(209.27)	(119.37)
Net Cash from financing activities (C)	(2,309.71)	3,274.65
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(182.52)	519.29
CASH AND CASH EQUIVALENTS AS ON 1ST APRIL (OPENING) :		
Cash / Cheques on Hand	5.03	5.67
Balances with Scheduled Banks		
- On Current Accounts	599.62	284.69
- Others	3.89	3.55
Balances with other Banks	0.11	0.10
	608.65	294.01
Overdrafts from Banks	(308.83)	(513.48)
	299.82	(219.47)
CASH AND CASH EQUIVALENTS AS ON 31ST MARCH (CLOSING):		
Cash / Cheques on Hand	5.04	5.03
Balances with Scheduled Banks		
- On Current Accounts	233.73	599.28
- Others	4.30	3.89
Balances with other Banks	0.11	0.11
	243.18	608.31
Overdrafts from Banks	(125.88)	(308.49)
	117.30	299.82
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(182.52)	519.29

Note: Previous year's figures have been regrouped / reclassified wherever necessary.

**FOR AND ON BEHALF OF THE BOARD**

ARUN BALAKRISHNAN  
Chairman & Managing Director

B. MUKHERJEE  
Director-Finance

SHRIKANT M. BHOSKAR  
Company Secretary

Place : New Delhi  
Date : 26th May 10

For V SANKAR AIYAR & CO.  
Chartered Accountants  
Firm No. 109208w

G. SANKAR  
Partner  
Membership No. 46050

For OM AGARWAL & CO.  
Chartered Accountants  
Firm No. 000971c

OM PRAKASH AGARWAL  
Partner  
Membership No. 016603

**Balance Sheet Abstract and Company's General Business Profile****I. REGISTRATION DETAILS**

REGISTRATION NO. :

0 8 8 5 8

STATE CODE :

1 1

BALANCE SHEET DATE:

3 1 0 3 2 0 1 0

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)**

PUBLIC ISSUE

N I L

RIGHTS ISSUE

N I L

BONUS ISSUE

N I L

PRIVATE PLACEMENT

N I L

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS(Amount in Rs. Thousands)**

TOTAL LIABILITIES

7 8 6 2 8 5 9 5 8

TOTAL ASSETS

7 8 6 2 8 5 9 5 8

SOURCES OF FUNDS

PAID-UP CAPITAL

3 3 9 0 1 4 7

RESERVES AND SURPLUS

1 1 2 1 8 9 5 3 1

SECURED LOANS

1 3 7 5 8 7 7 9

UNSECURED LOANS

1 9 9 2 6 4 9 1 1

DEFERRED TAX LIABILITY

1 8 0 7 9 7 1 3

APPLICATION OF FUNDS

NET FIXED ASSETS

1 9 1 9 4 2 6 2 3 0

INVESTMENTS

1 1 3 8 7 2 1 9 9

NET CURRENT ASSETS

4 0 8 6 8 2 5 9

MISC. EXPENDITURE

N I L

ACCUMULATED LOSSES

N I L

**IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)**

TURNOVER

1 0 8 5 9 8 6 7 5 2

TOTAL EXPENDITURE

1 0 7 1 6 2 4 2 3 0

PROFIT/LOSS BEFORE TAX

+ 2 1 2 5 0 3 3 0

PROFIT/LOSS AFTER TAX

+ 1 3 0 1 3 7 4 1

EARNING PER SHARE IN RS.

3 8 . 4 3

DIVIDEND RATE%

1 2 0

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY (As per monetary terms)**

Item Code No. (ITC Code)

2 7 1 0

Product Description:

B U L K P E T R O L E U M

P R O D U C T S

Item Code No. (ITC Code)

2 7 1 0 0 0 4 1 / 6 1

Product Description:

L U B R I C A N T S

Item Code No. (ITC Code)

2 9 0 1 2 2 0 0

Product Description:

P R O P Y L E N E

ARUN BALAKRISHNAN  
Chairman & Managing DirectorB. MUKHERJEE  
Director - FinanceSHRIKANT M. BHOSEKAR  
Company SecretaryPlace : New Delhi  
Date : 26th May, 2010



## 58<sup>th</sup> Annual Report 2009-2010

### C & AG's Comments

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HINDUSTAN PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED ON 31 MARCH 2010.

The preparation of financial statements of Hindustan Petroleum Corporation Limited for the year ended 31 March 2010 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 Accounts of India. This is stated to have been done by them vide their Audit Report dated 26 May, 2010.

I, on 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 Hindustan Petroleum Corporation Limited for the year ended 31 March 2010. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to the Statutory Auditors' Report, under 619(4) of the Companies Act, 1956.

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

Sarit Jafa  
Principal Director of Commercial Audit  
& - Member Audit Board II, Mumbai

Place : Mumbai

Date : 22 June 2010



## Human Resource Accounting

HPCL considers human dimension as the key to Organization's success. Several initiatives for development of Human Resources to meet new challenges in the competitive business environment have gained momentum. HPCL recognizes the value of its Human Resource Assets who are committed to achieve excellence in all spheres. The Human Resource Profile given below in table shows that HPCL has a mix of energetic youth and experienced seniors who harmonize the efforts to achieve the Corporation's goals.

	Age				
	21-30	31-40	41-50	Above 50	Total
No. of Employees	1695	1517	5024	3055	11291
Management	1335	786	1711	947	4779
Non Management	360	731	3313	2108	6512
Average Age					44

### Accounting for Human Resource Assets

The Lev & Schwartz model is being used by our Company to compute the value of Human Resource Assets. The evaluation as on 31<sup>st</sup> March 2010 is based on the present value of future earnings of the employees on the following assumptions.

1. Employees' compensation represented by direct & indirect benefits earned by them on cost to company basis.
2. Earnings up to the age of superannuation are considered on incremental basis taking the Corporation's policies into consideration.
3. Such future earnings are discounted @ 8.25%.

	Rs. /Crores	
	2009-10	2008-09
VALUE OF HUMAN RESOURCE ASSETS		
Management Employees	9,341	8,523
Non Management Employees	6,313	4,624
	<u>15,654</u>	<u>13,147</u>
Human Resource Assets vis- -vis Total Assets		
Value of Human Resource Assets	15,654	13,147
Net Fixed Assets	15,307	11,655
Investments	11,387	14,196
Net Current Assets	4,531	4,237
	<u>46,879</u>	<u>43,235</u>
Employee Cost	1,617	1,137
Net Profit Before Tax (PBT)	2,125	712
Ratios (in %)		
Employee Cost to Human Resource Assets	10.33	8.65
Human Resource Assets to Total Resource	33.39	30.41
PBT to Human Resource Assets	13.58	5.42





## **Auditors' Report**

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF HINDUSTAN PETROLEUM CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HINDUSTAN PETROLEUM CORPORATION LIMITED, ITS SUBSIDIARY COMPANIES AND ITS INTERESTS IN JOINT VENTURE COMPANIES

1. We have audited the attached Consolidated Balance Sheet of Hindustan Petroleum Corporation Limited ("the Company"), its Subsidiary Companies and its interests in Joint Venture Companies (the Company, its Subsidiary Companies and its interests in Joint Venture Companies constitute "the Group") as at March 31, 2010, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Hindustan Petroleum Corporation Limited's management and have been prepared by the management on the basis of separate financial statement and other financial information regarding components. 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. These 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. We did not audit the financial statements of the Subsidiary Companies and Joint Venture Companies, whose financial statements reflect the Group's share of total assets of Rs. 3,050.63 crores as at March 31, 2010, the total revenue of Rs. 5,782.87 crores and cash flows amounting to Rs. (108.19) crores for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by the other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of these Subsidiaries and Joint Venture Companies, is based solely on the report of the other auditors.
4. We have relied upon the unaudited financial statements of three Joint Venture Companies, which reflects total assets of Rs. 648.54 crores as at March 31, 2010 and total revenues of Rs. 53.43 crores and net cash flows amounting to Rs. (222.79) crores for the year ended on that date as considered in the consolidated financial statements.
5. We report that the consolidated financial statements have been prepared by the management of Hindustan Petroleum Corporation Limited in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" and Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures", issued under Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and consolidation of the reports of other auditors on separate financial statements on other financial information of the components, and to the best of our information and according to the explanation given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2010;
  - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For V. Sankar Aiyar & Co.  
Chartered Accountants  
Firm No. : 109208w

G. Sankar  
Partner  
Membership No. 46050

For Om Agarwal & Co.  
Chartered Accountants  
Firm No. : 000971c

Om Prakash Agarwal  
Partner  
Membership No. 016603

Place : New Delhi  
Date : 26<sup>th</sup> May 2010


**Consolidated Balance Sheet as at 31st March , 2010**

		Rs./Crores	
	SCHEDULE	2009-10	2008-09
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds:			
a) Capital	1	339.01	339.01
b) Reserves and Surplus	2	11,797.86	10,802.36
		12,136.87	11,141.37
Share Application Money Pending Allotment		138.69	1.24
Loan Funds:			
a) Secured Loans	3	4,089.18	1,723.16
b) Unsecured Loans	4	20,247.20	22,337.99
		24,336.38	24,061.15
Deferred Tax Liability		1,912.31	1,686.42
Minority Interest		2.54	2.68
<b>TOTAL</b>		<b>38,526.80</b>	<b>36,892.86</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets:	5		
a) Gross Block		26,745.84	21,949.61
b) Less: Depreciation		10,502.34	9,287.32
c) Net Block		16,243.50	12,662.29
d) Capital Work-in-Progress	6	8,916.51	6,454.65
		25,160.01	19,116.94
Investments	7	9,617.15	12,827.38
Current Assets, Loans and Advances:			
a) Inventories	8	13,104.96	9,116.25
b) Sundry Debtors	9	2,703.26	2,491.96
c) Cash and Bank Balances	10	802.94	1,276.27
d) Other Current Assets	11	144.01	185.33
e) Loans and Advances	12	5,430.73	4,345.70
		22,185.90	17,415.51
Less:			
Current Liabilities and Provisions:	13		
a) Liabilities		16,311.87	11,230.94
b) Provisions		2,125.32	1,237.07
		18,437.19	12,468.01
Net Current Assets		3,748.71	4,947.50
Miscellaneous Expenditure to the extent not written off or adjusted		0.94	1.05
<b>TOTAL</b>		<b>38,526.80</b>	<b>36,892.86</b>
NOTES FORMING PART OF CONSOLIDATED ACCOUNTS	20		

FOR AND ON BEHALF OF THE BOARD

ARUN BALAKRISHNAN  
Chairman & Managing Director

B. MUKHERJEE  
Director-Finance  
SHRIKANT M. BHOSKAR  
Company Secretary

Place : New Delhi  
Date : 26th May 10

For V SANKAR AIYAR & CO.  
Chartered Accountants  
Firm No. 109208w

G. SANKAR  
Partner  
Membership No. 46050

For OM AGARWAL & CO.  
Chartered Accountants  
Firm No. 000971c

OM PRAKASH AGARWAL  
Partner  
Membership No. 016603



## 58<sup>th</sup> Annual Report 2009-2010

### Consolidated Profit and Loss Account for the year ended 31st March, 2010

		Rs./Crores	
	SCHEDULE	2009-10	2008-09
INCOME			
Sale of Products		113,163.38	121,510.39
Less: Excise duty Paid		7,985.45	7,830.65
Net Sales		105,177.93	113,679.74
Recovery under Subsidy Schemes		6,289.95	15,374.82
Other Income	14	1,832.47	924.26
		113,300.34	129,978.82
INCREASE / (DECREASE) IN INVENTORY	15	3,293.65	(1,945.46)
EXPENDITURE AND CHARGES			
Purchase of Products for resale		62,681.93	73,399.07
Raw materials consumed		41,227.85	44,617.58
Packages consumed		150.23	140.19
Excise duty on inventory differential		339.67	(188.24)
Transshipping Expenses		2,653.56	2,437.15
Payments to and provisions for Employees	16	1,642.82	1,162.71
Exploration Expenses		256.98	71.96
Other Operating Expenses	17	3,041.14	2,197.13
Depreciation/Amortisation		1,250.52	1,066.06
Borrowing Cost	18	932.13	2,112.33
Miscellaneous Expenditure written off		1.53	6.07
		114,178.36	127,022.01
PROFIT FOR THE YEAR BEFORE TAXES		2,415.63	1,011.35
PRIOR PERIOD DEBITS / (CREDITS) (NET)	19	(3.86)	(0.49)
PROFIT BEFORE TAXES		2,419.48	1,011.84
PROVISION FOR CURRENT TAXATION		660.71	327.96
PROVISION FOR DEFERRED TAXATION (NET)		225.89	42.75
PROVISION FOR TAXATION IN EARLIER YEARS WRITTEN BACK		57.72	(103.65)
PROVISION FOR DEFERRED TAX OF EARLIER YEARS WRITTEN BACK		-	(26.90)
PROVISION FOR FRINGE BENEFIT TAX		0.01	14.36
PROFIT AFTER TAXES		1,475.15	757.32
Less : Share of Minority Interest		(0.14)	(0.07)
PROFIT AFTER TAX AND MINORITY INTEREST		1,475.29	757.39
Balance brought forward		8,519.57	8,039.61
PROFIT AVAILABLE FOR APPROPRIATION		9,994.86	8,797.00
APPROPRIATED FOR:			
General Reserve		136.78	63.26
Debenture Redemption Reserve		86.40	-
Proposed Final Dividend		406.35	177.78
Tax on Distributed Profits		73.73	36.39
BALANCE CARRIED FORWARD		9,291.60	8,519.57
EARNINGS PER SHARE (in Rs.)		43.57	22.37
(2009-10 : EPS = Net Profit - Rs. 1475.29 crores / Weighted avg. no. of shares - 33.86 crores)			
(2008-09 : EPS = Net Profit - Rs. 757.39 crores / Weighted avg. no. of shares - 33.86 crores)			
(Face value of each share : Rs. 10)			

NOTES FORMING PART OF CONSOLIDATED ACCOUNTS

20

FOR AND ON BEHALF OF THE BOARD

ARUN BALAKRISHNAN

Chairman & Managing Director

B. MUKHERJEE  
Director-Finance

SHRIKANT M. BHOSEKAR  
Company Secretary

Place : New Delhi  
Date : 26th May 10

For V SANKAR AIYAR & CO.  
Chartered Accountants  
Firm No. 109208w

G. SANKAR  
Partner  
Membership No. 46050

For OM AGARWAL & CO.  
Chartered Accountants  
Firm No. 000971c

OM PRAKASH AGARWAL  
Partner  
Membership No. 016603



## Schedules forming part of the Consolidated Balance Sheet

		Rs./ Crores	
		2009-10	2008-09
<b>1. CAPITAL</b>			
A. Authorised:			
75,000 Cumulative Redeemable Preference Shares of Rs. 100 each		0.75	0.75
34,92,50,000 Equity Shares of Rs.10 each		349.25	349.25
		<u>350.00</u>	<u>350.00</u>
B. Issued, Subscribed & Called up :			
33,93,30,000 Equity Shares of Rs.10 each fully paid up		339.33	339.33
Less: 7,02,750 Shares Forfeited during the year		(0.70)	(0.70)
33,86,27,250 equity shares of Rs. 10 each fully paid up		338.63	338.63
Add: Shares Forfeited (money received)		0.39	0.39
		<u>339.01</u>	<u>339.01</u>
<b>2. RESERVES AND SURPLUS</b>			
Share Premium Account			
As per last Balance Sheet		1,098.45	1,095.76
Add : Received During the Year		-	2.69
		<u>1,098.45</u>	<u>1,098.45</u>
Capital Grant			
As per Last Balance Sheet		4.36	4.55
Less: Amortised during the year		(0.19)	(0.19)
		<u>4.17</u>	<u>4.36</u>
Capital Reserve		(0.08)	(0.08)
Market Development Reserve		(1.40)	(1.40)
General Reserve			
As per last Balance Sheet		1,142.14	1,278.33
Add : Adjustments for Dividend		36.84	36.37
Less : Exchange Rate Variation on Restatement of ECB of 2007-08 in line with transitional provisions of AS-11		-	(199.46)
Add :Transfer from Profit & Loss Account		136.78	63.26
		<u>1,315.76</u>	<u>1,178.50</u>
Debenture Redemption Reserve			
As per last balance sheet		-	-
Add :Transfer from Profit & Loss Account		86.40	-
		<u>86.40</u>	<u>-</u>
Profit & Loss Account Surplus as per Account annexed		9,291.60	8,519.57
		<u>11,797.86</u>	<u>10,802.36</u>
<b>3. SECURED LOANS</b>			
7.35% Non Convertible Debentures		1,000.00	-
Collateral Borrowing and Lending Obligation (CBLO)		250.00	390.00
Overdrafts from Banks		125.88	308.49
Rupee Term Loan		24.21	24.21
Long Term Loans from Banks		91.38	105.78
Foreign Currency Loan		242.01	15.51
Zero Coupon Bonds		29.11	34.23
Secured Loan from Banks		0.32	-
Others		2,326.28	844.94
		<u>4,089.18</u>	<u>1,723.16</u>

**Schedules forming part of the Consolidated Balance Sheet**

		Rs./ Crores	
		2009-10	2008-09
<b>4. UNSECURED LOANS</b>			
Fixed Deposits		0.02	0.02
From Oil Industry Development Board		548.00	1,010.00
Commercial Paper		2,850.00	600.00
Clean Loans		7,975.00	15,690.00
Syndicated Loans from Foreign Banks		2,012.87	2,162.81
Short Term Loans From Banks		4,148.60	1,289.35
Sales Tax Deferment Loan		46.49	43.90
Inter Corporate Deposits		2,483.13	1,287.63
Others		183.08	254.28
		<b>20,247.20</b>	<b>22,337.99</b>

		(Rs. in Crores)						
Description	Gross Block at cost as at 01-04-2009	Additions/Reclassifications	Deductions/Reclassifications	Gross Block at cost as at 31-03-2010	Depreciation and Amortisation for the Year 2009-2010	Total Depreciation and Amortisation upto 31-03-2010	Net Block as at 31-03-2010	Net Block as at 31-03-2009
<b>A. OTHER THAN INTANGIBLE ASSETS</b>								
1. Land -Freehold	600.65	33.28	-	633.93	-	-	633.92	600.65
2. Roads and Culverts	1,067.73	221.24	2.37	1,286.60	20.93	121.05	1,165.55	965.42
3. Buildings	2,028.85	268.69	5.01	2,292.53	49.84	318.61	1,973.92	1,757.16
4. Leasehold Property - Land	349.33	36.76	0.28	385.81	11.71	52.74	333.07	308.07
5. Railway Siding & Rolling Stock	281.99	10.02	0.00	292.01	12.51	165.60	126.41	128.91
6. Plant & Machinery	16,831.21	4,116.00	30.47	20,916.74	1,080.79	9,438.32	11,478.43	8,446.66
7. Furniture, Fixtures & Office/ Laboratory Equipment	522.41	78.61	9.56	591.46	43.31	260.34	331.13	298.74
8. Transport Equipment	129.36	29.25	3.52	155.10	12.35	71.09	84.01	67.48
9. Unallocated Capital Expenditure on Land Development	0.20	2.21	-	2.41	-	0.20	2.21	-
10. Share of FA in JVs - ONGC								
Marginal Fields (PI 50%)	2.95	1.42	-	4.37	0.06	0.20	4.17	2.82
Project Sangapur (PI 50%)	3.36	(0.00)	-	3.36	0.01	0.04	3.33	3.34
<b>TOTAL(A)</b>	<b>21,818.04</b>	<b>4,797.48</b>	<b>51.21</b>	<b>26,564.32</b>	<b>1,231.51</b>	<b>10,428.17</b>	<b>16,136.15</b>	<b>12,579.23</b>
<b>B INTANGIBLE ASSETS</b>								
1. Right of Way	20.68	0.04	-	20.73	-	-	20.73	20.68
2. Technical / Process Licenses	11.31	22.52	-	33.83	4.35	8.54	25.29	6.75
3. Software	98.20	27.44	0.04	125.60	21.86	65.58	60.01	53.88
<b>TOTAL (B)</b>	<b>130.19</b>	<b>50.01</b>	<b>0.04</b>	<b>180.15</b>	<b>26.21</b>	<b>74.12</b>	<b>106.03</b>	<b>81.31</b>
<b>Sub TOTAL (A+B)</b>	<b>21,948.23</b>	<b>4,847.48</b>	<b>51.25</b>	<b>26,744.47</b>	<b>1,257.72</b>	<b>10,502.29</b>	<b>16,242.18</b>	<b>12,660.54</b>
<b>Held for Disposal ( C )</b>	<b>1.38</b>	<b>0.04</b>	<b>0.06</b>	<b>1.37</b>	<b>0.04</b>	<b>0.05</b>	<b>1.32</b>	<b>1.34</b>
<b>Grand Total (A+B+C)</b>	<b>21,949.61</b>	<b>4,847.53</b>	<b>51.31</b>	<b>26,745.84</b>	<b>1,257.77</b>	<b>10,502.34</b>	<b>16,243.50</b>	<b>12,661.88</b>
<b>Previous Year</b>	<b>21,271.89</b>	<b>808.61</b>	<b>130.89</b>	<b>21,949.61</b>	<b>1,067.82</b>	<b>9,287.32</b>	<b>12,662.29</b>	



## Schedules forming part of the Consolidated Balance Sheet

	Rs./ Crores	
	2009-10	2008-09
6. CAPITAL WORK-IN-PROGRESS (At Cost)		
Unallocated Capital Expenditure and Materials at Site	7,845.26	5,366.01
Advances for Capital Expenditure	198.49	115.35
Capital Stores	77.21	39.65
Capital Stores lying with Contractors	165.41	4.49
Capital goods in transit	4.43	12.26
	8,290.80	5,537.76
Construction period expenses pending apportionment (net of recovery)	358.64	95.18
Establishment charges	90.58	77.49
Interest	169.66	581.07
Other Borrowing Cost	6.81	163.15
Depreciation	0.02	0.00
	625.71	916.89
	8,916.51	6,454.65
7. INVESTMENTS		
I. LONG TERM INVESTMENTS (at cost):		
A. TRADE INVESTMENTS		
Quoted		
1. 7.00% Oil Marketing Companies' GOI Special Bonds, 2009	4.62	4.62
2. 6.90% Oil Marketing Companies' GOI Special Bonds, 2026	3,500.00	3,500.00
3. 6.35% Oil Marketing Companies' GOI Special Bonds, 2024 (Re-classified under Current Investments during the year)	-	4,603.73
4. Oil India Ltd.	561.76	-
Unquoted		
1. Prize Petroleum Co. Ltd. (8% Cumulative Convertible Preference Shares of Rs.10 each, Rs. 6.70 paid up) (Rs. 6.00 each paid up for 2008-09)	16.75	15.00
2. Shell MRPL Aviation Fuels & Services Ltd.	2.54	2.54
3. Petronet India Ltd.	16.00	16.00
Less : Provision for Diminution	(16.00)	(16.00)
TOTAL (A)	4,085.67	8,125.89
B. OTHER INVESTMENTS		
Quoted		
1. Government Securities of the face value of Rs. 0.02 crores (2008-09 : 0.02 crores)		
Deposited with Others	0.02	0.02
On hand (Rs. 25,000/- )	0.00	0.00
2. Scooters India Ltd. 10,000 Equity Shares of Rs. 10 each fully paid up	0.01	0.01
Unquoted		
1. Government Securities of the face value of Rs. 0.24 lakhs (2008-09 : Rs. 0.24 lakhs)		
Deposited with Others - Rs. 0.10 lakhs (2008-09 : Rs. 0.10 lakhs)	0.00	0.00
On hand - Rs. 0.14 lakhs (2008-09 : Rs. 0.14 lakhs)	0.00	0.00
2. East India Clinic Ltd. 1/2% Debentures of face value of Rs. 0.15 lakhs (2008-09 : Rs. 0.15 lakhs)	0.00	0.00
5% Debentures of face value of Rs. 0.07 lakhs (2008-09 : Rs. 0.07 lakhs)	0.00	0.00
3. Shushrusha Citizen Co-operative Hospital Limited 100 Equity Shares of Rs. 100 each fully paid up Rs. 0.10 lakhs (2008-09 : Rs. 0.10 lakhs)	0.00	0.00
4. Petroleum India International (AOP) Contribution towards Seed Capital	5.00	5.00
TOTAL (B)	5.03	5.03
TOTAL LONG TERM INVESTMENTS	4,090.70	8,130.92
Less: Provision for loss on Investments** - Rs. 0.14 lakhs	0.00	0.00
TOTAL : I	4,090.70	8,130.92

\*\* Includes Rs. 0.14 lakhs (2008-09 : Rs. 0.14 lakhs) not in the possession of the Company



**Schedules forming part of the Consolidated Balance Sheet**

	Rs./ Crores	
	2009-10	2008-09
II. CURRENT INVESTMENTS (at Cost or Fair Value whichever is lower)		
A. TRADE INVESTMENTS		
Quoted		
i. 7.47% Oil Marketing Companies' GOI Special Bonds, 2012	10.00	10.00
ii. 7.61% Oil Marketing Companies' GOI Special Bonds, 2015	5.12	5.12
iii. 8.20% Oil Marketing Companies' GOI Special Bonds, 2024*	1,292.64	-
iv. 7.95% Oil Marketing Companies' GOI Special Bonds, 2025	-	243.26
v. 8.20% Oil Marketing Companies' GOI Special Bonds, 2023	-	1,403.73
vi. 6.90% Oil Marketing Companies' GOI Special Bonds, 2026	80.00	894.12
vii. 8.00% Oil Marketing Companies' GOI Special Bonds, 2026	23.76	2,038.41
viii. 6.35% Oil Marketing Companies' GOI Special Bonds 2024		
(Refer Note 10 of Schedule 20B)	3,846.85	-
TOTAL (A)	5,258.36	4,594.64
B. NON TRADE (UNQUOTED) INVESTMENTS		
Unquoted		
Investments in Units of UTI		
i). UTI Liquid Cash Plan ( 927057.409 units @ Rs. 1019.4457)	37.69	-
ii) UTI Treasury Advantage Fund : Institutional Plan		
(6004369.404 units @ Rs. 1000.2929)	230.39	101.82
TOTAL (B)	268.08	101.82
TOTAL : II	5,526.44	4,696.46
TOTAL INVESTMENTS (I + II)	9,617.15	12,827.38
* Pledged with Clearing Corporation of India Limited against CBLO Loan		
8. INVENTORIES		
Raw Materials	2,885.19	2,209.44
Finished Products	9,143.35	6,354.58
Stock in Process	855.38	350.50
Packages	8.76	7.71
	12,892.68	8,922.23
Stores and Spares	212.28	194.02
	13,104.96	9,116.25
9. SUNDRY DEBTORS : (Unsecured)		
Over six months :		
Considered good	97.73	551.01
Considered doubtful	91.71	91.13
Others :		
Considered good	2,629.79	1,942.16
Considered doubtful	0.29	0.28
	2,819.52	2,584.58
Less: Provision for Doubtful Debts	(116.26)	(92.62)
	2,703.26	2,491.96
10. CASH AND BANK BALANCES		
Cash on hand	3.13	1.85
Cash & Cheques Awaiting Deposit	3.94	4.47
With Scheduled Banks:		
On Current Accounts	273.92	612.39
On Non-operative Current Accounts	0.01	0.01
On Fixed Deposit Accounts	521.84	657.44
With Others:		
In Current Account with Municipal Co-operative Bank Ltd. (maximum balance during the year Rs. 0.17 crores ; 2008-09 : Rs. 0.14 crores)	0.11	0.11
	802.94	1,276.27



**Schedules forming part of the Consolidated Balance Sheet**

	Rs./ Crores	
	2009-10	2008-09
<b>11. OTHER CURRENT ASSETS</b>		
Interest accrued on Bank Deposits and Investments	144.01	185.33
<b>12. LOANS AND ADVANCES</b>		
Secured, considered good :		
Advances recoverable in cash or in kind or for value to be received	363.47	412.31
Interest Accrued thereon	154.58	146.29
Unsecured, considered good :		
Advances recoverable in cash or in kind or for value to be received	166.09	113.77
Balances with Excise, Customs, Port Trust etc.	337.42	177.04
Other Deposits	270.77	158.03
Prepaid Expenses	102.42	55.15
Amounts recoverable under Subsidy Schemes	3,041.09	2,075.40
Inter Corporate Deposit	(16.87)	65.92
Advance towards Equity	196.15	22.01
Share Application Money Pending Allotment	3.73	3.73
Other Accounts Receivable	811.89	1,116.05
Unsecured, considered doubtful :		
Accounts Receivable & Deposits	3.54	3.85
	5,434.27	4,349.55
Less : Provision for Doubtful Receivables	(3.54)	(3.85)
	5,430.73	4,345.70
<b>13. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors		
i) Total outstanding dues of Micro, Small and Medium Enterprises	1.82	1.54
ii) Total outstanding dues of creditors other than above	9,108.87	6,324.34
Deposits from Dealers/Consumers for LPG Cylinders	3,732.61	3,217.64
Other Deposits	184.93	168.32
Accrued Charges/Credits	68.23	41.02
Interest accrued but not due on loans	79.99	116.06
Interest accrued and due on Debentures	0.01	0.13
Preference share capital redeemed remaining unclaimed/uncashed	0.01	0.01
Unclaimed Dividend	4.74	5.57
Unpaid Matured Debentures / fixed deposits	0.07	0.72
Other Liabilities	3,130.59	1,355.59
	16,311.87	11,230.94
<b>B. Provisions</b>		
Provision for Tax (Net)	559.02	331.99
Proposed Dividend	406.35	177.78
Provision for Gratuity / Pension	156.28	115.36
Provision for Other Long Term Benefits	489.23	367.02
Provision for Other Employee Benefits	440.53	205.11
Provision for Fringe Benefit Tax	0.18	0.45
Tax on Distributed Profits	73.73	36.39
Other Provisions	0.00	2.97
	2,125.32	1,237.07
	18,437.19	12,468.01

**Schedules forming part of the Consolidated Profit & Loss Account**

	Rs./ Crores	
	2009-10	2008-09
<b>14. OTHER INCOME</b>		
Interest (Gross):		
On Investments		
- Long Term	241.82	126.85
- Short Term	457.87	285.80
On Deposits	8.21	5.09
On Staff Loans	15.39	17.00
On Customers' Accounts	54.28	75.69
On Others	65.89	43.90
	<u>843.47</u>	<u>554.33</u>
Dividends	15.58	7.05
Share of Profit from Petroleum India International (AOP)	0.62	0.82
Rent Recoveries	61.59	51.46
Profit on sale of Short Term Investments	0.00	37.83
Exchange rate variation (Net)	594.22	0.69
Profit on sale of fixed assets (Net)	1.69	0.78
Miscellaneous Income	315.30	271.30
	<u>988.99</u>	<u>369.93</u>
	<u>1,832.47</u>	<u>924.26</u>
<b>15. INCREASE / (DECREASE) IN INVENTORY</b>		
Closing Stock:		
Stock in Process	855.38	350.50
Finished Products	9,143.46	6,354.69
	<u>9,998.84</u>	<u>6,705.19</u>
Less: Opening Stock:		
Stock in Process	350.50	510.58
Finished Products	6,354.69	8,140.07
	<u>6,705.19</u>	<u>8,650.65</u>
	<u>3,293.65</u>	<u>(1,945.46)</u>
<b>16. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages, Bonus, etc.	1,166.06	852.42
Contribution to Provident Fund	79.02	48.48
Pension, Gratuity etc.	142.77	85.56
Retirement Benefits	0.02	0.07
Employee Welfare Expenses	254.95	176.18
	<u>1,642.82</u>	<u>1,162.71</u>
<b>17. OTHER OPERATING EXPENSES</b>		
Consumption of Stores, Spares and Chemicals	182.20	122.66
Power and Fuel	2,695.61	2,578.44
Less : Fuel of own production consumed	<u>2,441.73</u>	<u>2,553.36</u>
	253.88	25.08
Repairs and Maintenance - Buildings	40.06	28.43
Repairs and Maintenance - Plant & Machinery	438.35	355.32
Repairs and Maintenance - Other assets	99.03	75.05
Insurance	23.90	19.37
Rates and Taxes	61.99	55.68
Irrecoverable Taxes and Other Levies	123.55	140.35
Equipment Hire Charges	6.22	1.29
Rent	139.53	128.62


**Schedules forming part of the Consolidated Profit & Loss Account**

	Rs./ Crores	
	2009-10	2008-09
Travelling and Conveyance	99.04	97.64
Printing and Stationery	10.90	9.71
Electricity and Water	226.62	174.29
Charities and Donations	15.19	14.00
Loss on Sale/ Write off of Fixed Assets/ CWIP	0.17	8.27
Stores & spares written off	1.82	1.88
Provision for Diminution in value of Current Investments	703.73	(75.28)
Loss on Sale of Current Investment	56.75	-
Loss on Sale of Long Term Investment	0.00	1.27
Provision for Doubtful Debts and Write-off / back	23.37	13.40
Provision for Doubtful Receivables	0.00	1.23
Security Expenses	66.96	58.35
Advertisement & Publicity	104.64	83.74
Consultancy and Technical Charges	27.23	29.66
Sundry Expenses and Charges (Not otherwise classified)	336.01	827.12
	<u>3,041.14</u>	<u>2,197.13</u>
<b>18. BORROWING COST</b>		
Interest on :		
Long Term Loans	23.61	55.28
Short Term Loans	549.06	1305.26
Overdraft from Banks	312.52	719.22
Fixed Deposits	15.55	19.44
Others	31.39	13.13
	<u>932.13</u>	<u>2,112.33</u>
<b>19. PRIOR PERIOD DEBITS/(CREDITS)</b>		
Raw Material consumed	(4.70)	(0.16)
Depreciation	3.67	0.04
Finance Cost	(2.66)	-
Adjustment relating to earlier years	0.05	(0.37)
Sales	(0.22)	-
	<u>(3.86)</u>	<u>(0.49)</u>

## Notes forming part of the Consolidated Financial Statements

20. Notes forming part of the Consolidated Financial Statements for the year ended 31st March 2010

1. Basis of preparation

The consolidated financial statements relates to Hindustan Petroleum Corporation Limited, its Subsidiary Companies and its interest in Joint Ventures, in the form of jointly controlled entities.

The Company has prepared consolidated financial statements in accordance with Accounting Standard - 21 (Consolidated Financial Statements) and Accounting Standard - 27 (Reporting for Financial Interest in Joint Ventures).

A new wholly owned subsidiary company, "M/s. HPCL Biofuels Limited" has been incorporated on October 16, 2009 to produce biofuels, such as - ethanol, which is blended with petrol. As a result, the opening balance of current year may not match with the previous year's figures.

2. Principles of Consolidation

(i) The Financial Statements of the Company and its Subsidiary Companies 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. The share of Minority Interest in the Subsidiaries has been disclosed separately in the Consolidated Financial Statements.

(ii) The financial statements of Joint Ventures have been combined by applying proportionate consolidation method on a line-by-line basis on items of assets, liabilities, income, and expenses after eliminating proportionate share of unrealized profits or losses.

3. Companies included in Consolidation

Subsidiary

HPCL Biofuels Limited

CREDA-HPCL Biofuel Limited

Joint Ventures

HPCL - Mittal Energy Limited

Hindustan Colas Limited

South Asia LPG Co. Pvt. Limited

Prize Petroleum Company Limited

Mangalore Refinery and Petrochemicals Limited

Bhagyanagar Gas Limited

Petronet India Limited\*

Petronet MHB Limited

Aavantika Gas Limited

%Holding

100.00

74.00

49.00

50.00

50.00

50.00

16.95

25.00

16.00

28.77

25.00

\*Proportionate consolidation in respect of Investments in Petronet India Limited has been discontinued in the preparation of Consolidated Financial Statements as the management has provided for full diminution in the Value of Investment during the financial year 2006-07.

4. During the year, ONGC and GAIL offered discount on prices of crude, SKO and LPG purchased from them. Accordingly, the Corporation has accounted the discount as under :

(a) Rs. 796 crores (2008-09 : Rs. 995.13 crores) discount received on purchase of SKO (PDS) and LPG (Domestic) from ONGC and GAIL has been adjusted against 'Purchase of Product for Resale'.

(b) Rs. 2,451.14 crores (2008-09 : Rs. 6,181.82 crores) discount received, on crude oil purchased from ONGC, has been adjusted against 'Raw Material Cost'.

5. In principle approval of Government of India for Budgetary Support amounting to Rs.5,563.13 crores (2008-09: Oil Bonds for Rs. 14,692.77 crores), has been received and the same have been accounted under 'Recovery under Subsidy Schemes'.

6. Significant Accounting Policies and additional information:

The significant accounting policies have been set out in the notes to accounts of the parent company, Hindustan Petroleum Corporation Limited. Additional information not impacted by consolidation is also set out in the notes to the accounts of the parent company.

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for the transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements.

7. Figures pertaining to the Subsidiary Companies/Joint Ventures have been reclassified, wherever necessary, to conform to the Company's Financial Statements.



## Notes forming part of the Consolidated Financial Statements

### 8. Related Party disclosure:

Particulars	Rs./ Crores	
	2009-10	2008-09
Sales	27.87	18.49
Purchases	3.71	2.48
Dividend	0.35	0.35
Investment in Equity	-	2.04
Advance towards equity	6.83	5.16
Other Advances	0.02	2.04
Services rendered / (received)	0.15	-
Others	1.61	1.10
Services received	3.00	2.52

The names of parties are as follows:

#### Joint Venture Companies:

Mittal Energy Investment Pte. Ltd. (MEI), Oil and Natural Gas Corporation Limited, Gas Authority of India Limited, ONGC Mangalore Petrochemicals Limited, Shell MRPL Aviation Fuels & Services Pvt. Limited, Mangalam Retail Services Limited, Mangalore Special Economic Zone, Total Gas Power India (TGPI), France, Total Project India Private Limited, Hydrocarbon Resources Development Pvt. Company Ltd., Jai Prakash Associates Limited., Trenergy, Malaysia, Valdel Oil & Gas Private Limited, COLASIE SA, France, COLAS SA, France

#### Key Management Personnel:

Shri Arun Balakrishnan, Chairman and Managing Director  
 Shri S. Roy Choudhury, Director - Marketing  
 Shri V. Viziasaradhi, Director - Human Resources  
 Shri B. Mukherjee, Director - Finance  
 Shri K. Murali, Director - Refineries  
 Shri Prabh Das, Chief Executive Officer  
 Shri M. R. Pasrija, Managing Director (w.e.f. 16.03.2009)  
 Shri P. P. Nadkarni, Managing Director  
 Shri U. K. Basu, Managing Director  
 Shri A. V. Sarma, Managing Director (till 09.06.2009)  
 Shri S. Sreenivasulu, Managing Director (w.e.f. 09.06.2009)  
 Shri. Dushyant Shah, Director - Commercial  
 Shri. V. Anantharaman, Manager  
 Shri. Ranjan Chakraborty, Manager (till 31.08.2009)  
 Shri. Sanjeev Malhotra, Manager (w.e.f. 01.09.2009)  
 Shri Kuldeep Singh Rekhi, Manager  
 Shri Sanjay Grover, Manager  
 Shri B. Rajesh, Chief Executive Officer

Details of remuneration to directors are given in Note 12 (E) of Consolidated Notes to Accounts

9. Additional provision for taxation amounting to Rs. 57.51 crores has been created based on the Assessment / Appellate Orders in respect of earlier years received during the year.
10. During the current year, investments in "6.35% Oil Marketing Companies' GOI Special Bonds 2024" amounting to Rs. 4603.73 Crores have been reclassified from 'Long Term Investments' to 'Current Investments'. Consequently, an amount of Rs. 756.88 Crores has been provided in the books of accounts towards diminution in the value for this investment.
11. Employee Benefits:
  - A. Liability towards long term defined employee benefits is determined on actuarial valuation by independent actuaries at the year end by using Projected Unit Credit method. However, in case of few joint venture entities, the liability was recognized based on best estimates.
  - B. In respect of Provident Fund, the contribution for the period is recognized as expense and charged to Profit & Loss account.
  - C. Short term employee benefits are recognized as an expense at an undiscounted amount in the Profit and Loss Account of the year in which the related services are rendered.
  - D. Summarized disclosure on defined benefit plans is given hereunder :

(Rs. in Crores)

Particulars	01.04.09	31.03.10	Change
Defined Benefit Obligation (DBO)	673.52	925.08	251.57
Fair value of Assets	338.89	496.42	157.53
Amount recognized in the Balance Sheet		431.11	
Total expenses recognized in Profit and Loss Account		226.12	



**Notes forming part of the Consolidated Financial Statements**

		Rs./ Crores	
		2009-10	2008-09
12	A. Estimated amount of contracts remaining to be executed on Capital Account not provided for	6,292.02	6,227.13
	B. No provision has been made in the accounts in respect of the following disputed demands/claims since they are subject to appeals/representations and a substantial portion thereof is recoverable from Pool Account:		
	i. Income Tax	4.35	6.05
	ii. Sales Tax/Octroi	2,422.60	2,661.56
	iii. Excise/Customs	275.28	362.21
	iv. Land Rentals & Licence Fees	71.29	81.91
	v. Others	60.56	175.36
		<u>2,834.07</u>	<u>3,287.09</u>
	C. Contingent Liabilities not provided for in respect of appeals filed against the Corporation *		
	i. Income Tax	0.13	0.00
	ii. Sales Tax/Octroi	5.42	90.11
	iii. Excise/Customs	36.18	55.76
	iv. Employee Benefits/Demands (to the extent quantifiable)	131.09	112.39
	v. Guarantees on behalf of others	61.01	211.08
	vi. Claims against the Corporation not acknowledged as debts	203.26	247.15
	vii. Enhancement of Compensation against land acquired	20.93	19.36
	viii. Service Tax	0.08	0.08
	ix. Navi Mumbai Municipal Corporation Cess	0.02	0.02
	ix. Others	454.38	95.12
		<u>912.49</u>	<u>831.07</u>
	* The Company has not considered those disputed demands/claims as Contingent Liabilities, the outflow of resources for which would be remote		
	D. Payment to Auditors:		
	i. Audit fees	0.35	0.28
	ii. Tax audit fees	0.01	0.00
	iii. Other services	0.04	0.02
	iv. Reimbursement of expenses	0.16	0.12
	E. Managerial Remuneration :		
	i. Salary and Allowances	2.16	1.12
	ii. Contribution to Provident Fund and other funds	0.13	0.06
	iii. Pension and Gratuity	0.02	0.02
	iv. Other benefits	0.58	0.66
	F. Deferred Tax Assets/(Liabilities) arising due to timing differences comprises of:		
	Deferred Tax Assets		
	Provision for Employee Benefits	211.84	219.19
	Others	293.97	134.29
	Total (A)	<u>505.81</u>	<u>353.48</u>
	Deferred Tax Liabilities		
	Depreciation	2,407.56	2,030.39
	Others	10.56	9.52
	Total (B)	<u>2,418.12</u>	<u>2,039.91</u>
	Deferred Tax Asset/(Liability)	<u>(1,912.31)</u>	<u>(1,686.43)</u>



## Notes forming part of the Consolidated Financial Statements

G. Information regarding Primary Segment Reporting as per AS-17 for the year ended March 31, 2010 is as under: Rs./Crores

	2009-10			2008-09		
	Downstream Petroleum	Exploration & Production	Total	Downstream Petroleum	Exploration & Production	Total
Revenue						
External Revenue	112,448.85	-	112,448.85	129,378.79	-	129,378.79
Inter-segment Revenue	-	-	-	-	-	-
Total Revenue	112,448.85	-	112,448.85	129,378.79	-	129,378.79
Result						
Segment Results	3,507.95	(256.98)	3,250.97	2,521.59	(71.96)	2,449.63
Less: Unallocated Expenses						
Net of unallocated Income	-	-	-	-	-	-
Operating Profit	3,507.95	(256.98)	3,250.97	2,521.59	(71.96)	2,449.63
Less:						
Interest Expenditure			932.13			2,112.33
Provision for diminution in investments			703.73			(75.28)
Loss on Sale of Investments			56.75			1.27
Add:						
Interest/Dividend						
(Including Share of profit from PII)			857.27			562.20
Prior year (Expenses) / Income			3.86			0.49
Profit on Sale of Investments			-			37.83
Profit before Tax			2,419.49			1,011.84
Less: Taxes (including Deferred tax /FBT)			944.34			254.52
Profit after Tax			1,475.15			757.32
Other Information						
Segment Assets	46,483.87	33.26	46,577.13	35,721.22	41.55	35,762.77
Unallocated Corporate Assets			10,703.74			13,598.11
Total Assets			57,220.87			49,360.88
Segment Liabilities	16,939.61	414.79	17,354.40	11,629.33	167.46	11,797.39
Unallocated Corporate Liabilities			27,251.64			26,417.91
Total Liabilities			44,606.04			38,215.30
Capital Expenditure	3,106.32	33.26	3,139.58	3,570.87	41.55	3,612.42
Depreciation	1,254.19		1,254.19	1,066.10		1,066.10
Non cash expenses excluding depreciation			5.27			

### Notes:

- The Group is engaged in the following business segments:
  - Downstream i.e. Refining and Marketing of Petroleum Products
  - Exploration and Production of Hydrocarbons

Segments have been identified taking into account the nature of activities and the nature of risks and returns.
- Segment Revenue comprises the following:
  - Turnover (Net of Excise Duties)
  - Subsidy from Government of India
  - Net Claim/(surrender to) PPAC/GOI
  - Other income (excluding interest income, dividend income and investment income)
- There are no geographical segments.
- Previous year's figures have been regrouped/reclassified wherever necessary.

**Consolidated Cash Flow Statement for the year ended 31st March, 2010**

	Rs./ Crores	
	2009-10	2008-09
<b>A. Cash Flow From Operating Activities</b>		
Net Profit before Tax & Extraordinary items	2,419.48	1,011.84
Adjustments for :		
Depreciation / Amortisation	1,250.54	1,066.06
Depreciation (Prior Period)	3.67	0.04
Miscellaneous Expenditure written off	1.53	6.07
Raw Materials Prior Period	(4.70)	(0.16)
Loss on Sale/Write off of Fixed Assets/ CWIP	(1.52)	7.49
Amortisation of capital grant	(0.19)	(0.19)
Spares written off	1.82	1.88
Provision for diminution in investments	703.73	(75.28)
Borrowing Cost	932.13	2,112.33
Provision for Doubtful Receivables written back	-	1.23
Provision for Doubtful Debts	23.37	13.40
Interest Income	(707.90)	(417.74)
Share of Profit from PII	(0.62)	(0.82)
Dividend Received	(15.58)	(7.05)
(Profit)/Loss on sale of Oil bonds	56.75	(36.56)
Operating Profit before Working Capital Changes	4,662.52	3,682.54
(Increase) / Decrease in Working Capital :		
Trade Receivables	(234.94)	(397.64)
Other Receivables	(773.13)	784.63
Inventories	(3,985.83)	3,525.02
Trade and other Payables	5,514.18	(1,202.07)
	520.28	2,709.94
Cash generated from operations	5,182.80	6,392.48
Direct Taxes / FBT refund / (paid) - Net	(491.68)	(215.32)
Cash Flow before extraordinary items	4,691.12	6,177.16
Extraordinary items	-	-
Net Cash from operating activities (A)	4,691.12	6,177.16
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets (incl. Capital Work in Progress/excluding interest capitalised)	(7,825.82)	(3,073.39)
Sale of Fixed Assets	(37.68)	(76.30)
Purchase of Investment (Including share application money pending allotment/ Advance towards Equity)	(3,075.36)	(16,124.59)
Misc Expenditure incurred by HMEL	(1.42)	(2.78)
Sale Proceeds of Oil bonds	5,213.52	9,275.49
Interest received	749.22	284.25
Dividend Received	15.58	7.05
Share of profit from PII	0.62	0.82
Net Cash from investing activities ( B )	(4,961.34)	(9,709.45)

**Consolidated Cash Flow Statement for the year ended 31st March, 2010**

	Rs./ Crores	
	2009-10	2008-09
<b>C. Cash Flow From Financing Activities</b>		
Proceeds from Calls in Arrear(Net)	-	1.57
Share application money received/(paid)	137.45	1.24
Long term loans raised	2,076.38	1,245.59
Fixed deposits / debentures repaid	(0.65)	(0.67)
Short term loans raised / (repaid)	(1,618.86)	5,720.68
Interest Paid on Loans	(399.83)	(2,586.19)
Dividend paid (including dividend distribution tax)	(215.00)	(162.06)
Net Cash from financing activities ( C )	(20.51)	4,220.16
Net Increase / (Decrease) in Cash and Cash Equivalents (A + B + C)	(290.72)	687.87
<b>Cash and Cash Equivalents As On 1st April (Opening) :</b>		
Cash / Cheques on Hand	6.32	7.41
Balances with Scheduled Banks		
- On Current Accounts	612.39	307.03
- Others	657.45	478.85
Balances with other Banks	0.11	0.10
	1,276.27	793.39
Overdrafts from Banks	(308.49)	(513.48)
	967.78	279.91
<b>Cash and Cash Equivalents as on 31st March (Closing):</b>		
Cash / Cheques on Hand	7.07	6.32
Balances with Scheduled Banks		
- On Current Accounts	273.92	612.39
- Others	521.85	657.45
Balances with other Banks	0.11	0.11
	802.95	1,276.27
Overdrafts from Banks	(125.88)	(308.49)
	677.07	967.78
Net Increase / (Decrease) in Cash and Cash Equivalents	(290.72)	687.87

Note: Previous year's figures have been regrouped / reclassified wherever necessary.

**FOR AND ON BEHALF OF THE BOARD****ARUN BALAKRISHNAN**

Chairman &amp; Managing Director

**B. MUKHERJEE**  
Director-Finance**SHRIKANT M. BHOSKAR**  
Company SecretaryPlace : New Delhi  
Date : 26th May, 2010**For V SANKAR AIYAR & CO.**  
Chartered Accountants  
Firm No. 109208w**G. SANKAR**  
Partner  
Membership No. 46050**For OM AGARWAL & CO.**  
Chartered Accountants  
Firm No. 000971c**OM PRAKASH AGARWAL**  
Partner  
Membership No. 016603



## **CREDA -HPCL BIOFUEL LIMITED**

**(Subsidiary of HPCL)**



## Auditors' Report

TO THE MEMBERS OF CREDA - HPCL BIOFUELS LIMITED

1. We have audited the attached Balance Sheet of CREDA - HPCL BIOFUEL LIMITED as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that the 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 perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 of our opinion.
3. As required by the Companies (Auditors' Report) Order 2003 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 books and records of the company as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:-
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in the report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report comply with Accounting Standards as referred to in Section 211(3)(c) of the Companies Act, 1956.
  - e. In terms of notification No. G.S.R. 829(E) dated 21.10.2003 issued by the Ministry of Finance, Department of Company Affairs, Government of India, clause (g) of sub-section (I) of section 274 of the Companies Act, 1956 is not applicable to the Government Company.
  - f. In our opinion and to the best of our information and according to explanation given to us the Balance Sheet, Profit and Loss Account and Cash Flow Statement read together with Significant Accounting Policies and Notes to the Accounts give the information required by the Companies Act, 1956 in the manner so required excluding disclosure of Accounting Standard 3 and give a true and fair view in conformity with the accounting principles generally accepted in India:-
    - i) In the case of Balance Sheet of the State of Affairs of the Company as at 31st March, 2010.
    - ii) In the case of Profit and Loss Account of the Loss for the year ended on that date, and
    - iii) In the case of Cash Flow Statement of the Cash Flows for the year ended on that date.

For AGRAWAL & PANSARI  
Chartered Accountants  
Firm No. 003350C

R.K. Agrawal  
Partner  
Membership No. 053338

Place : Raipur  
Date : 22<sup>nd</sup> May, 2010





**Annexure to the Auditors' Report to the Members of Creda-HPCL Biofuel Limited.**

(Referred to in paragraph 3 of our audit report of even date:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanation given to us and as certified to us, the Management during the year physically verified the assets. In our opinion, the frequency of such physical verification is reasonable having regard to the size of company and nature of its assets. No material discrepancies are found on such verification as compared to the available records.
- (c) According to the information and explanation given to us and as certified to us by the Management, there was no substantial disposal of fixed assets during the year.
- (ii) The nature of Company does not require it to hold inventories and as such clause 4(ii) of the Companies (Auditor's Report) Order, 2003 ('Order') is not applicable.
- (iii) (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly, the provision of clause (iii) (b), (c) and (d) of paragraph 4 of the Order are not applicable to the company for the current year.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and accordingly, the provision of clause (iii) (f) and (g) of paragraph 4 of the Order are not applicable to the company for the current year.
- (iv) In our opinion, and according to the information and explanation given to us, there are reasonable internal control procedures for the purchase of fixed assets & goods and for sale of goods & services, which in our opinion needs to be strengthened, to be commensurate with the size of the Company and the nature of its business. Further, during the course of our audit we have neither come across nor have been informed of any significant continuing failure to correct major weakness in the aforesaid internal control procedures.
- (v) As informed by the management and according to the information and explanation given to us, the contract or arrangements the particulars of which need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 and paragraph (v)(b) of the order is not applicable.
- (vi) The Company has not accepted any deposits from the public within the meaning of the Rule 2(b) of the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) According to the information and explanation given to us by the management, internal audit of the company is carried out during the year commensurate with its size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
- (ix) (a) According to the information and explanation given to us and on the basis of our examination



**Annexure to the Auditors' Report to the Members of Creda-HPCL Biofuel Limited.**

of the books of account, the company is regular in depositing undisputed statutory dues including Provident Fund, Fringe Benefit Tax, Income-Tax, Service-Tax, Cess and any Other Statutory dues applicable to it with the appropriate authorities.

- (b) According to information and explanation given to us, no undisputed material amounts in respect of Provident fund, Income Tax, Fringe Benefit Tax, Cess and Other Statutory dues applicable to the company was in arrears as of March 31, 2010 for period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no disputed amounts that have not been deposited with appropriate authorities on account of Income Tax/Fringe Benefit Tax/Service Tax/Cess.
- (x) The Company has accumulated losses of Rs. 80,92,680/- at March 31, 2010 and has incurred cash losses of Rs. 44,16,579/- during the financial year ended on that date.
- (xi) According to the information and explanation given to us, and on the basis of our examination of the books of account, the company has not defaulted in repayment of dues to any financial institution or banks. The company does not have any borrowings by way of debentures.
- (xii) According to the information and explanation given to us, and on the basis of our examination of the books of account, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund, nidhi, mutual benefit or a society. Accordingly clause 4(xiii) of the Order is not applicable.
- (xiv) (a) According to the information and explanation given to us and on the basis of our examination of the books of account generally, the company has not dealt/traded in respect of the securities, debentures and other securities during the year.  
(b) In our opinion and according to information and explanations given to us, no securities, debentures and other securities have been held by the Company.
- (xv) In our opinion and according to information and explanation given to us, the company has not given any guarantees for loans taken by others from bank or financial institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanation given to us, in our opinion, no term loans availed by the Company.
- (xvii) According to information and explanation given to us and based on the overall examination of the Balance Sheet of the Company, we report that fund raised on short term basis have, prima facie, not been used for long-term investment.



**Annexure to the Auditors' Report to the Members of Creda-HPCL Biofuel Limited.**

- (xviii) As informed by the management and based on our overall examination of the Books of accounts of the Company, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) No debentures and bonds issued are guaranteed by the company.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) Based on the audit procedures performed and according to the information and explanation given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For AGRAWAL & PANSARI  
Chartered Accountants  
Firm No. 003350C

R.K. Agrawal  
Partner  
Membership No. 053338

Place : Raipur  
Date : 22<sup>nd</sup> May, 2010



**Balance Sheet as at 31st March, 2010**

	Schedule	Amount in Rs.	
		2009-10	2008-09 (14.10.2008 to 31.03.2009)
Shareholders' Funds			
Capital	A	105,769,230	105,769,230
Reserves and Surplus	B	-	-
Loan funds			
Secured Loan	C	-	-
Unsecured Loan	D	-	-
Deferred Tax Liability (Net)	E	47,008	13,858
Total		<u>105,816,238</u>	<u>105,783,088</u>
Application of Funds			
Fixed Assets			
Gross Block	F	983,317	302,091
Less : Depreciation / Amortisation		52,292	7,885
Net Block		<u>931,025</u>	<u>294,206</u>
Capital Work in Progress		-	-
		<u>931,025</u>	<u>294,206</u>
Investments	G	-	-
Current Assets, Loans and Advances			
Inventories	H	-	-
Sundry Debtors	I	-	-
Cash and Bank Balances	J	61,713,261	67,128,052
Loans and Advances	K	27,600,375	27,518,290
		<u>89,313,636</u>	<u>94,646,342</u>
Less: Current Liabilities and Provisions			
Liabilities	L	1,033,876	1,247,187
Provisions	M	4,193	22,969
		<u>1,038,069</u>	<u>1,270,156</u>
Net Current Assets		<u>88,275,567</u>	<u>93,376,186</u>
Miscellaneous Expenditure	N	8,516,966	9,581,587
Profit & Loss Account Balance		8,092,680	2,531,109
Total		<u>105,816,238</u>	<u>105,783,088</u>

Schedules M to W form an integral part of the Profit and Loss Account

Notes attached to and forming part of the Statement of Accounts X

As per our report of Even Date

For and on behalf of the Board

For Agrawal & Pansari  
Chartered Accountants  
Firm No. 003350c

R.K. Agrawal  
Partner  
Membership No.053338

Place : Raipur  
Date : 22<sup>nd</sup> May, 2010

S. Roy Choudhury  
Chairman

K.S.Rekhi  
Manager

B. Mukherjee  
Director

Shruti Bhagat  
Company Secretary



## 58<sup>th</sup> Annual Report 2009-2010

### Profit and Loss Account for the year ended 31 March, 2010

	Schedule	Amount in Rs.	
		2009-10	2008-09 (14.10.2008 to 31.03.2009)
<b>Income</b>			
Sales / Income from Operations	O	-	-
Other Income	P	3,487,440	88,767
<b>Total</b>		<b>3,487,440</b>	<b>88,767</b>
<b>Expenditure</b>			
(Increase) / Decrease in stock of Finished Goods	Q	-	-
Packing Materials Consumed	R	-	-
Operating Expenses	S	246,905	-
Administrative Expenses	T	3,203,123	627,387
Selling and Distribution Expenses	U	-	-
Bank Charges	V	450	365
Cost of Employees	W	4,453,540	888,801
<b>Total</b>		<b>7,904,019</b>	<b>1,516,553</b>
<b>Profit/(Loss) before Depreciation and Tax</b>		<b>(4,416,579)</b>	<b>(1,427,786)</b>
Depreciation	F	44,407	7,885
Miscellaneous Expenditure	N	1,064,621	1,064,621
<b>Profit/(Loss) before Tax</b>		<b>(5,525,606)</b>	<b>(2,500,292)</b>
Provision for Tax			
- Current Tax		-	-
- Deferred Tax Charge	E	33,150	13,858
- In respect of earlier years		-	-
- Fringe Benefit Tax		2,815	16,959
<b>Profit/(Loss) after Tax</b>		<b>(5,561,571)</b>	<b>(2,531,109)</b>
Balance brought forward from previous year		(2,531,109)	-
Balance available for appropriation		-	-
<b>Appropriation</b>			
Proposed Dividend		-	-
Tax on Proposed Dividend		-	-
Transfer to General Reserve		-	-
Balance carried to Balance Sheet		(8,092,680)	(2,531,109)
<b>Total</b>		<b>(8,092,680)</b>	<b>(2,531,109)</b>
Number of Equity shares of Rs. 10 each		10,576,923	10,576,923
Earnings per Share - Basic and Diluted		(0.77)	(0.24)

Schedules M to W form an integral part of the Profit and Loss Account

Notes attached to and forming part of the Statement of Accounts X

As per our report of Even Date

For and on behalf of the Board

For Agrawal & Pansari  
Chartered Accountants  
Firm No. 003350c

R.K. Agrawal  
Partner  
Membership No.053338

S. Roy Choudhury  
Chairman

K.S.Rekhi  
Manager

B. Mukherjee  
Director

Shruti Bhagat  
Company Secretary

Place : Raipur  
Date : 22<sup>nd</sup> May, 2010



## 58<sup>th</sup> Annual Report 2009-2010

### Schedules forming part of the Balance Sheet

	Amount in Rs.	
	2009-10	2008-09 (14.10.2008 to 31.03.2009)
<b>SCHEDULE A - CAPITAL</b>		
Authorised		
20,00,00,000 equity shares of Rs.10 each.	2,000,000,000	2,000,000,000
Issued, Subscribed and Fully Paid up		
1,05,76,923 equity shares of Rs.10 each	105,769,230	105,769,230
<b>SCHEDULE B - RESERVES AND SURPLUS</b>		
Capital Reserve (Any subsidy or grant if received from Govt.)	-	-
General Reserve	-	-
Research & Development Reserve	-	-
<b>SCHEDULE C - SECURED LOAN</b>		
Loans from Scheduled Banks	-	-
Loans from Financial Institutions	-	-
Inter-Corporate Loans	-	-
<b>SCHEDULE D - UNSECURED LOAN</b>	-	-
<b>SCHEDULE E - DEFERRED TAX LIABILITY</b>		

Amount in Rs.								
Particulars	As on 01.04.2009		For the year		As on 31.03.2010			
	As per Companies Act	As per Income Tax Act	As per Companies Act	As per Income Tax Act	As per Companies Act	As per Income Tax Act	Difference	Deferred Tax Liability
Plant & Machinery	1,202	6,650	6,946	24,216	8,148	30,866	22,718	7,020
Furniture & Fixtures	988	3,589	6,011	24,195	6,999	27,784	20,786	6,423
Computers & Printers	5,695	42,495	27,879	93,903	33,574	136,398	102,824	31,773
Office Equipment	-	-	3,572	9,372	3,572	9,372	5,800	1,792
Total	7,885	52,734	44,407	151,686	52,292	204,420	152,128	47,008

### SCHEDULE F - FIXED ASSETS

(Amount in Rs.)

	Rate of Depreciation	Gross Block				Depreciation Block				Net Block	
		As on 01.04.2009	Additions	Deletions/ Adjustments	As on 31.03.2010	Upto 31.03.2009	For the Year	Deletions/ Adjustments	Upto 31.03.2010	As at 01.04.2009	As at 31.03.2010
<b>Tangible Assets:</b>											
Plant & Machinery	7.07%	88,665	158,850	-	247,515	1,202	6,946	-	8,148	87,463	239,367
Furniture & Fixtures	6.33%	71,776	333,319	-	405,095	988	6,011	-	6,999	70,788	398,096
Computers & Printers	16.21%	141,650	64,100	-	205,750	5,695	27,879	-	33,573	135,955	172,177
Office Equipment	7.07%	-	124,957	-	124,957	-	3,572	-	3,572	-	121,385
TOTAL		302,091	681,226	-	983,317	7,885	44,407	-	52,292	294,206	931,025

### SCHEDULE G - INVESTMENTS

Investments	-	-
	-	-
	-	-



**Schedules forming part of the Balance Sheet**

	Amount in Rs.	
	2009-10	2008-09 (14.10.2008 to 31.03.2009)
<b>SCHEDULE H -INVENTORIES</b>		
a) Inventories - Finished goods (at NRV) (As certified by the management)	-	-
b) Inventories - Stores & Spare parts (at cost)		
Packing Materials	-	-
Stock of plantation materials	-	-
Stock of stationary	-	-
Stock of loose tools	-	-
c) Inventories - Stock in progress (at cost)		
Work in Progress	-	-
	<u>-</u>	<u>-</u>
<b>SCHEDULE I - SUNDRY DEBTORS</b>		
Debts outstanding for a period exceeding six months		
- Considered good	-	-
- Considered doubtful	-	-
	<u>-</u>	<u>-</u>
Less : Provision for doubtful debts	-	-
	<u>-</u>	<u>-</u>
Other Debts		
- Considered good	-	-
	<u>-</u>	<u>-</u>
<b>SCHEDULE J - CASH &amp; BANK BALANCES</b>		
Cash and Cheques on hand	36,023	1,266
Balance with Scheduled Banks:		
in Current account	1,033,520	7,056,309
in term Deposits	60,000,000	60,000,000
Interest Accrued on Fixed Deposits	643,718	70,477
	<u>61,713,261</u>	<u>67,128,052</u>
<b>SCHEDULE K - LOANS AND ADVANCES</b> (Unsecured, considered good)		
Advance lease rentals	2,253,095	2,500,000
Advances recoverable in cash or in kind or for value to be received	18,000	-
Tax Deducted at Source on Fixed Deposit with Bank	329,280	18,290
Deposits (Lease Deposit)	25,000,000	25,000,000
	<u>27,600,375</u>	<u>27,518,290</u>
<b>SCHEDULE L - LIABILITIES</b>		
Sundry Creditors	-	-
Accrued Liabilities :		
Office Expenses	183,223	146,271
Payable to HPCL	756,167	1,100,916
Other Liabilities :		
Security deposit from contractors	94,486	-
	<u>1,033,876</u>	<u>1,247,187</u>
<b>SCHEDULE M- PROVISIONS</b>		
Tax Deducted at Source Payable	4,193	6,010
Fringe Benefit Tax (Net of Advance tax)	-	16,959
	<u>4,193</u>	<u>22,969</u>
<b>SCHEDULE N - MISCELLANEOUS EXPENDITURE</b>		
Pre-Incorporation Expenses	9,581,587	10,646,208
Less: Pre-Incorporation Expenses Written Off	(1,064,621)	(1,064,621)
	<u>8,516,966</u>	<u>9,581,587</u>


**Schedules forming part of the Profit and Loss Account**

	Amount in Rs.	
	2009-10	2008-09 (14.10.2008 to 31.03.2009)
<b>SCHEDULE O - SALES/INCOME FROM OPERATIONS</b>		
Gross Sales	-	-
Inter-cropping sales (if any)	-	-
	-	-
<b>SCHEDULE P - OTHER INCOME</b>		
Interest on fixed deposit (Tax deducted as source Rs. 3,10,990)	3,487,440	88,767
Miscellaneous Income	-	-
Insurance Claim Received	-	-
Profit on revaluation of loose tools	-	-
Depreciation adjustment	-	-
	3,487,440	88,767
<b>SCHEDULE Q - INCREASE/DECREASE IN STOCK</b>		
Opening Stock	-	-
Less: Closing Stock	-	-
	-	-
<b>SCHEDULE R - PACKING MATERIAL CONSUMED</b>		
Opening stock-packing materials	-	-
Add:Purchase - packing materials	-	-
Less:Closing Stock-packing materials	-	-
	-	-
<b>SCHEDULE S - OPERATING EXPENSES</b>		
Lease Rental on Land	246,905	-
	246,905	-
<b>SCHEDULE T - ADMINISTRATIVE EXPENSES</b>		
Sundry Expenses	294,562	3,186
Casual Labour	539,389	-
Local Conveyance	-	-
Tours & Travel	1,056,233	371,253
Travel training	-	-
Car hire charges	904,552	138,095
Rent	54,000	-
Equipment rentals	-	-
Telephone and Fax	48,318	16,395
Printing and Stationery :		
Letterheads/Office Printing	18,600	2,418
Computer stationary	14,641	6,760
Office Supplies	50,352	5,790
Books & Periodicals	13,300	2,880
Postage and Telegram	3,610	300
IT Expenses	3,625	13,460

**Schedules forming part of the Profit and Loss Account**

		Amount in Rs.	
		2009-10	2008-09 (14.10.2008 to 31.03.2009)
Auditor Remuneration			
- Audit Fees	27575		
- Tax Audit Fees	-		
- Certification Fees	-		
- Other Services	-		
- Reimbursement of expenses	-		
		27,575	27,575
Legal & Consultation fees		16,725	-
Board and Committee Meetings		125,913	-
Other Administrative Expenses		750	-
Certification and other professional services		30,978	39,275
		<u>3,203,123</u>	<u>627,387</u>
<b>SCHEDULE U - SELLING AND DISTRIBUTION EXPENSES</b>			
Transportation Charges (freight outward)		-	-
		-	-
<b>SCHEDULE V -BANK CHARGES</b>			
Bank Charges		450	365
Interest		-	-
		<u>450</u>	<u>365</u>
<b>SCHEDULE W - COST OF EMPLOYEES</b>			
Salaries and Wages [includes reimbursement of salaries of personnel on deputation from HPCL]		4,453,540	879,801
Contribution to Provident and Other funds		-	-
Staff Welfare		-	9,000
Employee Recruitment and Training		-	-
Leave Encashment and Gratuity		-	-
		<u>4,453,540</u>	<u>888,801</u>



## **Schedule – X : Significant Accounting Policies and Notes to Accounts**

CREDA-HPCL Biofuel Limited was promoted as a joint venture company by Hindustan Petroleum Corporation Limited (HPCL), and Chhattisgarh State Renewable Energy Development Agency (CREDA) for the plantation of jatropha in the State of Chhattisgarh. Jatropha seeds are used for the production of bio-diesel as viable renewable source of energy. The Company's objective is to carry out jatropha plantation on 15,000 hectares of leased land.

### **A SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

#### **(a) Fixed Assets**

##### **Land**

As per Notification no. F 4-59/2005/Seven/06 dated 01/09/2006 issued by the Government of Chhattisgarh, the lease of the land shall be given to CREDA for 20 years and may be renewed for a further period of 10 years subject to compliance of conditions by the lessee mentioned in the Notification. The Notification further provides that CREDA shall get the plantation and biodiesel processing unit on the land managed by a company in which CREDA has at least 26 percent shareholding. Further, CREDA shall neither transfer nor sublease the land to anybody under any circumstance.

The security deposit for the above land is refundable. The lease rental payable for leasehold land is charged to the Profit & Loss Account in the year in which it is payable.

Fixed Assets are stated at historical cost. Accumulated depreciation is deducted at the rates of depreciation as stated in (b) below.

#### **(b) Depreciation**

Depreciation is provided pro-rata to the period of use, on Straight Line Method, at the higher of the rates, based on estimated useful lives of the assets and those stipulated in Schedule XIV to the Companies Act, 1956.

#### **(c) Inventories**

- i) Stock of plantation materials and jatropha seeds are valued at cost or net realizable value whichever is lower
- ii) Standing crops at the beginning and at the end of the year is not valued as per the normal practice followed in the industry.

#### **(d) Plantation Development expenditure**

- i) Plantation and Land Development Expenditure is charged to revenue in the year in which it is incurred.
- ii) Also, the lease rent payable on all plantation land is charged off to the profit & loss account in the year in which it is payable.

#### **(e) Research & Development expenses**

- i) Research & Development expenses incurred upto the development stage are capitalized and will be written off over a period of five years from the year in which jatropha plants bear fruit.
- ii) All subsequent expenditure incurred towards research & development are written off in the year in which they are incurred.

#### **(f) Retirement Benefits**

Presently the manpower of the Company comprises of only personnel from HPCL on deputation basis. Company would formulate policy for Retirement benefits to its employees soon.

#### **(g) Sale of Products**

Jatropha Seeds are sold at prices determined by the Board periodically.

#### **(h) Interest**

Interest, both earnings as well as payments, are accrued in the books on mercantile basis.

#### **(i) Foreign Currency Transactions**

Foreign Currency transactions during the year are recorded at the exchange rates prevailing on the date of the transactions. All foreign currency assets, liabilities and forward contracts are restated at the rates

## Schedule – X : Significant Accounting Policies and Notes to Accounts

prevailing at the year end.

(j) Government Grants/ Subsidy

Government grants if any received towards investment in plantation would be treated as miscellaneous income and adjusted against the Plantation Development Expenditure.

(k) Taxes on Income

Current tax is determined on the basis of the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognized on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(l) Miscellaneous Expenditure

Pre-incorporation expenses incurred on formation of the company etc. is written off over a period of ten years in equal instalments.

(m) Impairment of Assets

At each Balance Sheet date an assessment is made of whether there is any indication of impairment of assets. An impairment loss is recognised whenever the carrying amount of assets of cash generating units (CGU) exceeds their recoverable amount.

### B NOTES FORMING PART OF THE ACCOUNTS

(a) Figures have been rounded off to nearest rupee.

(b) Preliminary expenses have been written off to the extent of 1/10<sup>th</sup>.

(c) Management has made an assessment on the impairment of assets and is of the opinion that there are no assets whose value is impaired.

(d) The company has no sundry creditors falling under the category of small scale industries covered by Micro, Small and Medium Enterprises Development Act, 2006.

(e) Deferred Tax Asset / (Liability) arising due to timing difference

Amount in Rs.

	For the year 2009-10	As at 31.3.2010
Depreciation	(1,07,279)	(1,52,128)
Total Deferred Tax Liability	(33,150)	(47,008)

Deferred tax has been considered in the accounts as per provisions of Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

(f)

Amount in Rs.

	2009-10
A. Estimated amount of Contracts remaining to be executed on Capital Account not provided for	NIL
B. Claims against the Company not acknowledged as debts	NIL
C. Payments to Auditors: Audit fees (incl. Service Tax)	27,575
D. Managerial Remuneration: Salary & Allowances (Chief Executive Officer is on deputation from HPCL. The amount represents remuneration paid by HPCL and debited to the company. The salary includes salary, company contribution to PF, LFA, bonus, medical, gratuity & leave encashment.)	19,52,689
E. C.I.F Value of Imports during the Year.	NIL
F. Expenditure in Foreign Currency	NIL
G. Earning in Foreign Currency	NIL
H. Information on each class of goods purchased, sold and stocks during the year	NIL

**Schedule – X : Significant Accounting Policies and Notes to Accounts****(g) Related Parties:-**

Nature of Relationship	Name of Related Parties
Promoters	1. Hindustan Petroleum Corporation Ltd.(HPCL) 2. Chhattisgarh State Renewable Energy Development Agency (CREDA)
Key Management Personnel	Shri Kuldeep Singh Rekhi (Manager)
Relative of the Key Management Personnel	NIL

Details of transactions between the company and related parties:

Nature of transaction	Amount in Rs.	
	HPCL	CREDA
Manpower cost of employees on deputation	44,53,540	-
Lease Rental Charges	-	2,46,905

- (h) The Cash flow statement is prepared by the indirect method set out in Accounting Standard-3 on "Cash Flow Statements" and presents the cash flows by operating, investing & financing activities of the company. Cash & cash equivalents presented in the cash flow statement consist of cash on hand and demand deposits with banks.



**Cash flow Statement for the year ended 31 March, 2010**

		Amount in Rs.	
		2009-10	2008-09 (14.10.2008 to 31.03.2009)
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>			
1	NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	(5,525,606)	(2,500,292)
i)	Depreciation	44,407	7,885
ii)	Preliminary Expenses written off	1,064,621	1,064,621
iii)	Interest Income	(3,487,440)	(70,477)
		(2,378,412)	1,002,029
2	OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	(7,904,019)	(1,498,263)
	Working Capital Changes		
	Decrease in Current Assets (Except Cash & Cash Equivalents)	-	-
	Increase in Current Liabilities	-	1,253,197
	Decrease in Current Liabilities	(232,087)	-
	Increase in Current Assets (Except Cash & Cash Equivalents)	(84,899)	(27,518,290)
		(8,221,004)	(27,763,356)
3	CASH GENERATED FROM OPERATIONS BEFORE TAX	(8,221,004)	(27,763,356)
	Income Tax Paid	310,990	
	Tax Refund Received	-	-
4	CASH FLOW BEFORE EXTRAORDINARY ITEMS	(7,910,014)	(27,763,356)
	Less: Extraordinary Items	-	(10,646,208)
	NET CASH INFLOW/( OUTFLOW) FROM OPERATING ACTIVITIES AFTER TAX & EXTRAORDINARY ITEMS	(7,910,014)	(38,409,564)
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
1	Interest Received	3,176,450	70,477
2	Capital Work in Progress	-	-
3	Purchase of Fixed Assets & Investments	(681,226)	(302,091)
	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	2,495,224	(231,614)
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
	Proceeds from Issue of Shares & Debentures	-	105,769,230
	NET CASH INFLOW FROM FINACING ACTIVITIES	-	105,769,230
(D)	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(5,414,791)	67,128,052
(E)	ADD: OPENING CASH AND CASH EQUIVALENTS	67,128,052	-
(F)	CLOSING CASH AND CASH EQUIVALENTS	61,713,261	67,128,052

As per our report of Even Date

For and on behalf of the Board

For Agrawal & Pansari  
Chartered Accountants  
Firm No. 003350c

R.K. Agrawal  
Partner  
Membership No.053338

S. Roy Choudhury  
Chairman

K.S.Rekhi  
Manager

B. Mukherjee  
Director

Shruti Bhagat  
Company Secretary

Place : Raipur  
Date : 22<sup>nd</sup> May, 2010

**Balance Sheet Abstract and Company's General Business Profile****I. REGISTRATION DETAILS**

Registration No. : U01119CT2008GOI020900 State Code: 10  
Balance Sheet Date : 31.03.2010

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)**

Public Issue : Nil Rights Issue : Nil  
Bonus Issue : Nil Private Placement : Nil

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs.Thousands)**

Total Liabilities : 105816.24 Total Assets : 105816.24  
Sources of Funds -  
Paid-up Capital : 105769.23 Reserves & Surplus : Nil  
Secured Loans : Nil Unsecured Loans : Nil  
Deferred Tax Liability : 47.01  
Application of Funds -  
Net Fixed Assets : 931.02 Investments : Nil  
Net Current Assets : 88275.56 Incorporation Exp. : 8516.97  
Accumulated Losses : 8092.68

**IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousand)**

Turnover : 3487.44  
Total Expenditure : 9013.05  
Profit/(Loss) Before Tax : (5525.61)  
Profit/(Loss) After Tax : (5561.57)  
Earning per Share (in Rs) : (0.77)

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY**

(As per monetary terms)

Item Code (ITC)  
Products Description : Jatropha Carcus  
Item Code (ITC)  
Products Description : Nil  
Item Code (ITC)  
Products Description : Nil

S. Roy Choudhury  
Chairman

B. Mukherjee  
Director

K.S.Rekhi  
Manager

Shruti Bhagat  
Company Secretary

Place : Raipur  
Date : 22<sup>nd</sup> May, 2010



## 58<sup>th</sup> Annual Report 2009-2010

### C & AG's Comments

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE CREDA - HPCL BIO FUEL LIMITED, RAIPUR FOR THE YEAR ENDED ON 31 MARCH 2010.

The preparation of financial statements of CREDA - HPCL Biofuels Limited, Raipur for the year ended on 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 is 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 and Assurance Standards prescribed by their professional body The Institute of Chartered Accounts of India. This is stated to have been done by them vide their Audit Report dated 22 May, 2010.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor on the accounts of CREDA - HPCL Biofuels Limited, Raipur for the year ended on 31 March 2010 and as such have no comments to make under 619(4) of the Companies Act, 1956.

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

Dolly Chakrabarty  
Principal Director of Commercial Audit  
& - Member, Audit Board, Hyderabad

Place : Hyderabad

Date : 25 May, 2010



## Joint Ventures

Sl. No	Name of the Joint Venture	Date of Incorporation	Shareholding		Nature of Operations
1.	HPCL-Mittal Energy Ltd.	13.12.2000	HPCL Mittal Investments S.A.R.L. Indian Financial Institutions	- 49.00% - 49.00% - 2.00%	Construction of 9 MMTPA petroleum refinery at Bhatinda, Punjab.
2.	Hindustan Colas Ltd.	17.07.1995	HPCL COLASIE	- 50.00% - 50.00%	Manufacture and marketing of Bitumen Emulsions & Modified Bitumen.
3.	South Asia LPG Company Pvt. Ltd.	16.11.1999	HPCL TOTAL	- 50.00% - 50.00%	Storage of LPG in underground cavern (60,000 MT capacity) and associated receiving and dispatch facilities at Visakhapatnam.
4.	Mangalore Refinery & Petrochemicals Ltd.	07.03.1988	ONGC HPCL Others	- 71.62% - 16.95% - 11.43%	Refining of crude oil and manufacturing of petroleum products.
5.	Prize Petroleum Co. Ltd.	28.10.1998	HPCL ICICI & Associates HDFC	- 50.00% - 45.00% - 5.00%	Exploration and production activities in the oil and gas sector.
6.	Petronet India Ltd.	26.05.1997	HPCL Financial / Strategic Investors Other PSUs	- 16.00% - 50.00% - 34.00%	To act as nodal agency for developing identified and prioritized petroleum product pipelines in the country.
7.	Petronet MHB Ltd.	31.07.1998	HPCL Petronet India Ltd. ONGC Financial / Strategic Investors	- 28.77% - 7.89% - 28.77% - 34.57%	Operation and maintenance of petroleum product pipeline between Mangalore-Hassan-Bangalore.
8.	Bhagyanagar Gas Ltd.	22.08.2003	HPCL GAIL AP Govt.	- 25.00% - 25.00% - 50.00%	Distribution and marketing of environmental friendly fuels (Green Fuels) viz. CNG and Auto LPG in the state of Andhra Pradesh.
9.	Aavantika Gas Ltd.	07.06.2006	HPCL GAIL Financial Institutions	- 25.00% - 25.00% - 50.00%	Distribution and marketing of environmental friendly fuels (Green Fuels) viz. CNG and Auto LPG in the state of Madhya Pradesh.



**HPCL BIOFUELS LIMITED**

(Subsidiary of HPCL)



## Auditors' Report

TO THE MEMBERS OF HPCL BIOFUELS LIMITED

1. We have audited the attached Balance Sheet of HPCL BIOFUELS LIMITED (the company) as at 31 March 2010, the Profit and Loss Account and also the Cash Flow Statement of the company for the period from 16-10-2009 to 31-03-2010, 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 the 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, as amended by the Companies (Auditor's information) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give 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:
  - (a) Preliminary expenses have been certified by M/s G.P. Kapadia & Co., Chartered Accountants, Mumbai and pre - incorporation expenses and sale of scrap (Plant & Machinery etc. of Sugar Units acquired along with lease of land) have been certified by M/s H. Singhvi & Co., Chartered Accountants, Mumbai. We have relied on those certificates in respect of the expenses & sale of scrap mentioned in those certificates.
  - (b) The Accounts adopted by the Board on 27 April, 2010 have been revised as given in para 11 of the Notes to Accounts. This is the revised report on the revised accounts.
  - (c) 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;
  - (d) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books;
  - (e) the Balance Sheet, the Profit & Loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
  - (f) In our opinion, the Balance Sheet, the Profit & Loss Account and the 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;
  - (g) In view of notification no. GSR 829 (E) dated 21.10.2003, issued by the Central Government, the provisions of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956 are not applicable to a government company.
  - (h) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, and the Accounting Policies 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 :-
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2010,
    - (ii) in the case of the Profit and Loss account, of the loss of the company for the period ended on that date ; and.
    - (iii) In the case of Cash Flow Statement, of the Cash Flows of the company for the period ended on that date.

For L.K. KEJRIWAL & CO.  
Chartered Accountants  
Firm No. 001368C

L.K. Kejriwal  
Partner  
Membership no. 011848

Place : Mumbai  
Date : 21st May, 2010





## **Annexure to the Auditors' Report**

(Referred to in paragraph 3 of our report of even date on the accounts of HPCL BIOFUELS LIMITED, for the period from 16-10-2009 to 31-03-2010)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets  
  
(b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.  
  
(c) There was no substantial disposal of fixed assets during the year which would affect the going concern status of the company.
2. As the company did not have any inventories during the year, clause 4(ii) of the Order is not applicable to the company.
3. Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has neither granted nor given nor taken loans, secured or unsecured, to/from companies, firms or other parties covered in the register required to be maintained under section 301 of the Companies Act, 1956, Consequently, clauses (b), (c), (d), (e), (f) and (g) of para 4(iii) of the Order are not applicable to the company.
4. There is no purchase of inventory and no sale of goods and services during the period. As regards purchase of fixed assets, in our opinion and according to the information & explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system. .
5. According to the information & explanations given to us, there are no contracts and arrangements referred to in Section 301 of the Companies Act 1956 entered into during the period that need to be entered in the register to be maintained under that Section. Accordingly, para 4(v)(a)&(b) of the Order is not applicable to the company for the current period.
6. The company has not accepted any deposits from the public within the meaning of section 58A and 58AA or any other relevant provisions of the Act, the rules framed there under and the directives issued by the Reserve Bank of India.
7. As informed to us, the internal audit of the company is conducted by the internal audit department of Hindustan Petroleum Corporation Ltd, the holding company. The internal audit system of the company is commensurate with its size and the nature of its business.
8. According to the information and explanations given to us, the Central Government has prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 in respect of Sugar Industry vide notification no 388(E) dated 15.07.1997 but as the Plant & Machineries are still under



## **Annexure to the Auditors' Report**

installation and the Company has not started production, the cost records have not been maintained by the Company.

9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has been generally regular in depositing undisputed statutory dues of Income Tax (TDS) and VAT. It was explained to us that there were no other statutory dues payable by the company.  
  
(b) According to the information and explanations given to us, there are no dues of VAT and Income Tax which have not been deposited on account of any dispute. It was explained to us that there were no dues on account of Wealth Tax, Custom Duty, Service Tax, Excise Duty and Cess.
10. As the company has been registered for a period of less than five years, the provisions of para 4(x) of the Order are not applicable to the company.
11. The company has neither taken any loan from a financial institution or a bank, nor issued any debenture.
12. According to the information and explanations given to us, and based on the documents and records produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, para 4 (xiii) of the order is not applicable.
14. The company has not dealt in or traded in shares, securities, debentures and other investments during the period, and accordingly, the provisions of para 4(xiv) of the Order are not applicable to the company during the period.
15. According to the information and explanations given to us, the company has given a corporate guarantee to State Bank of India for extending credit facilities to sugar cane farmers. In our opinion, the terms and conditions are not prejudicial to the interests of the company.
16. No term loans were obtained by the company during the period.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, no funds were raised by the company on short-term basis.
18. The company has not made any preferential allotment of shares to parties and companies covered in the Register to be maintained under section 301 of the Companies Act, 1956.



## 58<sup>th</sup> Annual Report 2009-2010

19. The company has not issued any debentures during the period.
20. The company has not raised any money through a public issue during the period.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period.

For L.K. KEJRIWAL & CO.  
Chartered Accountants  
Firm No. 001368C

L.K. Kejriwal  
Partner  
Membership no. 011848

Place : Mumbai  
Date : 21st May, 2010


**Balance Sheet as at 31st March, 2010**

		Amount in Rs.
	SCHEDULE	2009-10
<b>Sources of Funds</b>		
<b>Shareholders' Funds</b>		
- Share Capital	A	1,000,000,000
- Advance against Equity pending Allotment		641,600,000
- Reserves and Surplus	B	-
<b>Loan funds</b>		
- Secured Loan	C	-
- Unsecured Loan	D	-
Deferred Tax Liability (Net)	E	-
<b>Total</b>		<b>1,641,600,000</b>
<b>Application of Funds</b>		
<b>Fixed Assets</b>		
Gross Block	F	5,160,139
Less : Depreciation / Amortisation		148,747
Net Block		5,011,392
Capital Work In Progress	G	200,49,15,743
<b>Current Assets, Loans and Advances</b>		
Inventories	H	-
Sundry Debtors	I	-
Cash and Bank Balances	J	6,387,970
Loans and Advances	K	919,323
		<b>7,307,293</b>
<b>Less: Current Liabilities and Provisions</b>		
Current Liabilities	L	402,964,772
Provisions	M	21,876
		<b>402,986,648</b>
<b>Net Current Assets</b>		<b>(395,679,355)</b>
<b>Miscellaneous Expenditure</b>		
Preliminary Expenses ( to the extent not written off or adjusted)	N	-
<b>Profit &amp; Loss Account</b>		
		<b>27,352,220</b>
		<b>27,352,220</b>
<b>Total</b>		<b>1,641,600,000</b>
<b>Significat Accounting Policies</b>	X	
<b>Notes attached to and forming part of the Statement of Accounts</b>	Y	
<b>Schedules referred to above form an intergral part of the Balance Sheet</b>		

As per our report of even date attached

For and on behalf of the Board

For L.K. KEJRIWAL & CO.  
Chartered Accountants  
Firm No. 001368 C

K. Murali  
Director

B. Mukherjee  
Director

L.K. Kejriwal  
Partner  
Membership No.011848

B. Rajesh  
CEO & Manager

G. P. Meena  
Chief Finance Officer

Place : Mumbai  
Date : 21<sup>st</sup> May, 2010

Heena Shah  
Company Secretary



## 58<sup>th</sup> Annual Report 2009-2010

### Profit and Loss Account for the year ended 31 March, 2010

(For the period from 16.10.2009 to 31.03.2010)

	Schedule	Amount in Rs. 2009-10
<b>Income</b>		
Sales / Income from Operations	O	-
Other Income	P	97,795
<b>Total</b>		<b>97,795</b>
<b>Expenditure</b>		
(Increase) / Decrease in Stock of Finished Goods	Q	-
Packing Materials Consumed	R	-
Operating Expenses	S	-
Administrative Expenses	T	5,527,760
Selling and Distribution Expenses	U	-
Bank Charges	V	2,711,513
Cost of Employees	W	6,024,696
<b>Total</b>		<b>14,263,969</b>
<b>Profit/ (Loss) before Amortisation, Depreciation and Tax</b>		<b>(14,166,174)</b>
Depreciation	F	-
Preliminary Expenses written off	N	13,164,170
<b>Profit/ (Loss) before Tax</b>		<b>(27,330,344)</b>
Provision for Tax		
- Current Tax		21,876
- Deferred Tax Charge	E	-
- In respect of earlier years		-
- Fringe Benefit Tax		-
<b>Profit/ (Loss) after Tax</b>		<b>(27,352,220)</b>
Balance brought forward from previous year		-
<b>Balance available for appropriation</b>		<b>(27,352,220)</b>
<b>Appropriation</b>		
Proposed Dividend		-
Tax on Proposed Dividend		-
Transfer to General Reserve		-
Balance carried to Balance Sheet		(27,352,220)
<b>Total</b>		<b>(27,352,220)</b>
Nominal Value of Equity Shares of (Rs.)		10
Earnings per Share - Basic and Diluted		-
Significant Accounting Policies	X	
Notes attached to and forming part of the Statement of Accounts	Y	
Schedules referred to above form an integral part of the Profit and Loss Account		

As per our report of even date attached

For L.K. KEJRIWAL & CO.  
Chartered Accountants  
Firm No. 001368 C

L.K. Kejriwal  
Partner  
Membership No.011848

Place : Mumbai  
Date : 21<sup>st</sup> May, 2010

For and on behalf of the Board

K. Murali  
Director

B. Rajesh  
CEO & Manager

Heena Shah  
Company Secretary

B. Mukherjee  
Director

G. P. Meena  
Chief Finance Officer



## Schedules Forming part of the Balance Sheet

	Amount in Rs.
	2009-10
<b>SCHEDULE - A - SHARE CAPITAL</b>	
Authorised	
25,00,00,000 Equity Shares of Rs.10 each.	2,500,000,000
Issued, Subscribed and paid up	
10,00,00,000 Equity Shares of Rs.10 each fully paid up	1,000,000,000
	<u>1,000,000,000</u>
Notes:-	
1) Of the above 9,99,99,994 equity shares were allotted to the Holding Company "Hindustan Petroleum Corporation Ltd" and balance 6 equity shares to the 6 nominees of the Holding Company.	
2) Of the above paid up Capital of Rs 1,00,00,00,000, Rs.50,82,84,752 was received in cash and Rs. 49,17,15,248 was on a/c of Pre- incorporation and Preliminary exps.incurred by the Holding Company	
<b>SCHEDULE - B - RESERVES AND SURPLUS</b>	-
	-
<b>SCHEDULE - C - SECURED LOANS</b>	-
	-
<b>SCHEDULE - D - UNSECURED LOANS</b>	-
	-
<b>SCHEDULE - E - DEFERRED TAX</b>	-
	-
<b>SCHEDULE - F - FIXED ASSETS</b>	-

	Gross Block				Depreciation/Amortisation				Net Block	
	As on 16.10.2009	Additions	Deletions/ Adjustments	As on 31.03.2010	As on 16.10.2009	For the Year	Deletions/ Adjustments	As on 31.03.2010	As on 31.03.2010	As on 16.10.2009
<b>Tangible Assets</b>										
Leasehold Land	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	-	3,123,964	-	3,123,964	-	87,568	-	87,568	3,036,396	-
Furniture & Fixtures	-	1,969,914	-	1,969,914	-	53,743	-	53,743	1,916,171	-
Computers & Printers	-	66,261	-	66,261	-	7,436	-	7,436	58,825	-
<b>TOTAL</b>	-	5,160,139	-	5,160,139	-	148,747	-	148,747	5,011,392	-

	Amount in Rs.
	2009-10
<b>Schedule - G - Capital Work In Progress (at cost)</b>	
(A) Payment for Leasehold Land and Appurtenants	
Sugali	500,000,000
Lauriya	450,000,000
Total	<u>950,000,000</u>
Less: Income from sale of scrap	<u>(41,347,196)</u>
(B) Advance to Contractors for Capital Expenditure	908,652,804
(C) Unallocated Capital Expenditure	815,506,779
(D) Construction period Expenses Pending Apportionment	230,434,902
Consultancy Expenses	16,261,480
Rent	330,000
Contract Wages & Office Expenses	2,745,618

**Schedules Forming part of the Balance Sheet**

	Amount in Rs.
	2009-10
Repair & Maintenance Expenses	8,580,571
Security Advisor Fee	480,000
Security Expenses	2,581,069
Taxi Hire Expenses	2,324,204
Travel Expenses	666,742
Establishment Expenses	16,202,827
Depreciation	148,747
Sub Total	50,321,258
Total	2,004,915,743
 SCHEDULE - H -INVENTORIES	 -
 SCHEDULE - I - SUNDRY DEBTORS	 -
 SCHEDULE - J - CASH & BANK BALANCES	 -
Cash and Cheques on hand	-
Balance with Scheduled Banks:	
In Current Accounts	6,387,970
	6,387,970
 SCHEDULE- K - LOANS AND ADVANCES	 
(Unsecured, considered good)	
Tax Deducted at Source on Fixed Deposit with Bank	5,180
Advances to Cane Growers	914,143
	919,323
 SCHEDULE - L - CURRENT LIABILITIES	 
Payable to EPCC Contractor	22,357,707
Operating Expenses Payable to HPCL	24,047,691
Accrued Expense - Payable	118,113,737
TDS Payable	930,637
Security Deposit from Contractors	15,000
Payable to Government of Bihar	237,500,000
	402,964,772
 SCHEDULE - M - PROVISIONS	 
Provision for Income Tax	21,876
	21,876
 SCHEDULE - N -PRELIMINARY EXPENSES TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED	 
Preliminary Expenses	13,164,170
Less: Preliminary Expenses Written off	(13,164,170)
	-





## Schedules Forming part of the Profit and Loss Account

		Amount in Rs.
		2009-10
SCHEDULE - O - SALES/INCOME FROM OPERATIONS		-
SCHEDULE - P - OTHER INCOME		-
Interest on Fixed Deposit		51,795
Miscellaneous Income		46,000
		97,795
SCHEDULE - Q - INCREASE/DECREASE IN STOCK		-
SCHEDULE - R - PACKING MATERIALS CONSUMED		-
SCHEDULE - S - OPERATING EXPENSES		-
SCHEDULE - T - ADMINISTRATIVE EXPENSES		-
Fee to Cane Advisor		400,000
Cane Development Expense		3,343,298
Review & Conference		206,544
Salary & Wages		971,971
Statutory Fees and Taxes		222,045
Telephone and Fax		122,001
Printing and Stationery		120,719
Postage and Telegram		2,040
Auditor Remuneration		
- Audit Fees	33090	
- Tax Audit Fees	-	
- Certification Fees	-	
- Other Services	-	
- Reimbursement of Expenses	-	33,090
Land Lease Payment		2
Legal & Consultation Fees		106,050
		5,487,760
SCHEDULE - U - SELLING AND DISTRIBUTION EXPENSES		-
SCHEDULE - V - BANK CHARGES		-
Bank Charges including guarantee commission		2,711,513
		2,711,513
SCHEDULE - W - COST OF EMPLOYEES		
Salaries and Wages [of personnel on deputation from HPCL]		6,011,729
Staff Welfare		11,600
Employee Recruitment and Training		1,367
		-
		6,024,696

## Schedule – X : Significant Accounting Policies

### STATEMENT OF ACCOUNTING POLICIES:

The financial statements are prepared under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP), Accounting Standards referred to in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956. All income and expenditure having material bearing are recognized on accrual basis, except where otherwise stated. Necessary estimates and assumption of income and expenditure are made during the reporting period and difference between the actual and the estimates are recognized in the period in which the results materialize.

#### 1. FIXED ASSETS

- a. Land acquired on lease for 99 years or more is treated as freehold land. Land acquired for less than 99 years is treated as lease hold land.
- b. Fixed Assets are carried at cost less accumulated depreciation.

#### 2. INTANGIBLE ASSETS

- a. Costs incurred on technical know-how/license fee relating to process design/plants/facilities are capitalized as Intangible Assets.
- b. Cost of Software directly identified with hardware is capitalized along with the cost of hardware. Application software is capitalized as Intangible Asset.

#### 3. CONSTRUCTION PERIOD EXPENSES ON PROJECTS

- a. Expenditure directly or indirectly related with the project, during construction period, start-up and commissioning of the project are capitalized.
- b. Preliminary, pre-incorporation and pre-operative expenses not capitalized in line with AS 26, are recognized as an expense when incurred.

#### 4. DEPRECIATION

- a. Depreciation on Fixed Assets is provided on the Straight Line method, in the manner and at the rates prescribed under Schedule XIV to the Companies Act, 1956 and is charged pro rata on a monthly basis on assets, from/up to and inclusive of the month of capitalization/sale, disposal or deletion during the year.
- b. All assets costing up to Rs. 5000/-are fully depreciated in the year of capitalization.
- c. Premium on leasehold land is amortized over the period of lease. The lease rent is charged in the respective year.
- d. Machinery Spares, which can be used only in connection with an item of fixed asset and the use of which is expected to be irregular, are depreciated over a period not exceeding the useful life of the principal item of fixed asset.
- e. Intangible Assets other than application software are amortized on a straight line basis over the useful life of the parent asset.
- f. Application software are normally amortized over a period of four years, or over its useful life, whichever is earlier.

#### 5. IMPAIRMENT OF ASSETS

At each balance sheet date, an assessment is made of whether there is any indication of impairment. An impairment loss is recognized whenever the carrying amount of assets of cash generating units (CGU) exceeds their recoverable amount.

#### 6. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

- 6.1 A provision is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made.



## Schedule – X : Significant Accounting Policies

### 6.2 No provision is recognized for:

- (i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.
- (ii) Any present obligation that arises from past events but is not recognized because
  - a. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
  - b. A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

### 6.3 Contingent Assets are not recognized in the financial statements as this may result in the recognition of income that may never be realized.

## 7. TAXES ON INCOME

- a. Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.
- b. Deferred tax on account of timing difference between taxable and accounting income is provided by using tax rates and tax laws enacted or substantively enacted as at the balance sheet date.

## 8. EMPLOYEE BENEFITS

Presently the manpower of the company comprises personnel from HPCL on deputation basis. As per HPCL's accounting policy, liability towards long term defined employee benefits-leave encashment, gratuity, pension, post – retirement medical benefits, long service award, ex-gratia and death benefits are determined on actuarial valuation by independent actuaries at the year end by using projected unit credit method. Liability so determined is funded in the case of leave encashment and gratuity, and provided for in other cases. In respect of provident fund, the contribution for the period is recognized as expense and charged to Profit & Loss Account. Short term employee benefits are recognized as an expense at an undiscounted amount in the profit & loss account of the year in which related services are rendered.

## SCHEDULE – Y : NOTES ON ACCOUNTS

A wholly owned subsidiary company 'HPCL Biofuels Ltd' has been incorporated by holding company Hindustan Petroleum Corporation Ltd, a Government company under Companies Act, 1956, on 16<sup>th</sup> October, 2009 at Patna to set up Integrated Sugar, Ethanol & Co-gen Power Plants at Sugauli in East Champaran District and Lauriya in West Champaran District in Bihar at a total cost of Rs.613.54 Crores.

Each of the above plant will have crushing Capacity of 3500 TCPD, Distillery capacity 60 KLPD and Co-gen capacity of 20 MW. 50% juice will be converted to Sugar and 50% juice will be converted to Ethanol.

### 1. Lease hold land

The holding company, Hindustan Petroleum Corporation Ltd, had executed on 18/01/2009 Lease Deeds (not registered so far) as lessee with Bihar State Sugar Corporation Ltd (the Bihar State Govt undertaking) as the lessor for the sugar units at Lauriya (District: West Champaran, Bihar) and at Sugauli (District: East Champaran, Bihar) and its properties (including lease hold land of 195.44 acres and 289.37 acres respectively ) with all rights, easements and appurtenances thereto, except and reserving unto the lessor all mines, minerals in and under the said land or any part thereto, for establishing factories or manufacturing of Ethanol, allied sugarcane, agriculture related products, cogeneration and other petroleum products for Rs 45 crores and Rs 50 Crores respectively.

The Lease of the land is for 60 years subject to renewal at the option of either party for a period 30 years thereafter without any payment obligation of the lessee other than the rent of Re. 1 per annum.

Lease cost has been shown under Capital work in progress in the Balance sheet as on 31<sup>st</sup> March 2010 as the lease deed was not registered till that date.

The amount of sale proceeds of MS scrap of the plant & machinery and structures sold through MSTC Ltd Rs 4.13 Crores has been deducted from the above amount.

### 2. Advance against equity pending allotment

Out of the Rs. 64.16 Crores received as an advance against equity from holding company Hindustan Petroleum Corporation Limited, Rs. 28.94 Crores was received in cash (Fund transfer) and balance Rs 35.22 Crores was the amount of payment to EPC contractors made by the holding company on behalf of the company.

### 3. Cenvat Credit

In terms of Accounting Standard 9 on "Revenue Recognition" the Cenvat credit will be recognized as income in the year the company starts selling its products when there will be full certainty of Cenvat credits.

### 4.

Sr. No.	Description	Amount (Rs in Crores)
A.	Estimated amount of contracts remaining to be executed on capital account not provided for	542.34
B.	Claims against the company not acknowledged as debts	-
C.	Other Contingent Liabilities	
	(i) Performance Guarantee issued to Govt of Bihar for Sugauli Unit given by HPCL	6.95
	(ii) Performance Guarantee issued to Govt of Bihar for Lauriya Unit given by HPCL	7.08
	(iii) Corporate Guarantee given to the State Bank of India for Agriculture Financing arrangement with farmers	2.00
	Total	16.03
D.	Managerial Remuneration	
	Salary & Allowances	
	(Chief Executive Officer and Chief Finance Officer are on deputation from HPCL. The amount represents remuneration from HPCL and debited to the company. The salary includes salary, company contribution to PF, LFA, Bonus, medical, gratuity & leave encashment)	0.18
E.	Expenditure in Foreign Currency	-
F.	Earnings in Foreign Currency	-
G.	C I F Value of imports during the year	-
H.	Information on each class of goods purchased, sold and stocks during the year	-

**SCHEDULE – Y : NOTES ON ACCOUNTS****5. Related parties**

Nature of relationship	Name of related parties
Promoters	Hindustan Petroleum Corporation Limited
Key Management Personnel	Shri B Rajesh (CEO)
	Shri G P Meena (CFO)
Relative of Key Management personnel	-

Details of transaction between the company and related party:

Nature of transaction	HPCL
Issue of equity share capital (Equity shares of Rs. 10 each)	100,00,00,000
Advance against equity pending allotment	64,16,00,000
Amount payable for Expenses incurred on behalf of HBL	2,40,47,691
Manpower cost of employees on deputation and establishment expenses	2,22,14,556

**6. Cash Flow Statement**

The cash flow statement by indirect method set out in Accounting Standard 3 on cash flow statements and presents the cash flows by operating, investing & financing activities of the company. Cash & cash equivalents presented in the cash flow statement consist of balance in the Bank Account.

**7. Deferred Tax Liability**

Deferred tax has been considered in the accounts as per provisions of Accounting Standard 22, deferred tax asset has not been recognized in accordance with the accounting concept of prudence.

**8. Treatment of Incorporation, Preliminary & Pre-operative Expenses**

As per provisions of AS-26 all preliminary expenses, pre-incorporation and pre-operative expenses not related to cost of the project have been written off and charged to the Profit & Loss account.

**9. The company has no sundry creditors falling under the Micro, Small & Medium Enterprises Development Act, 2006.****10. As the company was incorporated on 16<sup>th</sup> October 2009, profit & loss account is drawn for the period 16/10/2009 to 31/03/2010. Being the 1<sup>st</sup> year, previous year figures, are not shown.****11. The accounts adopted by the Board on 27 April, 2010 have been revised in view of suggestions from the Comptroller and Auditor General of India as under:**

- Capital Work-in-progress increased by Rs. 23,82,09,396
- Current Liabilities increased by Rs. 23,79,30,590
- Net Decrease in Expenditure by Rs. 2,78,806 resulting in decrease of Loss by Rs. 2,78,806.

**12. Figures have been rounded off to nearest rupee.**



## 58<sup>th</sup> Annual Report 2009-2010

### Cash Flow Statement for the year ended 31 March, 2010

	Amount in Rs.	
		2009-10
(A) CASH FLOW FROM OPERATING ACTIVITIES		
1 NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS		(27,330,344)
i) Preliminary Expenses written off	13,164,170	
ii) Interest Income	(51,795)	13,112,375
2 OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES		(14,217,969)
Working Capital Changes		
Decrease in Current Assets (Except Cash & Cash Equivalents)	-	
Increase in Current Liabilities	402,964,772	
Decrease in Current Liabilities	-	
Increase in Current Assets (Except Cash & Cash Equivalents)	(919,323)	402,045,449
3 CASH GENERATED FROM OPERATIONS BEFORE TAX		387,827,480
Income Tax Paid	-	
Tax Refund Received	-	-
4 CASH FLOW BEFORE EXTRAORDINARY ITEMS		387,827,480
Less: Extraordinary Items- Preliminary Expenses		(13,164,170)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES AFTER TAX & EXTRAORDINARY ITEMS		374,663,310
(B) CASH FLOW FROM INVESTING ACTIVITIES		
1 Interest Received	51,795	
2 Purchase of Fixed Assets & Investments	(5,160,139)	
3 Capital Work in Progress - Project Management Expenses	(2,004,766,996)	(2,009,875,340)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(2,009,875,340)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
1 Proceeds from Issue of Shares	1,000,000,000	
2 Advance against Equity pending Allotment	641,600,000	
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,641,600,000
(D) NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		6,387,970
(E) ADD: CASH & CASH EQUIVALENT AT 16.10.2009		-
(F) CASH & CASH EQUIVALENT AS AT 31.03.2010		6,387,970

As per our report of even date attached

For L.K. KEJRIWAL & CO.  
Chartered Accountants  
Firm No. 001368 C

L.K. Kejriwal  
Partner  
Membership No.011848

Place : Mumbai  
Date : 21<sup>st</sup> May, 2010

For and on behalf of the Board

K. Murali  
Director

B. Rajesh  
CEO & Manager

Heena Shah  
Company Secretary

B. Mukherjee  
Director

G. P. Meena  
Chief Finance Officer

**Balance Sheet Abstract and Company's General Business Profile****I. REGISTRATION DETAILS**

Registration No : U24290BR2009GOI014927 State Code: 03  
Balance Sheet Date : 31.03.2010

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs Thousands)**

Public Issue : Nil Rights Issue : Nil  
Bonus Issue : Nil Private Issue : 10,00,000.00

**III. POSITION OF MOBILIZATION & DEPLOYMENT OF FUNDS (Amount in Rs Thousands)**

Total Liabilities	: 16,41,600.00	Total Assets	: 16,41,600.00
Sources of Funds			
Paid up Capital	: 10,00,000.00	Reserves & Surplus	: Nil
Secured Loans	: Nil	Unsecured Loans	: Nil
Advance against equity	: 6,41,600.00	Deferred Tax Liability	: Nil
Application of Funds			
Net Fixed Assets	: 20,09,927.13	Investments	: Nil
Net Current Assets	: (3,95,679.35)	Miscellaneous Expenditure	: Nil
Accumulated Losses	: 27,352.22		

**IV. PERFORMANCE OF THE COMPANY (Amount in Rs Thousands)**

Turnover : 97.80  
Total Expenditure : 27,428.14  
Profit / (Loss) Before Tax : (27,330.34)  
Profit / (Loss) After Tax : (27,352.22)  
Earning per Share (In Rs.) : -

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF COMPANY  
(As per monetary terms)**

Particulars	Product's Generic Name
Item Code (ITC)	: 17019100
Product Description	: Sugar
Item Code (ITC)	: 29221920
Product Description	: Ethanol
Item Code (ITC)	: 98010013
Product Description	: Co-gen Power

K. Murali  
Director

B. Mukherjee  
Director

B. Rajesh  
CEO & Manager

G. P. Meena  
Chief Finance Officer

Heena Shah  
Company Secretary

Place : Mumbai  
Date : 21 May, 2010





## 58<sup>th</sup> Annual Report 2009-2010

### C & AG's Comments

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HPCL BIO FUEL LIMITED FOR THE YEAR ENDED 31 MARCH 2010.

The preparation of financial statements of HPCL Biofuels Limited for the year ended on 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 is 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 and 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 27-04-2010.

I, on 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 HPCL Biofuel Limited for the year ended 31 March 2010. In view of the revisions made in the financial statements by the management, as a result of my audit observations highlighted during supplementary audit as indicated in the Note No.11 of the Notes forming part of the Accounts (Schedule Y), I have no further comments to offer upon or supplement to the Statutory Auditors' Report, under 619(4) of the Companies Act, 1956.

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

Sarit Jafa  
Principal Director of Commercial Audit  
& - Member, Audit Board II, Mumbai

Place : Mumbai

Date : 04 June, 2010



## Corporate Governance

HPCL lays special emphasis on conducting its affairs within the framework policies, internal and external regulations in a transparent manner. Being a Government Company its activities are subject to review by several external authorities like the Comptroller & Auditor General of India (CAG), the Central Vigilance Commission (CVC), Parliamentary Committees etc.

### Disclosures :

Given below are the various information forming part of Corporate Governance disclosures :-.

#### 1. BOARD OF DIRECTORS :

##### 1.1 Composition of Board of Directors

Executive Directors including Chairman (Whole-time)	5
Non-Executive Govt. Directors (Ex-officio)	2
Non-Executive Independent Directors (Non-official)	3
Total	10

##### 1.2 Board Meetings:

Eight Board Meetings were held during the Financial Year on the following dates:

17 <sup>th</sup> April, 2009	2 <sup>nd</sup> June, 2009	29 <sup>th</sup> July, 2009	28 <sup>th</sup> October, 2009
23 <sup>rd</sup> December, 2009	27 <sup>th</sup> January, 2010	15 <sup>th</sup> March, 2010	30 <sup>th</sup> March, 2010

## Corporate Governance

## 1.3 Particulars of Directors including their attendance at the Board / Shareholders' Meetings

Names of Directors	Academic Qualifications	No. of Board Meetings held	No. of Meetings Attended	Attendance at the last AGM	Details of Directorships in Other Companies	Memberships held in Committees as specified in Clause 49 of the Listing Agreement
<b>FUNCTIONAL DIRECTORS</b>						
Shri Arun Balakrishnan*	B.E.(Chem), PGDBM (IIM Bangalore)	8	7	Yes	1. HPCL-Mittal Energy Ltd. 2. Hindustan Colas Limited 3. Prize Petroleum Company Ltd. 4. HPCL - Mittal Services Ltd.	Nil
Shri S. Roy Choudhury	B.E. (Mech.)	8	8	Yes	1. Hindustan Colas Ltd. 2. Aavantika Gas Ltd. 3. HPCL - Mittal Energy Ltd. 4. HPCL- Mittal Pipelines Ltd. 5. CREDA-HPCL Biofuel Ltd. 6. HPCL Biofuels Ltd 7. South Asia LPG Co. Pvt. Ltd.	Nil
Dr. V. Vizia Saradhi	B.Sc., Post Graduate in Industrial Relations & Personnel Management	8	7	Yes	1. CREDA - HPCL Biofuel Ltd.	Convenor, HR Policies / Remuneration Committee - HPCL
Shri B. Mukherjee	F.C.A	8	8	Yes	1. Petronet India Ltd 2. HPCL - Mittal Services Ltd. 3. CREDA - HPCL Biofuel Ltd. 4. HPCL Biofuels Limited	a. Member-Audit Committee, HPCL b. Member-Investors' Grievance Committee, HPCL c. Member-HR/Remuneration Committee, HPCL d. Member-Audit Committee, HPCL Biofuels Limited e. Chairman - Audit Committee, CREDA-HPCL Biofuel Limited
Shri K. Murali	B. Tech. (Chemical Engg.)	8	7	Yes	1. HPCL - Mittal Energy Ltd. 2. Mangalore Refinery & Petrochemicals Limited 3. HPCL Biofuels Limited	Nil
<b>NON-EXECUTIVE DIRECTORS</b>						
<b>(a) PART-TIME DIRECTORS (EX-OFFICIO)</b>						
Shri P.K. Sinha	IAS, M.Phil in Social Sciences & Masters Diploma in Public Administration, Post Graduate in Economics	8	7	-	1. Indian Oil Corporation Ltd. 2. Bharat Petroleum Corporation Ltd.	Member- Establishment & Remuneration, Committee on Deleasing of Immovable Property -IOCL
Shri L.N. Gupta	IAS, MA(Eco), MBA (Birmingham University)	8	5	-	1. Engineers India Ltd. 2. Indian Strategic Petroleum Reserves Limited 3. Central Pollution Control Board	



## Corporate Governance

Names of Directors	Academic Qualifications	No. of Board Meetings held	No. of Meetings Attended	Attendance at the last AGM	Details of Directorships in other Companies	Memberships held in Committees as specified in Clause 49 of the Listing Agreement
(b) PART-TIME DIRECTORS (NON-OFFICIO)						
Prof. Prakash G. Apte**	Ph.D (Eco.) – Columbia University, PGDM-IIM, Calcutta, B.Tech (Mech.) – IIT, Bombay	8	7	Yes	1. UTI Trustee Company Pvt. Ltd. 2. National Securities Depository Ltd.	a. Member - Audit Committee, HPCL. b. Member - Investors' Grievance Committee, HPCL c. Chairman - HR Policies / Remuneration Committee, HPCL
Shri P.V. Rajaraman**	IAS (Retd.), M.Sc. (Physics), MA (Mgmt), (Leeds, UK)	8	8	Yes	Indbank Merchant Banking Services Ltd.	a. Chairman - Audit Committee, HPCL b. Chairman - Investors' Grievances Committee, HPCL c. Member - HR Policies / Remuneration Committee, HPCL d. Member - Audit Committee, Indbank Merchant Banking Services Limited.
Dr. Gitesh K. Shah***	D.Sc. (Organic Chemistry) USA, Ph.D (Organic Chemistry) Gujarat University, M.Sc. (Organic Chemistry) Gujarat University	4	4	N.A.	Harita Projects Pvt. Ltd.	a. Member - Investor Grievances Committee, HPCL b. Member - HR/Remuneration Committee, HPCL c. Member - Audit Committee, HPCL
* A B ** G. A *** D . G			H CL D H CL B D	H CL H CL B D	J 31, 2010. J 19, 2010. 7, 2009.	

## Corporate Governance

### 1.4 PROFILES OF DIRECTORS :

Shri Arun Balakrishnan (upto July 31, 2010)

Shri Arun Balakrishnan is a Chemical Engineer and an alumni of the Indian Institute of Management, Bangalore. He joined HPCL in 1976 as a Management Trainee. He has held various positions in Marketing and Corporate functions around the country. These include positions such as Regional Manager of Orissa, Director Planning - OCC, General Manager - International Operations, General Manager - Lubricants & Specialties and Chief General Manager - Direct Sales.

He is credited with launching a number of successful lubricant brands. Shri Arun Balakrishnan attended a program on Management in the United Kingdom under the Colombo Plan Program. He has also attended various seminars and conferences related to Petroleum & Energy.

Shri Arun Balakrishnan was appointed as Director (HR) effective 25/01/2002. He became the Chairman & Managing Director of the Corporation effective April 01, 2007.

Shri P.K. Sinha

Shri P.K. Sinha, Additional Secretary & Financial Advisor, Ministry of Petroleum & Natural Gas (MOP&NG) is a Post Graduate from Delhi School of Economics and an IAS officer of U.P. Cadre. Shri P.K. Sinha also holds M.Phil in Social Sciences and Masters Diploma in Public Administration. Shri Sinha has served both in the Central and State Governments, including as District Magistrate of Jaunpur and Agra Districts, Commissioner of Varanasi Division and Principal Secretary, Irrigation, Uttar Pradesh. Shri Sinha has also served in the Ministry of Power, Department of Youth Affairs and Sports in the Central Government before joining the MOP&NG.

Shri L. N. Gupta

Shri L N Gupta is a Joint Secretary (Refineries) in the Ministry of Petroleum and Natural Gas. He is an IAS Officer of Orissa Cadre and has done his M.A. in (Economics) and MBA from Birmingham University.

He served in the Government of Orissa as Sub Collector, Deogarh, Project Officer, DRDA, Sundergarh, Managing Director, OSTC/Orissa Textile Mills Limited, Choudwar. He has also served as a Deputy Secretary to the Government of India, Department of Personnel and Training, Vice Chairman, Bhubaneswar Development Authority and Administrator, Bhubaneswar Municipal Corporation, Revenue Development Commissioner (Central), Cuttack, Chairman and MD, Orissa Industrial Infrastructure Development Corporation, Commissioner cum Secretary, Department of Steel and Mines, Chairman and MD, Orissa Hydro Power Corporation and Resident Commissioner, Government of Orissa, New Delhi.

Shri S. Roy Choudhury

Shri S. Roy Choudhury is a Mechanical Engineer from the University of Assam. He commenced his career in the Petroleum Refining Industry with Assam Oil Company, Digboi, a subsidiary of Burma Oil Company. Shri S Roy Choudhury joined HPCL on June 21, 1982 as a Construction Engineer.

He has held various positions in the Company in Refinery, Marketing (Operations), Projects and Sales Division. Those include positions such as General Manager (Supply, Operations & Distribution), General Manager (Pipelines), General Manager-Sales (West Zone). He was holding the position of Executive Director-Direct Sales, prior to his appointment as Director-Marketing.



## **Corporate Governance**

He is credited with creating a Pipelines Division in HPCL and successfully completed several Pipeline Projects. Also he was responsible for smooth transition from APM to Non-APM era in terms of Product Supply and Distribution.

**Dr. V. Vizia Saradhi**

Dr. V. Vizia Saradhi has done Graduation and Post Graduation in Industrial Relations and Personnel Management from University of Andhra Pradesh. He joined HPCL in December 1979. Before joining HPCL, he had 4 years of experience in Bharat Heavy Plate & Vessels Ltd.

He has had a wide exposure to the Petroleum Industry over 28 years in Human Resources and Industrial Relations in Refineries, Marketing and Corporate Divisions of HPCL.

Prior to taking over as Director (HR), Dr. V. Vizia Saradhi was Executive Director – Industrial Relations of HPCL.

**Prof. Prakash G. Apte (upto July 19, 2010)**

Prof. Prakash G. Apte, who joined HPCL Board effective July 20, 2007 is the Director and UTI Chair Professor at the Indian Institute of Management Bangalore. His special areas of interest are International Finance, exchange rate behaviour, financial derivatives and risk management.

Prof. Apte holds a Ph.D in Economics from Columbai University, PGDM from IIM Calcutta and B.Tech. from IIT Bombay. He has taught Economics at the Vassar College, Poughkeepsie, USA and Columbia University. He was a Consultant at Edison Electric Institute, New York and a Project Manager at Centron Industrial Alliance, Bombay.

Prof. Apte has published four books – International Financial Management, Global Business Finance, Text Book of Econometrics and Macro Economics and several articles in professional journals and economic and financial periodicals. He has served on expert committees appointed by NSE, SEBI and RBI. He is also a consultant to several leading organisations in government, public and private sectors. He has been a Visiting Faculty at the Katholieke Universiteit Leuven, Belgium, Goteborg University, Sweden and S.P. Jain Centre of Management, Singapore.

**Shri P.V. Rajaraman (upto July 19, 2010)**

Shri P. V. Rajaraman, who joined HPCL Board effective July 20, 2007 is a retired IAS Officer. He holds Master's degrees in Physics (Madras University) and Management (University of Leeds, U.K). He has worked as Director in the Ministry of Chemicals and Fertilisers, Government of India, Managing Director, India Cements Ltd., Chairman and Managing Director, Tamilnadu Housing Board, Commissioner of Sugar and Chairman and Managing Director, Tamilnadu Sugar Corporation, Secretary to the Government of Tamilnadu in the Commercial Taxes, Home and Finance Departments, Development Commissioner and Chairman, Tamilnadu Industrial Investment Corporation.

**Shri B. Mukherjee**

Shri Bhaswar Mukherjee took charge as Director-Finance of HPCL effective February 01, 2008.

Shri Mukherjee is a fellow member of the Institute of Chartered Accountants of India. During his career of over 30 years in the organisation, he has headed several functions in Finance, Internal Audit and Human Resource Development. He has driven the major strategy initiative of Balanced Scorecard. He is also a Director on the Board of Joint Venture Companies of HPCL.

## Corporate Governance

Shri B. Mukherjee has been actively participating in various seminars and workshops, both at national and international levels.

**Shri K. Murali**

Shri K. Murali started his career with erstwhile Caltex Oil Company at Visakhapatnam which was later nationalized and merged with Hindustan Petroleum Corporation Limited.

During his long career spanning more than 30 years with HPCL, he has handled critical positions in the organization. Shri K. Murali has wide experience in refinery operations. He worked at various levels in the refinery positions. He headed both the Refineries of HPCL at Mumbai and Visakhapatnam.

During his tenure as head of Mumbai Refinery, the performance registered improvement in all areas of operations. Low cost de-bottlenecking of units was undertaken and path breaking decision and making decision to utilize indigenous R&D for commercial applications in meeting units capacity and utilization by 20% with concurrent reduction in operation expenses upto 10%.

As Head of Corporate R&D, development project for HPCL, he has drafted the proposals and strategies which are under implementation. As Director – Refineries of HPCL, he has several plans and ideas to bring in world class competitiveness to both the refineries.

He was instrumental in strategizing and preparation of initial Detailed Project Report for HPCL Joint Venture Refinery in Bhatinda, Punjab.

**Dr. Gitesh K. Shah**

Dr. Gitesh K. Shah a Scientist turned Management Expert has been appointed as Non-Official Part time Director on the Board of HPCL for a period of three years from December 7, 2009.

Ahmedabad based Dr. Gitesh K. Shah, former Chairman of the Gujarat Alkalies & Chemicals Limited (GACL) did his M.Sc., Ph.D., D.Sc in Organic Chemistry. The world known London based the Royal Society of Chemistry honoured Dr. Shah with Chartered Scientist, Chartered Chemist and Fellow of the Royal Society of Chemistry (C.Sci., C.Chem., F.R.S.C.). He is also member of the prestigious Dr. Vikram Sarabhai Award Committee. Dr. Gitesh K. Shah noted Technocrat-Cum-Management Expert has rich experience of 20 years in the field of Petrochemical, Chem-informatics, Bio-informatics and Nano-Technology. He has to his credit 18 research papers in renowned international journals in the field of Chemistry and Nano-Technology. He is Chairman of Harita Projects Private Limited, Company engaged in Infrastructure Projects and Non- Molecules.

### 2. REMUNERATION OF DIRECTORS :

- HPCL being a Government Company, the remuneration payable to its whole-time directors is approved by the Government and advices received through the Administrative Ministry, viz., Ministry of Petroleum & Natural Gas.
- The non-official part-time Directors are paid Sitting Fees for Board Meetings and Board Sub-Committee Meetings attended by them.
- HPCL does not have a policy of paying commission on profits to any of the Directors of the company.
- The remuneration payable to officers below Board level is also approved by the Government of India.





## Corporate Governance

### 3. BOARD SUB-COMMITTEES :

#### A. Audit Committee :

The Audit Committee comprises of Non-Executive Directors as follows:

1.	Shri P.V. Rajaraman	Non-Executive Independent Director
2.	Prof. Prakash G. Apte	Non-Executive Independent Director
3.	Dr. Gitesh K. Shah *	Non-Executive Independent Director
4.	Shri. B. Mukherjee	Whole-Time Director

\* : Dr. Gitesh K. Shah was inducted as a Member in the Audit Committee effective 23.12.2009. Presently he is the Chairman of the Audit Committee.

The terms of reference of the Audit Committee are as provided under the Companies Act, 1956 and other applicable regulations.

The scope of the Audit Committee includes the following:

- Reviewing with Management the annual financial statements before submission to the Board.
- Reviewing with the Management, Statutory Auditors and Internal Auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, 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.
- Discussions with internal auditors on any significant findings and follow up thereon.
- 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.
- Reviewing the Company's financial and risk management policies.

The Committee, at the meeting held on May 26, 2010 reviewed the Accounts for the year 2009-10, before the Accounts were adopted by the Board.

Dates when Audit Committee Meetings held:

02/06/2009	29/07/2009	11/09/2009	28/10/2009
16/12/2009	27/01/2010	15/03/2010	

Attendance at the Audit Committee Meetings:

Name of the Members	No. of Meetings held	No. of Meetings attended	% of Attendance
Shri P.V. Rajaraman **	07	07	100
Prof. Prakash G. Apte	07	07	100
Dr. Gitesh K. Shah *	02	02	100
Shri B. Mukherjee	07	07	100

\* : Dr. Gitesh K. Shah was inducted as Member of the Audit Committee effective 23/12/2009 & as Chairman of the Committee effective 26.05.2010.

\*\* : Shri P. V. Rajaraman continued to be a Member of the Audit Committee.

#### B. Committee on HR – Policies / Remuneration

The Company has constituted the Board Sub - Committee on HR Policies to look into various aspects including remuneration as well as Compensation and Benefits for the employees.

## Corporate Governance

The Committee comprises of:

1.	Prof. Prakash G. Apte	Non-Executive Independent Director
2.	Shri P.V. Rajaraman	Non-Executive Independent Director
3.	Dr. Gitesh K. Shah *	Non-Executive Independent Director
4.	Dr. V. Vizia Saradhi	Whole-Time Director
5.	Shri B. Mukherjee **	Whole-Time Director

\* : Dr. Gitesh K. Shah has been inducted in the Committee effective 23.12.2009

\*\* : Shri B. Mukherjee has been inducted in the Committee effective 18.08.2009

Dates when HR-Policies / Remuneration Committee Meetings held:

15/04/2009	28/10/2009	15/03/2010
------------	------------	------------

Prof. Prakash G. Apte is the Chairman of the Committee. Dr. V. Vizia Saradhi, Director-Human Resources, is the Convenor of the Committee.

### C. Investment Committee :

The Company had constituted the Investment Committee with the following Members.

1.	Prof. Prakash G. Apte	Non-Executive Independent Director
2.	Shri P.V. Rajaraman	Non-Executive Independent Director
3.	Dr. Gitesh K. Shah *	Non-Executive Independent Director
4.	Shri B. Mukherjee	Whole-time Director

Prof. Prakash G. Apte is the Chairman of the Committee. This Committee reviews investment proposals before they are placed before the Board for its consideration.

\* : Dr. Gitesh K. Shah was inducted in the Committee effective 23.12.2009.

Dates when Investment Committee Meetings held :

15.04.2009	18.06.2009	29.07.2009	11.09.2009
08.10.2009	16.12.2009	21.01.2010	

Name of the Members	No. of Meetings held	No. of Meetings attended	% of Attendance
Shri Prakash G. Apte	07	07	100
Shri P.V. Rajaraman	07	06	86
Dr. Gitesh K. Shah	01	01	100
Shri B. Mukherjee	07	07	100

### D. Investor Grievance Committee:

The Company has constituted an Investor Grievance Committee comprising of Non-Executive Directors as follows :

1.	Shri P.V. Rajaraman	Non-Executive Independent Director
2.	Prof. Prakash G. Apte	Non-Executive Independent Director
3.	Dr. Gitesh K. Shah *	Non-Executive Independent Director
4.	Shri B. Mukherjee	Whole-time Director

\* : Dr. Gitesh K. Shah was inducted as Member of the Investor Grievances Committee effective 23.12.2009.



## Corporate Governance

Shri P.V. Rajaraman is the Chairman of the Committee.

The Committee reviews the status of Investor Grievances and Services and other important matters of investors' interest.

Dates of Investor Grievance Committee Meetings:

02.06.2009	29.07.2009	28.10.2009
21.01.2010	15.03.2010	

**E. Remuneration Committee:**

HPCL earlier did not feel the need for a Remuneration Committee in view of the fact that the Company is a Government Company as per Section 617 of the Companies Act, 1956 and since the remuneration of the Whole-Time Functional Directors are fixed by the Government of India.

However, having regard to the aspects covering wage revisions / other benefits to the Officers arising from time to time, the Board has renamed the Committee on HR Policies as HR Policies / Remuneration Committee. The said Committee considers proposals that are required to be referred to Remuneration Committee.

The details of Remuneration paid to all the Functional Directors are given below:

- The remuneration of the whole time Functional Directors include basic salary, allowances and perquisites as determined by the Government of India. Moreover, they are entitled to provident fund and superannuation contributions as per the rules of the Company.
- The gross value of the fixed component of the remuneration, as explained above, paid to the whole-time Functional Directors, during the financial year 2009-10 is given below:

(Figures in Rs.)

Name of the Director	Salaries & Allowances	Contribution to Provident Fund	Contribution to Superannuation Fund and Gratuity	Other Benefits	Total
Arun Balakrishnan (Chairman & Managing Director)	21,51,356	2,30,946	47,158	7,17,094	31,46,554
S. Roy Choudhury (Director - Marketing)	24,95,756	2,47,663	47,158	14,19,733	42,10,310
Dr. V. Vizia Saradhi (Director-HR)	21,32,570	2,15,777	47,158	6,81,011	30,76,516
B. Mukherjee (Director-Finance)	17,16,702	2,07,210	47,158	7,43,367	27,14,437
K. Murali (Director-Refineries)	17,59,822	2,02,936	47,158	4,73,257	24,83,173

## Corporate Governance

### 4. SITTING FEES FOR THE YEAR 2009-10:

The details of Sitting Fees paid to Part-time Independent Directors for the year 2009-10 for attending the Board / Sub-committee meetings are given below:

(Figures in Rs.)

Details of Meetings	Shri P.V. Rajaraman	Prof. Prakash G. Apte	Dr. Gitesh K. Shah
Board	1,60,000	1,40,000	80,000
Audit	1,05,000	1,05,000	30,000
HR/Remuneration	45,000	45,000	15,000
Investor Grievances	75,000	75,000	30,000
Investment	90,000	1,05,000	15,000
Total Sitting fees paid	4,75,000	4,70,000	1,70,000

### 5. PART TIME DIRECTORS' SHAREHOLDING :

None of the non-officio and ex-officio Directors of the Corporation are holding any shares in the Corporation.

### 6. RIGHT TO INFORMATION ACT 2005 :

The Right to Information Act, 2005(RTI) became effective 12<sup>th</sup> October 2005 and is being complied with by HPCL. HPCL has hosted detailed information in its Websites portal "www.hindustanpetroleum.com", and update the same from time to time. Officers across the country, representing different Departments, have been appointed as Public Information Officers (PIO) and Appellate Authorities to deal with the queries received from the Indian Citizens under RTI.

### 7. INTEGRITY PACT :

The Corporation has introduced "Integrity Pact" (IP) to enhance ethics / transparency in the process of awarding contracts. An MoU has been signed with "Transparency International" on July 13, 2007. This was made applicable in the Corporation effective September 01, 2007. The Integrity Pact has now become a part of tender documents to be signed by the Company and by the vendor / bidder. During the year 2009-10 "629" number of contracts from various Functions were covered under the Integrity Pact.

### 8. SHARES DEPARTMENT ACTIVITIES :

HPCL has a Shares Department working under Company Secretary. It monitors the activities of R&T Agents, M/s.Link Intime India Pvt. Ltd., and looks into the issues relating to shareholders. Share transfers, Dematerialisation, transmissions and other important matters are approved by the Share Transfer Committee.

Presently, HPCL has about 97086 shareholders. The Corporation interacts with the shareholders through letters, investors' meets, at the AGM, wherein information on the activities of the Corporation, its performance and its future plans are provided to the Shareholders.

The Company has been taking appropriate steps to ensure that Shareholder related activities are given due priority and all references / representations are resolved at the earliest.

The Company Secretary of the Corporation is the Compliance Officer in terms of the requirements of The Bombay Stock Exchange Limited, Mumbai.



## Corporate Governance

The quarterly results are published in the English and Vernacular newspapers. The Company also organises Press Meets and Press Releases. The Financial Performance and other details are also posted on the Company's web-site viz. [www.hindustanpetroleum.com](http://www.hindustanpetroleum.com).

9. During the year 2009-10, there were no material transactions with Directors or their relatives having potential conflict with the interests of the Company at large. There have been no instances of non-compliance by the Company or penalties, strictures imposed on the Company by any Stock Exchange or SEBI or any Statutory Authority, on any matters relating to capital markets during the last 3 years.

10. DETAILS OF ANNUAL GENERAL MEETINGS :

10.1 Location and time, of the last three Meetings held :

Year	Location	Date	Time
2008-09	Y.B. Chavan Auditorium, Mumbai	28.08.09	11.00 a.m.
2007-08	Rama Watumull Auditorium, Mumbai	22.09.08	11.00 a.m.
2006-07	Y.B. Chavan Auditorium, Mumbai	06.09.07	3.00 p.m.

10.2 Whether Special Resolutions were put through postal ballot last year ?

Yes Special Resolutions were put through postal ballot during the year 2009-10.

During May 2009 Corporation had sought the approval of the shareholders by postal ballot for amending the Objects Clause of the Memorandum of Association (Special Resolution) and also Creation of Charge on the assets of the company for increased borrowing powers.(Ordinary Resolution).

On June 2, 2009 the results of the Postal Ballot were announced and subsequently published in the leading News Papers.

10.3 Are votes proposed to be conducted through postal ballot this year?

No, Not Proposed at present

11. MEANS OF COMMUNICATION :

➤ Half yearly report	Press Advertisements, advices to Stock Exchanges, etc.
➤ Quarterly results Which newspapers normally published in	Mainly business / regional newspapers, like Economic Times, Times of India, Financial Express, Indian Express, Loksatta etc.
➤ Websites where quarterly results are displayed	<a href="http://www.hindustanpetroleum.com">www.hindustanpetroleum.com</a>
➤ Whether it also displays official news releases & presentations made to institutional investors / analysts	Yes
➤ Whether Management Discussion & Analysis Report is a part of Annual Report	Yes
➤ Whether shareholder information section forms part of Annual Report	Yes, Shareholder information has been incorporated in the Annual Report.



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### Corporate Governance

#### 12. GENERAL SHAREHOLDER INFORMATION :

##### 12.1 58<sup>th</sup> Annual General Meeting

Date and Time	: September 16, 2010 at 11.00 A.M.
Venue	: Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannathrao Bhonsle Marg, Mumbai - 400 021

##### 12.2 Financial calendar

Financial reporting for Quarter ending 30/06/10	-	End Jul./August 2010
Financial reporting for Quarter ending 30/09/10	-	End Oct./Nov 2010
Financial reporting for Quarter ending 31/12/10	-	End Jan./Feb 2010
Financial reporting for Quarter ending 31/03/11	-	End May 2011
Annual General Meeting for year ending 31/03/2011	-	Aug-Sep. 2011

12.3 Dates of Book Closure : September 07, 2010 to September 16, 2010  
(Both Days Inclusive)

12.4 Dividend payment date (tentative) : September 20, 2010

##### 12.5 (a) Listing on Stock Exchanges as of 31.03.2010 :

The Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	The National Stock Exchange of India Ltd. Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051
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12.5 (b) Listing fees : Listing fees for financial year 2010-11 have been paid to the Stock Exchanges in April, 2010.

##### 12.6 Stock Codes :

BSE	: 500104
NSE	: HINDPETRO
ISIN (for trading in Demat form)	: INE094A01015

##### 12.7 Stock Market Data :

HPCL Share Price - BSE		
Year	High Rs.	Low Rs.
2009-10	425.00	242.50
2008-09	305.85	164.10
2007-08	405.90	218.00
2006-07	361.00	206.00
2005-06	348.00	283.30



## Corporate Governance

Performance in comparison to Broad Based Indices			
As on	HPCL Share price on BSE in Rs.	BSE SENSEX	NSE NIFTY
31.03.2010	318.45	17527.77	5249.10
31.03.2009	269.10	9708.50	3020.95
31.03.2008	255.60	15644.44	4734.50
31.03.2007	246.70	13072.10	3821.55
31.03.2006	322.90	11279.96	3402.55

### HPCL SHARE PRICE MONTHLY DATA

Month	Bombay Stock Exchange				National Stock Exchange			
	High Rs.	Low Rs.	Close Rs.	Volume Nos.	High Rs.	Low Rs.	Close Rs.	Volume Nos.
Apr-09	280.30	251.05	275.50	3978036	280.80	251.00	275.50	16746845
May-09	397.55	242.50	363.30	9351119	398.00	242.65	362.95	33110684
Jun-09	382.40	290.10	299.05	13379295	383.45	290.65	299.00	45970101
Jul-09	362.95	295.00	349.00	8820077	365.00	296.30	349.25	24617228
Aug-09	382.50	337.05	354.15	5937114	383.00	336.05	354.20	21058485
Sep-09	425.00	355.55	400.65	7984027	425.90	355.35	401.90	31381631
Oct-09	410.00	335.00	346.05	4279949	411.00	335.00	347.65	17755816
Nov-09	363.35	333.50	352.05	3805946	364.00	333.05	325.00	12346688
Dec-09	414.40	349.05	390.70	4467614	413.80	348.60	390.30	22057928
Jan-10	406.30	325.15	333.85	5243140	407.00	324.20	333.70	19899288
Feb-10	371.00	334.10	346.65	5643662	371.45	334.25	346.85	21261131
Mar-10	348.65	305.65	318.45	4058042	349.70	305.40	318.55	17252674

### PER SHARE AND RELATED DATA :

		2009-10	2008-09	2007-08	2006-07	2005-06
Per Share Data	Unit					
EPS	Rs.	38.43	16.98	33.51	46.35	11.97
CEPS	Rs.	78.86	46.97	64.62	68.20	32.62
Dividend	Rs.	12.00	5.25	3.00	6.00	3.00
Book Value	Rs.	341.32	316.88	311.59	283.19	257.74
Share Related Data	Unit					
Dividend Payout	%	36.41	36.17	10.47	45.10	28.62
Price to Earnings*	Multiple	8.27	15.85	7.63	5.32	26.98
Price to Cash Earnings*	Multiple	4.04	5.73	3.96	3.62	9.90
Price to Book Value *	Multiple	0.93	0.85	0.81	0.83	1.25
*Based on March 31 closing prices at BSE	Rs.	318.45	269.10	255.60	246.70	322.90



## Corporate Governance

- 12.8 Registrars and Transfer Agents : M/s. LINK INTIME INDIA PVT. LTD  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (W),  
Mumbai - 400 078.

### 12.9 Share Transfer System

Activities relating to Share Transfers are carried out by M/s Link Intime India Pvt. Ltd. who are the Registrars and Transfer Agents of the Company having arrangements with the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The share transfers are approved by the Share Transfer Committee. Share transfers are registered and Share Certificates are despatched within a period of 30 days from the date of receipt of the documents which are correct and valid in all respects.

The number of shares transferred during the last two years:

2009-10	-	32600
2008-09	-	35050

### 12.10 Status of Investor Services:

Investor correspondence replied during the year are as follows:

	Nature of Correspondence	Number
1.	Share Transfers and related issues / Demat / Warrant Conversion	145
2.	Transmission of Shares / Nomination for shares	71
3.	Issue of Duplicate Share Certificates / Bonus / Rectification of shares	184
4.	Dividend related issues / ECS / Bank Mandate	8511
5.	Request for Change of Address	347
6.	Call Money Payment Correspondence / Reminders/Forfeiture Shares	5
7.	References through Statutory / Regulatory bodies like SEBI/NSE / BSE / NSDL / CDSL	12
8.	Others	38
	Total	9313

All complaints received from SEBI, Stock Exchanges, Department of Company Affairs etc., have been appropriately dealt with.

### 12.11 Dematerialisation of shares and liquidity:

The total number of shares dematerialised as on 31.03.2010 is 16,31,68,461 representing 98.56% of share capital excluding shares held by the Government of India. Trading in Equity shares of the Company is permitted only in dematerialised form, w.e.f., February 15, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

### 12.12 Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

There are no outstanding Warrants to be converted into Equity shares.

Detachable Tradeable Warrants issued alongwith public issue shares in April 1995 were converted into equity shares during the period February 1997- April 1997. The Warrant certificates were not called back by the Company and bear no value.



## Corporate Governance

### 12.13 Plant Locations:

The Corporation has 2 Refineries located at Mumbai and Visakh. It has 101 Regional offices, 31 Terminals / Installations / Tap off Points, 70 Depots, 44 LPG Bottling Plants, 9127 Retail outlets, 31 ASFs, 1638 SKO / LDO Dealers and 2404 LPG Distributors etc., located all over the country.

### 12.14 Address for correspondence

<b>Registrars and Transfer Agents:</b> M/s.LINK INTIME INDIA PVT. LTD. Unit:HINDUSTAN PETROLEUM CORPORATION LTD. C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West), Mumbai - 400 078 Telephone No.: 22 - 25963838 Fax No.: 022-25946969 E-mail: mumbai@linkintime.co.in	<b>Company's Shares Department:</b> HINDUSTAN PETROLEUM CORPORATION LIMITED Shares Department, 2 <sup>nd</sup> Floor, Petroleum House, 17, Jamshedji Tata Road, Churchgate, Mumbai - 400 020 Telephone No.: 022 - 22863204/3201/ 3233/3239/3208 Fax No.: 022-22874552/2284 1573 E-mail: hpclinvestors@hpcl.co.in
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### 12.15 DISTRIBUTION SCHEDULE AS ON 31.03.2010

No. of Shares	Physical Holding		Dematerialised Holding		Total Shareholding		Percentage	
	No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares	Share-holders	Holding
1-500	10647	1926828	79566	8563417	90213	10490245	92.9207	3.0979
501-1000	514	377040	3721	2786821	4235	3163861	4.3621	0.9343
1001-5000	45	71871	2006	3859684	2051	3931555	2.1126	1.1610
5001-10000	1	6300	178	1299845	179	1306145	0.1844	0.3857
10001 & Above	1	173076750	407	146658694	408	319735444	0.4202	94.4211
TOTAL	11208	175458789	85878	163168461	97086	338627250	100.00	100.00

### 12.16 SHAREHOLDING PATTERN AS ON

As on :	31.03.2010			31.03.2009		
Category	No. of Share holders	No. of Shares	%	No. of Share Holders	No. of Shares	%
President of India	1	173076750	51.11	1	173076750	51.11
Financial Institutions	24	62804484	18.55	21	65959059	19.48
FII's/OCBs	132	24458454	7.22	199	33212733	9.81
Banks	24	1534342	0.45	17	269614	0.08
Mutual Funds	114	34085330	10.07	121	29464635	8.70
NRI's	2996	913693	0.27	3037	946242	0.28
Employees	786	346870	0.10	864	380545	0.11
Others	93009	41407327	12.23	94862	35317672	10.43
Total	97086	338627250	100.00	99122	338627250	100.00



## **Corporate Governance**

### **12.17 Code of Conduct:**

In compliance with the terms of clause 49 of the Listing Agreement with Stock Exchanges, “Code of conduct for Board Members and Senior Management Personnel of Hindustan Petroleum Corporation Limited” has been devised and made effective 01.01.2006. The purpose of this Code is to enhance further ethical and transparent process in managing the affairs of the company. This Code has been made applicable to

- a) All Whole-Time Directors
- b) All Non-Whole Time Directors including independent Directors under the provisions of law and
- c) Senior Management Personnel.

This code would be read in conjunction with the Conduct, Discipline & Appeal Rules for Officers applicable to Whole time Directors and Senior Management Personnel.

All the Board Members and Senior Management Personnel have provided the Annual Compliance Certificate duly signed by them as on March 31, 2010.

### **12.18 Compliance of Clause 49 of the Listing Agreement**

The Corporation is complying with the various mandatory and non-mandatory Corporate Governance requirements envisaged under Clause 49 of the Listing Agreement with the Stock Exchanges. With regard to appointment of required number of Independent Directors, the Corporation has already taken up the same with its Administrative Ministry, i.e., Ministry of Petroleum & Natural Gas, New Delhi, and is awaiting their advise on the same.

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### **DECLARATION OF THE CHAIRMAN & MANAGING DIRECTOR**

This is to certify that the company has laid down Code of Conduct for all Board Members and Senior Management of the Company and the same are uploaded on the website of the company - [www.hindustanpetroleum.com](http://www.hindustanpetroleum.com).

Further certified that the Members of the Board of Directors and Senior Members have affirmed and having complied with code as applicable to them during the year ended March 31, 2010.

Arun Balakrishnan  
Chairman & Managing Director



## **Corporate Governance**

### **AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

To,

The Board of Directors of

Hindustan Petroleum Corporation Limited

We have examined the compliance of Corporate Governance by Hindustan Petroleum Corporation Limited for the year ended on March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India and the DPE Guidelines on Corporate Governance for Central Public Sector Enterprises.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to 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 and the DPE guidelines on Corporate Governance for CPSE except compliance of Clause 49(I)(A)(ii) of the Listing Agreement and 3.1.2 of the DPE guidelines relating to the number of Independent Directors on the Board of Directors of the Company.

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 and on behalf of

V. Sankar Aiyar & Company  
Chartered Accountants

G. Sankar  
Partner  
(Membership No.46050)

Place : Mumbai  
Date : June 16, 2010

For and on behalf of

Om Agarwal & Company  
Chartered Accountants

Thalendra Sharma  
Partner  
(Membership No.079236)



*Green Fuel* Emission Control - Petrol Euro III & IV Units



## HINDUSTAN PETROLEUM CORPORATION LIMITED

Petroleum House, 17, Jamshedji Tata Road,  
Churchgate, Mumbai - 400 020

