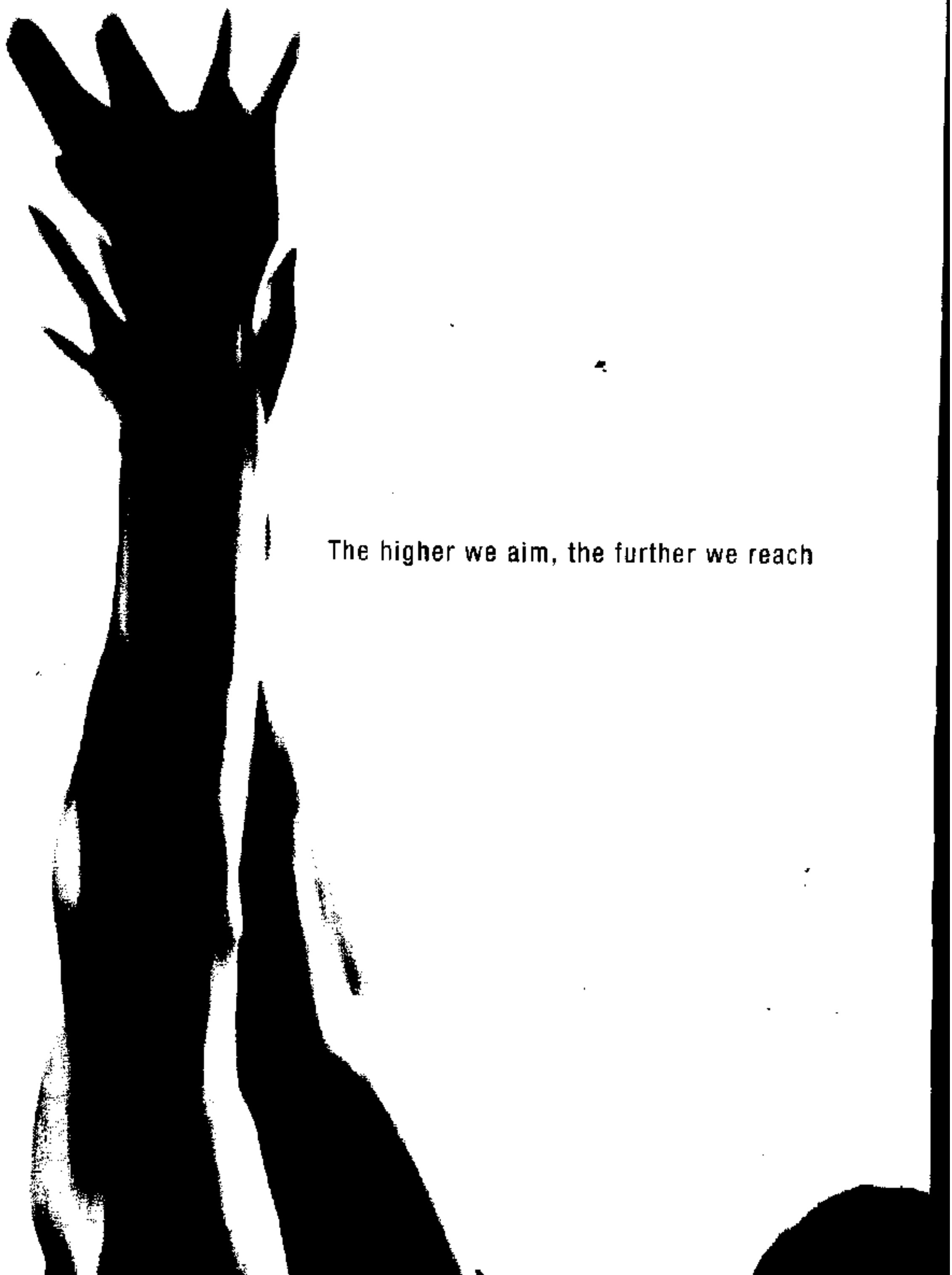
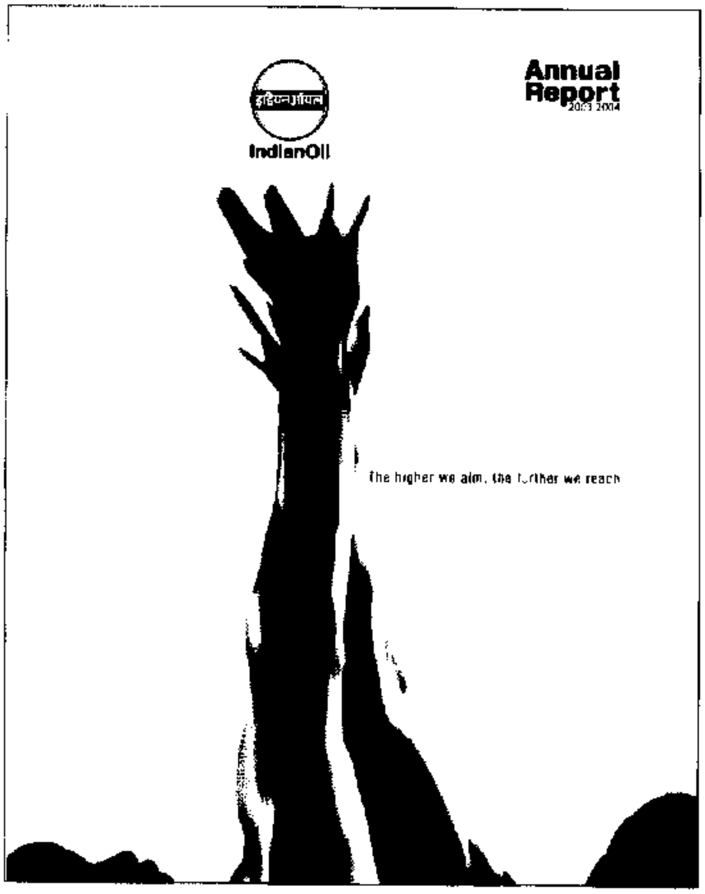
इंडियनऑयल

IndianOil

Annual Report
2003-2004



The higher we aim, the further we reach



The higher we aim, the further we reach

In this ever-changing, demanding world, it takes a lot more than just ambitious growth plans to succeed. It takes passion, grit, determination and above all, an abiding Vision, to be the first across the winning line and still move ahead to fight and win new battles. It is the spirit and dedication to the belief "the higher we aim, the further we reach" that propels each one of us at IndianOil to achieve the impossible every time.

IndianOil. India Inspired

Contents

Indian Oil Corporation Limited

Registered Office: IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East), Mumbai - 400 051

45th Annual Report

In this Report one lakh corresponds to 0.1 million and one crore to ten million.

IndianOil

Indian Oil Corporation Limited

Regd. Office: IndianOil Bhavan,
G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai-400 051

NOTICE

NOTICE is hereby given that the 45th **Annual General Meeting** of the Members of **INDIAN OIL CORPORATION LIMITED** will be held at Rang Sharda Natyamandir, Bandra Reclamation, Bandra (W), Mumbai - 400 050 on **Wednesday,** the **8th September 2004** at **1100 hrs.** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2004 and the Balance Sheet as on that date together with Reports of the Directors and the Auditors.
2. To declare final dividend.
3. To appoint a Director in place of Shri R.S. Sharma, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri P. Sugavanam, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Vineet Nayyar, who retires by rotation and being eligible, offers himself for reappointment
6. To appoint a Director in place of Prof. S.K. Barua, who retires by rotation and being eligible, offers himself for reappointment.
7. To appoint a Director in place of Shri A.M. Uplenchwar, who retires by rotation and being eligible, offers himself for reappointment.

Registered Office:

IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East),
Mumbai-400 051

By Order of the Board of Directors

RNay

(R. NARAYANAN)
Company Secretary

2nd August 2004

NOTES

(a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

(b) Members/Proxies should bring the attendance slip duly signed for attending the meeting. Members who hold shares in demateralised form are requested to bring their Client ID No. and DP ID No. for easy identification of attendance at the meeting.

(c) All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days except Saturdays and Holidays between 1030 hours and 1230 hours up to the date of the Annual General Meeting.

(d) The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 25th August 2004 to Wednesday, the 8th September 2004 (both days inclusive) for the purpose of ascertaining the eligibility for payment of final dividend.

(e) The final dividend payable on Equity Shares, if approved by the members, will be paid to those members whose names appear on the Company's Register of members and as per beneficial owners position received from NSDL & CDSL as at the close of 24th August, 2004.

(f) Pursuant to the provisions of section 205(A) of the Companies Act, 1956, the Company has transferred all unpaid dividend declared upto the financial year 1995-96 to Investor Education & Protection Fund (IEPF) set up by the Central Government. The dividend for the financial year ending 31st March 1997 and thereafter, which remains unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. **The shareholders who have not encashed their dividend warrant/s so far for the financial years 1996-97 to 2002-2003 are requested to make their claims to the Registrar & Transfer Agent, M/s Karvy Computershare Private Limited, Hyderabad or at the Registered Office of the Company. It may also be noted that once the unclaimed dividend is transferred to the IEPF, Central Government, as above, no claim shall lie in respect thereof.**

(g) Members are requested to bring their copy of the Annual Report to the Meeting.

(h) **Shareholders holding shares in electronic form may kindly note that their Address and Bank Account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories. The Company will not entertain any direct request from such shareholders for change in Address/Bank Details. The shareholders who wish to change their Address/Bank Account details are, therefore, requested to advise their Depository Participants about such change.**

(i) Shareholders holding shares in physical form are requested to advise about any change of address/ Bank Account Number to the Company or its Registrar.

(j) The shares of IndianOil are compulsorily traded in dematerialised form and, therefore, the shareholders are requested to dematerialise their shares to facilitate trading in IndianOil shares.

(k) Shareholders are requested to note that pursuant to the approval granted by the Securities and Exchange Board of India, the name of the Registrar and Transfer Agents of the Company has been changed from Karvy Consultants Limited to Karvy Computershare Private Limited. Accordingly, Karvy Computershare Private Limited, having their address at : 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034, are the Registrar and Transfer Agents of the Company.

(l) As per the provisions of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Nomination form can be obtained from the Registered Office of the Company or from its Registrar & Transfer Agent, M/s Karvy Computershare Private Limited.

Pursuant to the requirements of Corporate Governance, a brief resume of Directors, who are retiring and are eligible for reappointment, is given below:

Item Nos. 3 to 7

(3) Shri R.S. Sharma, aged 53 years, is a fellow member of the Institute of Cost & Works Accountants of India and is also an associate member of the Indian Institute of Bankers. He is currently Director (Finance) of ONGC Limited and has rich and varied experience in Projects & Corporate Finance. Earlier, he was Director (Finance) of ONGC Videsh Limited, a wholly owned subsidiary of ONGC Ltd. His assignments before joining ONGC include finance, banking and credit appraisal.

Details of other Directorships:

Name of the Company	**Position held**
Oil & Natural Gas Corporation Limited	Director
ONGC Videsh Limited	Director
Mangalore Refinery & Petrochemicals Limited (MRPL)	Director

Membership/Chairmanship in the Committees of other companies:

Name of the Committee	**Position held**
Shareholders'/Investors' Grievance Committee of ONGC Ltd.	Member
Shareholders'/Investors' Grievance Committee of MRPL	Member
Audit Committee of MRPL	Member
Audit Committee of ONGC Videsh Ltd.	Member

(4) Shri P. Sugavanam, Director (Finance), aged 59 years, is a Chartered Accountant. During his over three decade service in IndianOil, he has handled the Finance function in different capacities, including Head of Finance in the Pipelines, Refineries and Marketing Divisions. Shri Sugavanam has participated in several professional training programmes and seminars in India and abroad. He combines his deep knowledge of the core finance function with an innovative and holistic approach that has enthused fresh life into the finance stream of IndianOil.

Details of other Directorships:

Name of the Company	**Position held**
Indian Oiltanking Limited	Director
Lubrizol India Pvt.Ltd.	Director

Membership/Chairmanship in the Committees of other Companies: Nil

(5) Shri Vineet Nayyar, aged 66 years has handled an array of vastly different and critical assignments in a career spanning 40 years. As a Member of the Indian Administrative Service (IAS), he has served the Government of Haryana and Government of India in various capacities. He has also served in the World Bank dealing with oil & gas, energy operations, etc. and was also Chairman & Managing Director of GAIL India Limited.

Details of other Directorships:

Name of the Company	Position held
HCL Perot Systems India	Director
Perot Systems TSI (Netherlands) BV, The Netherlands	Director
HPS America Inc., Delaware, USA	Director
Perot Systems TSI (UK) Limited, England	Director
HCL Perot Systems, Gmbh, Switzerland	Director
HPS Social Welfare Foundation	Director
HPS Global Systems (Germany) Gmbh	Director
HPS Global Systems (Middle East) FZLLC	Director
Om Mutual Kotak Mahindra Insurance	Director
Bharat Heavy Electricals Limited	Director
Great Eastern Shipping Company Limited	Director

Membership/Chairmanship in the Committees of other Companies: Nil

(6) Prof. S.K. Barua, aged 53 years, is an M.Tech in Industrial Engineering and Operations Research and also a Doctorate in Management. He joined the faculty of the Indian Institute of Management, Ahmedabad in 1980. His specific areas of interest include Capital Market, International Finance, Operations Research, Decision Support Systems, Management Information & Control System and Corporate Financial Management. He is a visiting professor to academic institutions in USA, The Netherlands, Singapore & Cyprus. He has authored a number of books and case studies in management. He is a consultant to many public and private organisations in the manufacturing, banking and financial services sectors. He has handled various assignments as Advisor to Reserve Bank of India, FICCI and the Mumbai and National Stock Exchanges.

Details of other Directorships:

Name of the Company	Position held
S.T.C.I.	Director
SBI Mutual Fund	Member, Board of Trustees

Membership/Chairmanship in the Committees of other Companies:

Name of the Committee	Position held
Audit Committee of S.T.C.I.	Member
Audit Committee of SBI Mutual Fund	Member

(7) Shri A.M. Uplenchwar, Director (Pipelines), aged 57 years, is a Mechanical Engineer and also holds a First Class Marine Engineer Certificate issued by the Ministry of Transport. He has over 25 years of experience in IndianOil during which he has handled various functions in different capacities in the Pipelines Division, including a two-year tenure in the Research & Development Centre of the

IndianOil

Corporation. Prior to joining IndianOil, Shri Uplenchwar had the experience of the Shipping industry for about eleven years.

Details of other Directorships:

Name of the Company	**Position held**
Petronet CCK Limited	Chairman
Petronet India Limited	Chairman
Indian Oiltanking Limited	Director

Membership/Chairmanship in the Committees of other companies: Nil

<u>Registered Office:</u>

IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East),
Mumbai-400 051

2nd August 2004

By Order of the Board of Directors

RNay

(R. NARAYANAN)
Company Secretary

Indian Oil Corporation Limited

Regd Office: IndianOil Bhavan, G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai - 400 051

ATTENDANCE CARD

Regd. Folio/Client ID No.	
No. of Shares held	

I/We hereby record my/our presence at the **45th Annual General Meeting** of the Company held on Wednesday, the 8th September 2004 at 1100 hrs at Rang Sharda Natyamandir, Bandra Reclamation, Bandra (W), Mumbai - 400 050.

Name of the Shareholder
(In Block Letters) ______________________

Signature of the
Shareholder ______________________

Name of the Proxy
(In Block Letters) ______________________

Signature of the Proxy

NOTES
1. You are requested to sign and hand this over at the entrance.
2. If you are attending the meeting in person or by proxy, your copy of the Annual Report may please be brought by you/your proxy for reference at the meeting.

TEAR HERE

Indian Oil Corporation Limited

Regd Office: IndianOil Bhavan, G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai - 400 051

FORM OF PROXY

Regd. Folio/Client ID No.	
No. of Shares held	

I/We .... of .... in the district of .... being a member/members of the abovenamed Company hereby appoint............................ of .... in the district of .... as my/our proxy to vote for me/us on my/our behalf at the **45th Annual General Meeting** of the Company to be held on 8th September 2004 and at any adjournment thereof.

Please Affix
Re.1
Revenue
Stamp

Signed this .... day of .... 2004.

Signature

NOTE: This Proxy Form duly filled in must be deposited at the Registered Office of the Company at IndianOil Bhavan, G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai-400 051 not less than 48 hours before the time for holding the meeting.

Indian Oil Corporation Limited

Indian Oil Corporation Limited (IndianOil) is the country's largest commercial enterprise, with a sales turnover of Rs. 1,30,203 crore (US$ 29.8 billion) and profits of Rs. 7,005 crore (US$ 1,603 million) for fiscal 2003.

IndianOil is India's No.1 Company in *Fortune*'s prestigious listing of the world's 500 largest corporations, ranked 189 for the year 2004 based on fiscal 2003 performance. It is also the 19th largest petroleum company in the world. IndianOil has been adjudged No.1 in petroleum trading among the national oil companies in the Asia-Pacific region, and is ranked 325th in the current *Forbes*' "Global 500" listing of the largest public companies.

India's Flagship National Oil Company

Beginning in 1959 as Indian Oil Company Ltd., Indian Oil Corporation Ltd. was formed in 1964 with the merger of Indian Refineries Ltd. (Estd. 1958).

As India's flagship national oil company, IndianOil alone accounts for 51.2% petroleum products market share among PSU companies, 42% national refining capacity and 67% downstream pipeline throughput capacity.

The IndianOil group of companies owns and operates 10 of India's 18 refineries with a current combined rated capacity of 52.80 million metric tonnes per annum (MMTPA) or one million barrels per day (bpd). These include two refineries of subsidiary Chennai Petroleum Corporation Ltd and one of Bongaigaon Petroleum Corporation Limited. IndianOil owns and operates the country's largest network of cross-country crude oil and product pipelines of 7,575 km, with a combined capacity of 56.85 MMTPA.

Countrywide Network

IndianOil's countrywide network of over 22,000 sales points is backed for supplies by its extensive, well spread out marketing infrastructure comprising 162 bulk storage terminals, installations and depots, 94 aviation fuelling stations and 87 LPG bottling plants. Its subsidiary, IBP Co. Ltd, is a stand-alone marketing company with a nationwide network of over 3,000 retail sales points.

For the year 2003-04, IndianOil sold 48.60 million tonnes of petroleum products, including exports of 1.81 million tonnes. Its seven own refineries achieved a throughput of 37.66 million tonnes, and the pipeline network transported 44.50 million tonnes of crude oil and petroleum products.

IndianOil reaches Indane cooking gas to the doorsteps of 37.5 million households in over 2,100 markets through the country's largest network of 4,350 distributors. The country's leading *SERVO* brand lubricants from IndianOil, with over 42% market share and 450 grades, are sold through more than 9,100 Company retail outlets, besides a countrywide network of bazaar traders.

IndianOil's ISO-9002 certified Aviation Service, with 68% market share, meets the fuel and lubricants needs of domestic and international flag carriers, Defence Services and private aircraft operators.

To maintain its strategic edge in the market place, IndianOil has planned investments to the tune of Rs. 24,400 crore during the X Plan period (2002-07), mainly in linear integration & diversification projects, besides refining and pipeline capacity expansions, product quality upgradation and retail operations.

Customer Care

Customer delight is the key driver of IndianOil's marketing operations. Under the XTRA retail outlet brand unveiled during 2003-04, IndianOil is making customers visiting its petrol and diesel stations a number of XTRA offerings, including assured quality and quantity, efficient forecourt service and high levels of housekeeping, choice of regular and branded fuels, 100% electronic dispensing, cashless transactions, loyalty programmes for cash & credit customers, and a number of non-fuel offerings tailor-made to customer profile and requirements.

Academy Company

IndianOil is an "academy" company with a score of full-fledged training centres across the country building skills and competencies among IndianOilPeople to face the challenges of the market place. Among these, the IndianOil Institute of Petroleum Management (IIPM) at Gurgaon, the IndianOil Management Centre for Learning at Mumbai, and the IndianOil Management Academy at Haldia have emerged as world-class training and management academies. IIPM is launching a one-year post-graduate programme in management, with specialisation in energy, this year in association with Indian Institute of Management-Ahmedabad (IIM-A) to nurture management leaders in the sector.

Pioneering R&D

IndianOil's world-class R&D Centre has won recognition for its pioneering work in lubricants formulation, refinery processes, pipeline transportation and alternative fuels. It has developed over 2,100 formulations of *SERVO* brand lubricants and greases for virtually all conceivable applications - automotive, railroad, industrial and marine - meeting stringent international standards and bearing the stamp of approval of all major original equipment manufacturers. A wholly-owned subsidiary company, IndianOil Technologies Ltd., is commercialising the innovations and technologies of the Centre, which has over 140 national and international patents to its credit. Apart from leadership in development and commercialisation of bio-fuels, the R&D Centre is currently the nodal agency of the hydrocarbon sector in India for ushering in Hydrogen fuel in the country.

Expanding Horizons

IndianOil is currently metamorphosing from a pure sectoral company with dominance in downstream in India to a vertically integrated, transnational energy behemoth. The Corporation is implementing a master plan to emerge as a major player in petrochemicals by integrating its core refining business with petrochemical activities, besides making large investments in E&P and import/marketing ventures for oil and gas in India and abroad.

Spreading Wings

IndianOil is also strengthening its existing overseas marketing ventures and simultaneously scouting new opportunities for marketing and export of petroleum products to new energy markets in Asia and Africa.

Two wholly-owned subsidiaries are already operational in Sri Lanka and Mauritius, and a regional office at Dubai is coordinating expansion of business activities in Middle East region. Within an year of incorporation, Lanka IOC Pvt. Ltd. (LIOC) has captured a 25% market share in Sri Lanka, with a target to take it to about 40% in the near future. IndianOil is investing US$ 18 million in Mauritius through its subsidiary, Indian Oil Mauritius Ltd. (IOML), to set up a range of marketing infrastructure there.

The Corporation has launched 11 joint ventures in partnership with some of the most respected corporates from India and abroad — Lubrizol, Nyco SA, Petronas, Oiltanking GmbH, Marubeni, to name a few. *SERVO* lubricants are being marketed in Dubai, Nepal, Bhutan, Kuwait, Malaysia, Bahrain, Indonesia, Sri Lanka, Kyrgyzstan, Mauritius, Bangladesh, etc.

IndianOil has been lending its expertise for nearly two decades to various countries in several areas of refining, marketing, transportation, training and research & development. These include Sri Lanka, Kuwait, Bahrain, Iraq, Abu Dhabi, Tanzania, Ethiopia, Algeria, Nigeria, Nepal, Bhutan, Maldives, Malaysia and Zambia.

IndianOil's sincere commitment to Quality, Safety, Health and Environment is reflected in the series of national and international certifications and awards (current ones listed separately) earned over the years.

The 17th largest petroleum company in the world, IndianOil, is well on its way to becoming an integrated, transnational energy corporate.

IndianOil. *Bringing Energy to Life.*

इंडियनऑयल

IndianOil

VISION

A major, diversified, transnational, integrated energy company, with national leadership and a strong environment conscience, playing a national role in oil security & public distribution

MISSION

- To achieve international standards of excellence in all aspects of energy and diversified business with focus on customer delight through value of products and services, and cost reduction
- To maximise creation of wealth, value and satisfaction for the stakeholders
- To attain leadership in developing, adopting and assimilating state-of-the-art technology for competitive advantage
- To provide technology and services through sustained Research and Development
- To foster a culture of participation and innovation for employee growth and contribution
- To cultivate high standards of business ethics and Total Quality Management for a strong corporate identity and brand equity
- To help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience

Objectives and Obligations

Objectives

To serve the national interests in the oil and related sectors in accordance and consistent with Government policies.

To ensure and maintain continuous and smooth supplies of petroleum products by way of crude refining, transportation and marketing activities and to provide appropriate assistance to the consumer to conserve and use petroleum products efficiently.

To earn a reasonable rate of interest on investment.

To work towards the achievement of self-sufficiency in the field of oil refining by setting up adequate capacity and to build up expertise in laying of crude and petroleum product pipelines.

To create a strong research and development base in the field of oil refining and stimulate the development of new product formulations with a view to minimise/eliminate their imports and to have next generation products.

To maximise utilisation of the existing facilities in order to improve efficiency and increase productivity.

To optimise utilisation of its refining capacity and maximise distillate yield from refining of crude to minimise foreign exchange outgo.

To minimise fuel consumption in refineries and stock losses in marketing operations to effect energy conservation.

To further enhance distribution network for providing assured service to customers throughout the country through expansion of reseller network as per Marketing Plan/Government approval.

To avail of all viable opportunities, both national and global, arising out of the liberalisation policies being pursued by the Government of India.

To achieve higher growth through integration, mergers, acquisitions and diversification by harnessing new business opportunities like petrochemicals, power, lube business, consultancy abroad and exploration & production.

Obligations

Towards customers and dealers

To provide prompt, courteous and efficient service and quality products at fair and reasonable prices.

Towards suppliers

To ensure prompt dealings with integrity, impartiality and courtesy and promote ancillary industries.

Towards employees

Develop their capability and advancement through appropriate training and career planning.

Expeditious redressal of grievances

Fair dealings with recognised representatives of employees in pursuance of healthy trade union practice and sound personnel policies.

Towards community

To develop techno-economically viable and environment-friendly products for the benefit of the people.

To encourage progressive indigenous manufacture of products and materials so as to substitute imports.

To ensure safety in operations and highest standards of environment protection in its manufacturing plants and townships by taking suitable and effective measures.

Towards Defence Services

To maintain adequate supplies to Defence Services during normal and emergency situations as per their requirement at different locations.

Financial Objectives

To ensure adequate return on the capital employed and maintain a reasonable annual Dividend on its equity capital.

To ensure maximum economy in expenditure.

To manage and operate the facilities in an efficient manner so as to generate adequate internal resources to meet revenue cost and requirements for project investment, without budgetary support.

To develop long-term corporate plans to provide for adequate growth of the activities of the Corporation.

To endeavour to reduce the cost of production of petroleum products by means of systematic cost control measures.

To endeavour to complete all planned projects within the stipulated time and cost estimates.

IndianOil

Board of Directors

Shri M.S. Ramachandran	Chairman
Shri P. Sugavanam	Director (Finance)
Shri A.M. Uplenchwar	Director (Pipelines)
Shri P.K. Agarwal	Director (Marketing) up to 13.9.03 re-designated as Director (Human Resources) w.e.f. 14.9.03
Shri N.K. Nayyar	Director (Planning & Business Development)
Shri N.R. Raje	Director (Research & Development)
Shri Jaspal Singh	Director (Refineries)
Dr. N.G. Kannan	Director (Human Resources) (w.e.f.1.9.03) re-designated as Director (Marketing) w.e.f. 14.9.03
Shri A.K. Mitra	Director (Human Resources) (up to 31.8.03)
Shri M.S. Srinivasan	Director
Shri Prabh Das	Director
Shri Badal K. Das	Director (w.e.f. 5.9.03 and up to 30.6.04)
Dr. Surajit Mitra	Director (up to 16.7.03)
Prof. S.K. Barua	Director
Shri Vineet Nayyar	Director
Dr. R.K. Pachauri	Director (up to 28.8.03)
Shri M. Kalyanasundaram	Director (up to 28.8.03)
Shri L. Sabaretnam	Director (up to 28.8.03)
Shri V.K. Aggarwal	Director (w.e.f. 29.8.03)
Shri V. Ranganathan	Director (w.e.f. 29.8.03)
Shri P.M. Sinha	Director (w.e.f. 29.8.03)
Shri R.S. Sharma	Director
Shri R. Narayanan	Company Secretary

Principal Executives

S/Shri

Anjan Ghosh, IPS	Advisor (Security)
Shankar Aggarwal, IAS	Chief Vigilance Officer
M B L Agarwal	Executive Director (Internal Audit), Corporate Office
Rajendra Prasad	Executive Director (Safety, Health & Environment), Corporate Office
K M Bansal	Executive Director (Operations), Pipelines HO
B K Mittal	Executive Director (Human Resources), Pipelines HO
V K Chawla (Capt.)	Executive Director (Shipping), Refineries HQ
V K Chaudhri	Executive Director (Planning & Coordination), Marketing HO
S C Agarwal (Maj)	Executive Director (Projects), Pipelines HO
J K Nobis	Executive Director (Safety & Environment Protection) Refineries HQ
C Dasgupta	Executive Director (Corporate Finance), Corporate Office
S K Swaminathan	Executive Director (Lubes), Marketing HO
Narayan Prasad	Executive Director (Projects and Infrastructure Development) Marketing HO
Dr. R P Verma	Executive Director (Chemical Technology), R&D Centre
B. R. Choudhury	Executive Director Haldia Refinery
V P Sharma	Executive Director (Finance), Pipelines HO
V C Agrawal	Executive Director (Human Resources), Corporate Office
B M Bansal	Executive Director Mathura Refinery
T L Jain	Executive Director (Retail Sales), Marketing HO
P K Choudhury	Executive Director Barauni Refinery
N Biswas	Executive Director (Finance), Refineries HQ
C P Joshi	Executive Director (Supplies), Marketing HO
J K Puri	Executive Director (Optimisation & Information Systems), Corporate Office
Rohit Bhardwaj	Executive Director Panipat Refinery
S S Soni	Executive Director (Finance), Marketing HO
B K Sarma	Executive Director Assam Oil Division
A C Kelkar	Executive Director (LPG), Marketing HO
P K Chakraborti	Executive Director (Business Development - Refineries & Pipelines), Corporate Office
K. K. Acharya	Executive Director (Operations), Refineries HQ
Anand Kumar	Executive Director (IndianOil Institute of Petroleum Management)
P R Das	Executive Director (Projects – PX/PTA & PREP), Panipat
A M Nanjundan	Executive Director (Retail Development), Marketing HO
B N Bankapur	Executive Director Gujarat Refinery
P K Goyal	Executive Director (Corporate Finance), Corporate Office
V K Sood	Executive Director (Human Resources), Marketing HO

IndianOil

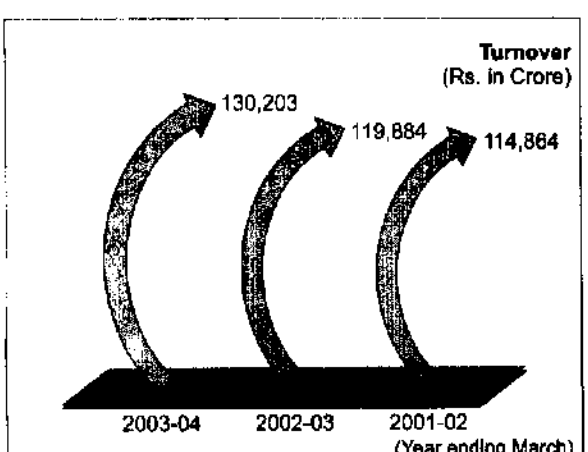
Performance at a Glance

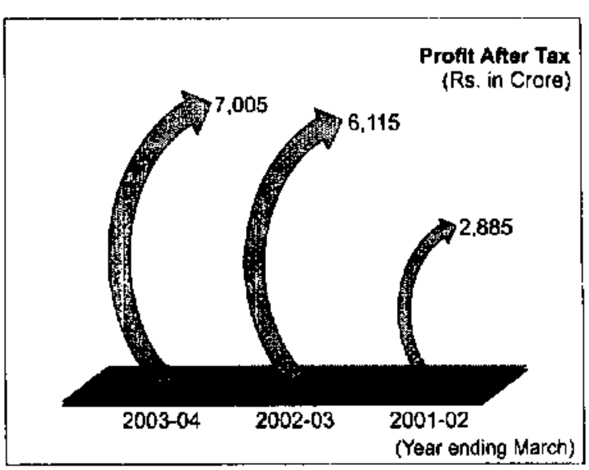
	2003-04	2002-03	2003-04	2002-03	2001-02	2000-01	1999-00
	—(US $ Million)—		(Rs. In Crore)				
I FINANCIAL							
Turnover (inclusive of Excise Duty)	29,795	25,233	1,30,203	1,19,884	1,14,864	1,17,371	94,141
Gross Profit *	2,749	2,286	12,013	10,863	7,533	5,860	5,971
Profit Before Interest & Tax	2,321	1,937	10,144	9,202	6,141	4,636	3,976
Profit Before Tax	2,218	1,771	9,691	8,414	4,599	2,962	2,970
Profit After Tax	1,603	1,287	7,005	6,115	2,885	2,720	2,443
Dividend	561	475	2,453	2,258	857	740	584
Dividend Tax	72	51	314	240	0	75	64
Retained Earnings	970	761	4,238	3,617	2,028	1,905	1,795
Value Added	4,270	3,736	18,659	17,750	14,706	12,989	12,210
Contribution To Central Exchequer	5,169	4,352	22,589	20,676	16,561	16,118	15,138
Cumulative Dividend	1,933	1,262	8,448	5,995	3,737	2,880	2,140

* Profit before Depreciation, Interest Expenditure and Tax.

	2003-04	2002-03	2003-04	2002-03	2001-02	2000-01	1999-00
What Corporation Owns							
Gross Fixed Assets	8,327	7,199	36,388	34,204	29,741	27,144	23,107
Depreciation & Amortisation	3,282	2,649	14,341	12,584	10,961	9,634	8,431
Net Fixed Assets	5,045	4,550	22,047	21,620	18,780	17,510	14,676
Capital Work In Progress	1,210	760	5,286	3,609	5,200	4,527	3,517
Investments	1,280	1,129	5,596	5,363	9,722	3,444	3,149
Finance Lease Receivables	27	30	119	141	161	-	-
Working Capital	1,462	1,360	6,388	6,464	3,778	10,959	7,440
Misc. Expenditure	17	21	73	99	145	167	-
Total	**9,041**	**7,850**	**39,509**	**37,296**	**37,786**	**36,607**	**28,782**
What Corporation Owes							
Net Worth							
- Share Capital	267	164	1168	779	779	779	779
- Reserves	5,007	3,820	21,879	18,149	14,532	15,192	13,286
- Total	5,274	3,984	23,047	18,928	15,311	15,971	14,065
Borrowings	2,787	3,051	12,178	14,495	19,070	20,636	14,717
Deferred Tax Liability	980	815	4,284	3,873	3,405	-	-
Total	**9,041**	**7,850**	**39,509**	**37,296**	**37,786**	**36,607**	**28,782**

Note: Figures for the previous year have been regrouped, wherever necessary.





	2003-04 US $	2002-03 US $	2003-04	2002-03	2001-02	2000-01	1999-00
Ratios							
Debt Equity Ratio							
- Total Debt To Equity	0.53:1	0.77:1	0.53:1	0.77:1	1.25:1	1.29:1	1.05:1
- Long Term Debt To Equity	0.31:1	0.39:1	0.31:1	0.39:1	0.48:1	0.40:1	0.35:1
Earnings Per Share (Rupees) *	1.37	1.10	59.97	52.35	24.70	23.29	20.92
Cash Earnings Per Share (Rupees) *	1.74	1.40	75.97	66.58	36.62	33.77	38.00
Profit After Tax To Average Net Worth (%)	33.38	35.72	33.38	35.72	18.44	18.11	18.56
Net Worth Per Equity Share (Rupees)	4.52	3.41	197.32	162.05**	196.63	205.10	180.62 #

* Earnings Per Share and Cash Earnings Per Share for all the periods have been calculated after considering the Bonus Issue in line with AS-20 - "Earnings Per Share".

** After considering Bonus shares issued in the ratio of 1:2 during the year 2003-04.

\# After considering Bonus shares issued in the ratio of 1:1 during the year 1999-00.

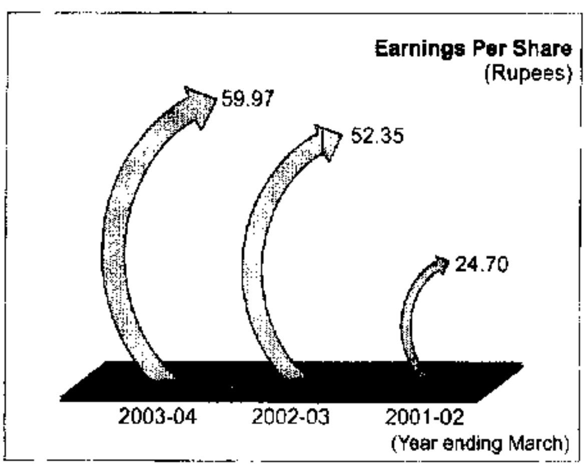
Note: Exchange rate used:-

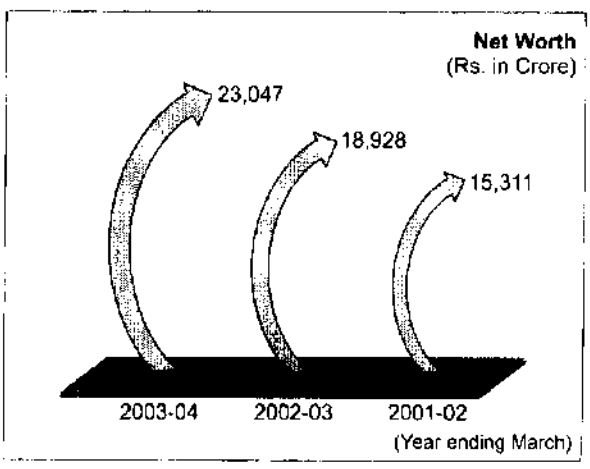
1 US $ = Rs.43.70 as on 31.03.2004

1 US $ = Rs.47.51 as on 31.03.2003

II OPERATIONS

		2003-04	2002-03	2001-02	2000-01	1999-00
Operating Performance						
Product Sales						
- Domestic	Million Tonnes	46.80	46.46	47.17	47.80	48.79
- Export	Million Tonnes	1.81	1.10	0.90	1.02	0.90
- Total	Million Tonnes	48.61	47.56	48.07	48.82	49.69
Refineries Throughput	Million Tonnes	37.66	35.29	33.76	33.22	32.42
Pipelines Throughput	Million Tonnes	45.17	41.11	40.36	39.44	39.50
Marketing Network Facilities						
State Offices	Nos.	15	15	15	15	15
Divisional Offices	Nos.	44	44	44	44	44
Indane Area Offices	Nos.	35	35	35	35	34
Terminals and Depots	Nos.	162	169	182	186	188
Aviation Fuel Stations	Nos.	94	93	92	92	92
Total Product Tankage	Lakh kl	68.74	68.89	68.45	64.77	63.16
LPG Botting Plants	Nos.	87	79	78	71	61
LPG Bottling Capacity	Tonnes	3,674	3,344	3,221	3,007	2,335
Retail Outlets	Nos.	9,138	8,034	7,870	7,549	7,239
SKO/LDO Dealers	Nos.	3,521	3,497	3,455	3,436	3,430
Indane Distributors	Nos.	4,350	4,120	3,881	3,424	3,251
Towns with Indane	Nos.	2,177	2,064	1,985	1,637	1,531
Indane Customers	Lakhs	375	349	322	296	239
III MANPOWER	Nos.	30,801	31,500	31,675	32,266	34,059





Bankers, Auditors, Stock Exchanges and Registrar & Transfer Agents

Bankers

State Bank of India
United Bank of India

Statutory Auditors

M/s. B.K. Khare & Co.
M/s. Chatterjee & Co.
M/s. Suresh Chandra & Associates

Branch Auditors

M/s. Guha Nandi & Co.
M/s. Sarma & Co.
M/s. Mehra Goel & Co.
M/s. Vidya & Co.
M/s. B.C. Jain & Co.
M/s. T.K. Ghose & Co.
M/s. M.R. Narain & Co.
M/s. S.K. Bhattachariya & Co.

Stock Exchanges

Mumbai Stock Exchange

The Stock Exchange of Mumbai
P.J. Towers, 25th Floor,
Dalal Street,
Mumbai - 400 001

National Stock Exchange

National Stock Exchange of India
Exchange Plaza, 5th floor,
Plot C/1, 'G' Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051

Calcutta Stock Exchange

Calcutta Stock Exchange Assn. Ltd.
7, Lyons Range,
Calcutta - 700 001.

It is confirmed that the Annual Listing Fee has been paid to each of the above three stock exchanges.

The Company has delisted its shares from Stock Exchange of Delhi and Madras during the year.

Registrar & Transfer Agents

M/s. Karvy Computershare Pvt. Ltd.
Karvy House,
46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad - 500 034

Major Units

REGISTERED OFFICE
IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East),
Mumbai - 400 051

Corporate Office
SCOPE Complex, Core-2
7, Institutional Area,
Lodhi Road,
New Delhi - 110 003

REFINERIES DIVISION

Head Office
SCOPE Complex, Core-2
7, Institutional Area,
Lodhi Road,
New Delhi - 110 003

Barauni Refinery
P.O. Barauni Oil Refinery,
Dist. Begusarai - 861 114
(Bihar)

Gujarat Refinery
P.O. Jawahar Nagar,
Dist. Vadodara - 391 320
(Gujarat)

Guwahati Refinery
P.O. Noonmati,
Guwahati - 781 020
(Assam)

Haldia Refinery
P.O. Haldia Refinery,
Dist. Midnapur - 721 606
(West Bengal)

Mathura Refinery
P.O. Mathura Refinery,
Mathura - 281 005
(Uttar Pradesh)

Panipat Refinery
P.O. Panipat Refinery,
Panipat - 132 140
(Haryana)

PIPELINES DIVISION

Head Office
A-1, Udyog Marg,
Sector-1,
Noida - 201 301

Eastern Region (PL)
14, Lee Road,
Kolkata - 700 020

Western Region (PL)
P.O. Box 1007,
Bedipara, Morvi Road,
Gauridad,
Rajkot - 360 003

Northern Region (PL)
P.O. Panipat Refinery,
Panipat - 132 140
(Haryana)

MARKETING DIVISION

Head Office
IndianOil Bhavan,
G-9, Ali Yavar Jung Marg,
Bandra (East),
Mumbai - 400 051

Northern Region
IndianOil Bhavan,
1, Aurobindo Marg,
Yusuf Sarai,
New Delhi - 110 016

Eastern Region
IndianOil Bhavan,
2, Gariahat Road,
South (Dhakuria),
Kolkata - 700 068

Western Region
254-C, Dr. Annie Besant
Road, Prabhadevi,
Mumbai - 400 025

Southern Region
IndianOil Bhavan,
139, Nungambakkam
High Road,
Chennai - 600 034

R&D CENTRE
Sector 13,
Faridabad - 121 007
(Haryana)

ASSAM OIL DIVISION
Digboi - 768 171
(Assam)

SUBSIDIARIES

Indian Oil Blending Ltd.
Pir Pau, Trombay,
Mumbai - 400 074

Chennai Petroleum Corporation Ltd.
536, Anna Salai, Teynampet,
Chennai - 600 018

Bongaigaon Refinery and Petrochemicals Ltd.
P.O. Dhaligaon,
Dist. Bongaigaon,
Assam - 783 385

IBP Co. Limited
IBP House, 34-A,
Nirmal Chandra Street,
Kolkata - 700 013

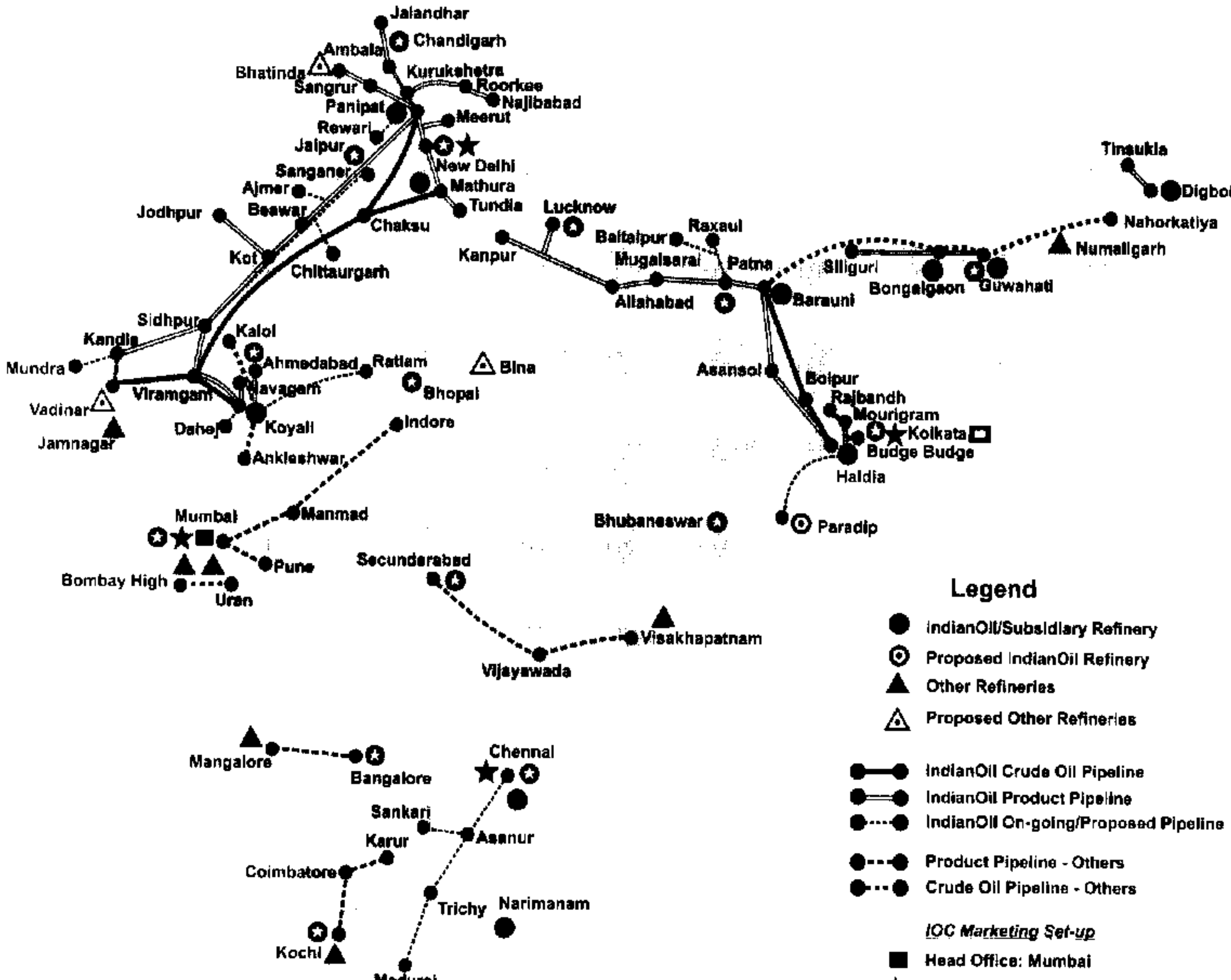
IndianOil Mauritius Ltd.
Suite 619, Level 6,
St. James Court, Denis Street,
Port Louis, Mauritius

Lanka IOC (Pvt.) Ltd.
World Trade Centre,
20th Floor, West Tower,
Colombo, Sri Lanka

IndianOil Technologies Ltd.
SCOPE Complex, Core-2
7, Institutional Area,
Lodhi Road,
New Delhi - 110 003

Indian Strategic Petroleum Reserves Limited
(Incorporated on June 16, 2004)
SCOPE Complex, Core-2
7, Institutional Area,
Lodhi Road,
New Delhi - 110 003

Refineries, Pipelines and Marketing Set-up



Legend

- IndianOil/Subsidiary Refinery
- Proposed IndianOil Refinery
- Other Refineries
- Proposed Other Refineries
- IndianOil Crude Oil Pipeline
- IndianOil Product Pipeline
- IndianOil On-going/Proposed Pipeline
- Product Pipeline - Others
- Crude Oil Pipeline - Others

IOC Marketing Set-up

- Head Office: Mumbai
- Regional Offices: Chennai, Kolkata, Mumbai & New Delhi
- State Offices: Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Jaipur, Kochi, Kolkata, Lucknow, Mumbai, New Delhi, Patna & Secunderabad
- Corporate Office of IBP Co. Limited

Directors' Report,
including Management Discussion and Analysis

To

The IndianOil Family of Shareowners

Dear Members

On behalf of the Board of Directors, I have great pleasure in presenting to you the 45th Annual Report on the working of the Corporation for the financial year ended March 31, 2004 along with the Audited Statement of Accounts and Auditors' Report.

INDIA – MACROECONOMIC DEVELOPMENTS

The year 2003-04 was both eventful and exciting. In macro-economic terms, the GDP (Gross Domestic Product) for 2003-04 was Rs. 27,72,194 crore, achieving a growth of 8.2% during the year. The impressive performance was largely due to the rebound in agricultural production, which notched a growth of 9.1%. Industry and services sectors too performed well, growing by 6.5% and 8.4% respectively.

Inflation was generally in line with expectations while interest rates softened further before firming up slightly during the latter part of the year. The money and government securities markets were by and large stable during the year. Movements in exchange rate also continued to be orderly despite sharp depreciation of the US dollar vis-à-vis other major currencies. There was a large increase in foreign exchange reserves reflecting sustained capital inflow and upgradation of sovereign rating. Foreign reserves increased by an unprecedented US$ 36.9 billion, crossing the US$ 100 billion mark on December 19, 2003, and reaching US$ 119 billion by May 31, 2004. The high economic growth buoyed up sentiments all around, bolstering industry and trade.

GLOBAL OIL INDUSTRY

The world primary energy consumption was 9,741 MTOE (million tonnes oil equivalent) in 2003, recording a growth of 2.9% over 9,465 MTOE registered in 2002.[1] The strongest growth was in the Asia-Pacific region at 6.3%.

The share of oil in the world energy basket was the highest at 37.3% with worldwide consumption at 3,637 million metric tonnes (MMT). Alongwith gas, the share was over 61%. Consumption in oil and gas sectors recorded growth rates of 2.1% and 2% respectively. Herein too, the consumption of oil and natural gas in the Asia-Pacific region grew at 4% and 5.7% respectively, with China as the main driver of growth. India's growth in energy and oil consumption was less than the world average, but our growth in gas consumption at 4.8% was much higher than the world average of 2%.

The share of OPEC (Organisation of Petroleum Exporting Countries) in oil production remained at almost 40% and the continued discipline by the member countries in adhering to production cuts influenced oil prices to a major extent. Prices were also influenced by the political unrest in Venezuela and Nigeria besides the war in Iraq. World oil prices rose by almost US$ 10 per barrel (bbl) and in 2003 reached the highest (in nominal terms) in 20 years. While Brent rose to a high of just under US$ 35/bbl on March 10, 2003, it fell steeply to under US$ 23/bbl by the end of April 2003. However, the respite was short lived as prices continued to spiral upwards.

After a year of low refining margins in 2002, which threatened to shut down several small refineries across the world, gross refining margins rallied in 2003 and 2004. While Singapore refinery crack margins were

[1] BP Statistical Review of World Energy, June 2004

around US$ 3.5/bbl, North-West Europe and US Gulf Coast margins were around US$ 5/bbl. Indian refineries too performed well and recorded margins close to the US average.

Oil is expected to be the dominant energy source worldwide through 2025 with a share of 39%. The world demand is projected to increase to 121 million barrels per day in 2025 from 78 million barrels per day in 2003. Robust growth in use of energy in transportation is expected to remain the main driver of growth in the developed nations while in the developing world, oil demand is expected to grow in all end-use sectors. Much of the incremental volume is projected to come from United States and developing Asia. The projected increase in worldwide oil use would be to the tune of 43 million barrels per day over current levels. Although OPEC producers are expected to be the major suppliers of this increased requirement, non-OPEC supply is expected to be competitive, mainly from Caspian Basin, Latin America and West Africa.

OUTLOOK

Developing Asia is expected to be the fastest growing regional economic block over the next two decades, with China and India as the prime drivers of growth. The robust economic prosperity in the region will act as a stimulus for increase in energy consumption. The GDP here is expected to register an average annual growth rate of 5.1%, compared with 3.0% globally. With such strong growth in GDP, demand for energy here is expected to double by the year 2025, accounting for nearly 40% of the total projected increase in world energy consumption, and nearly 70% of the increment for the developing world alone.[2] India is expected to be at the fulcrum of this growth plank.

In fuelling this growth, the petroleum sector is expected to register a Cumulative Annual Growth Rate (CAGR) of 3.9% in India and 4.0% in China through the period till 2025. These figures are much higher than the projected CAGR growth of 1.9% for the world.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian hydrocarbon sector embraced the positive winds of change and the buoyancy in economy, with the players making structural adjustments in an environment that saw further shift from a Government-controlled to a market-driven one. The tentativeness and uncertainty that marked the year 2002-03, the first year after the deregulation of the industry, was replaced by confident optimism in meeting the rising customer aspirations. Spurred by an environment that encouraged globalisation and competitiveness, the downstream hydrocarbon sector geared itself to meet new challenges. Your Corporation was in the thick of these changes with new product and service offerings, besides consolidating its business plans in Sri Lanka and Mauritius.

The year 2003-04 saw important developments in Government policy as well as concerted efforts by individual companies to align their plans and progress with the free market scenario.

On the disinvestment front, the Government of India successfully sold 10% of its equity in Oil & Natural Gas Corporation Ltd. (ONGC) and GAIL (India) Ltd. during the year. The Government also sold its residual equity of 26% in IBP Co. Ltd. through a public offer. Earlier in 2002, IndianOil had acquired 33.58% of Government of India's equity in IBP through competitive bidding process, and thereafter acquired another 20% through open offer to the public.

In the upstream sector, the Government of India signed 20 contracts for oil & gas exploration under the fourth round of New Exploration Licencing Policy (NELP) and eight contracts under the second round of the Coal Bed Methane (CBM) Policy. Significant hydrocarbon discoveries in the blocks awarded earlier enhanced the prospects of finding more oil & gas reserves in the country. For enhancing the country's oil

[2] International Energy Outlook, 2004 of the Energy Information Administration, U.S.A.

security, the Government decided to set up 5 million tonnes of strategic crude oil storage in the country at Mangalore and Visakhapatnam, which will be built and operated by IndianOil.

In the refining sector, the Government of India allocated 1.5 million tonnes of indigenous Ravva crude to Bongaigaon Refinery & Petrochemicals Ltd. (BRPL), a subsidiary of IndianOil, to offset the limited availability of Assam crude to the Northeast refineries. This not only helped improve BRPL's performance but your Corporation's too, due to improved refining margins during the year.

The total X Plan outlay of the hydrocarbon sector PSUs for infrastructure development is over Rs.1,03,000 crore. Of this, the year 2003-04 accounted for over Rs. 22,000 crore. Continuing its policy of encouraging private participation and investment in the sector, the Government, in January 2004, permitted Foreign Direct Investment (FDI) of up to 100% through the automatic route in petroleum products marketing, subject to existing policy and regulatory framework applicable to the petroleum marketing sector. The same policy was made applicable in exploration of both small and medium-sized oil fields besides liquid fuel and natural gas/Liquefied Natural Gas (LNG) pipelines, subject to certain conditions.

Clean & Green Fuels

While the hydrocarbon industry has been taking proactive steps to supply transportation fuels that continuously conform to more and more stringent specifications, the Government of India approved the National Auto Fuel Policy in October 2003 to address environment concerns on a long-term basis. The implementation of this policy would entail an investment of Rs.18,000 crore by the oil industry by 2005 and an additional Rs.12,000 crore by 2010, when the entire country would be supplied with Euro-III standard auto fuels and select cities with Euro-IV standard auto fuels.

Gasohol (petrol blended with 5% ethanol) introduced as an alternative fuel in January 2003 in 8 identified States and 3 Union Territories is now being extended to 3 more States and a Union Territory. The network of AutoGas (LPG as automobile fuel) dispensing stations and Compressed Natural Gas (CNG) outlets was further expanded during the year, providing consumers with multiple choices for clean fuels. The Government has also chosen IndianOil as the lead company to spearhead R&D activities on use of Hydrogen as automotive fuel.

Gas – Fuel of the Future

The first parcel of imported LNG was received at the Dahej Terminal of Petronet LNG Ltd., of which your Corporation is one of the promoters. This development, along with the new finds of natural gas reserves during the year, ushered in an era wherein gas availability to the power, fertiliser and other industries would increase manifold and also offer a choice between liquid fuels and gas.

The Government of India notified the National Gas Grid Policy in September 2003 to develop gas pipeline infrastructure on common carrier principle and to provide systematic interconnectivity between gas sources and user points. The proposed grid will have over 7,000 km of cross-country gas pipelines and would involve investment of over Rs.18,000 crore over the next five to six years.

OPPORTUNITIES & THREATS

Opportunities

India's petroleum consumption was about 107.7 million tonnes in 2003-04, an increase of 3.5% over 104.1 million tonnes registered in 2002-03. After a flat growth in 2001-02, the industry recovered and registered a growth of over 3% for the second year in succession. The Centre for Monitoring of Indian Economy (CMIE) expects industrial output to rise by 6.4% and agricultural sector to grow by 2.7% in the current fiscal as against 6.5% and 9.1% growth in 2003-04. The services sector, which contributes about 50% to GDP, is projected to grow by 7.9%. With the economy poised to grow at 7% to 8%, trade and industry will need the support of the hydrocarbon sector to fuel their demand.

In its transition to align fully with the market-driven mechanism, the hydrocarbon sector is also reinforcing its latent strengths to meet the expectations of a wide array of stakeholders. This would mean offering a comprehensive value proposition package to the customer with emphasis on non-fuel services also, which opens up myriad opportunities to your Corporation in addition to growth in its core fuel business.

In pursuit of its Vision of emerging as a transnational, integrated energy major, your Corporation is expanding its activities into related areas of exploration & production, petrochemicals and gas, besides globalisation. The groundbreaking agreement between India and Pakistan at the SAARC summit in January 2004 for improving bilateral ties is expected to boost pan-regional trade cooperation, immensely benefiting the downstream hydrocarbon sector. Pakistan's demand for finished petroleum products can stimulate the growth of our domestic sector, as we will have an opportunity to export products to Pakistan. The signing of the framework agreement envisioning the creation of a South Asian Free Trade Area (SAFTA) also augurs well for your Corporation, which is already pursuing business opportunities in several SAARC and ASEAN countries.

Threats

Of particular concern to the industry is the slowing down of diesel demand over the last two years. In 2003-04, diesel demand grew by only 1.7% against the overall growth of 3.4% in petroleum products consumption. With the Government taking appropriate measures to prevent the diversion of kerosene for purposes other than its designated use, it is envisaged that growth in demand for diesel would pick up in the years ahead. The signs were already encouraging during the last quarter of 2003-04 and in the first quarter of the current fiscal.

In 2002, rights to set up a total of 11,000 petrol and diesel stations (Retail Outlets or ROs) were granted to select private and public sector companies. The year 2003-04 saw these players consolidating their plans for setting up ROs and associated infrastructure, and a few ROs have already become operational. Further expansion of the network would only intensify competition in the market place.

Besides, as you are aware, there is a threat to liquid fuels from gas and other alternative fuels. Gas is certainly going to replace a substantial volume of Naphtha and Fuel Oil/LSHS and have an impact on the liquid fuel business. The good news is that your Corporation is well prepared for this change in customer preference and has initiated steps for investment in the gas sector.

Apart from these threats on the domestic front, regional imbalances due to surplus refining capacity in the Asia Pacific region could trigger shifts in international product trade flows that may affect the Indian markets.

In India too, the excess refining capacity vis-à-vis petroleum consumption is leading to a reduction in refining capacity utilisation, reflecting the prevailing trends in the Asia-Pacific region. However, developing Asia is expected to continue to play an important role in the global demand growth, accounting for 40% of the incremental consumption of energy beyond 2004. We can hope thereafter that the excess situation is only a short-term phenomenon.

RISKS AND CONCERNS

Towards the end of the year, the major concern of the petroleum industry was the rising cost of crude oil. While the upswing in gross refining margins helped improve the bottomline, Indian refiners were severely impacted by the ever-rising and fluctuating price of crude oil and products in the international market. The Indian basket reached US$ 35/bbl, while international crude oil prices were even higher. The subsequent dip in prices and the OPEC decision to augment production by two million barrels per day offered only temporary relief, and crude oil prices are again on the rise. Since our country is still dependent on imports to the extent of 70% of its requirements, we shall continue to be subject to volatility in the international prices of oil. The strengthening of the Indian Rupee against the US Dollar helped limit the impact partially. Concerted steps taken by the Government to augment indigenous production through the NELP rounds, and encouragement to Indian companies in acquiring equity oil and gas abroad, are therefore steps in the right direction.

SEGMENTWISE PERFORMANCE

The Corporation is engaged in the following business segments:

(a) Sale of petroleum products

(b) Other Businesses, which comprises sale of imported crude oil, sale of gas, and oil & gas exploration activities undertaken through unincorporated joint ventures

During the current year, the segmentwise performance was as under:

(Rs. in crore)

	Sale of Petroleum Products	**Other Businesses**
Revenue	108,669	8,950
Operating Profit[3]	9,547	(89)

Revenue from Other Businesses mainly comprises crude oil sales amounting to Rs. 8,936 crore. The loss in Other Businesses is due to an expenditure of Rs. 96 crore on exploration activities, which has been charged to revenue during the current year consequent to change in accounting policy from "Full Cost Method" to "Successful Effort Method". But for this change, the Operating Profit for this segment would have been Rs. 7 crore.

CORPORATE HIGHLIGHTS

For the second year in succession, your Corporation improved its ranking in the prestigious *Fortune* 'Global 500' listing of the world's largest corporations. Based on fiscal 2003 performance, IndianOil moved up to 189 in the ranking from 191 the previous year. It is also the 19th largest petroleum company in the world. IndianOil has been adjudged No.1 in petroleum trading among the national oil companies in the Asia-Pacific region by Applied Trading Systems, Singapore. It is also the only Public Sector Undertaking among 'India's Top 10 Companies' listed by the Far Eastern Economic Review in 2003.

In another major feat, your Corporation was ranked among the top 10 'Best Employers in India—2003' in a joint survey conducted by *Business Today* and Hewitt Associates across 220 organisations.

For the 15th consecutive year, IndianOil earned 'Excellent' rating for its performance in its MoU with the Government of India for the year 2003-04. The MoU for the current fiscal gives due weightage to IndianOil's globalisation efforts in terms of product exports and downstream marketing, besides entry strategy into E&P.

The Government of India has decided to create Strategic Crude Oil Storage of 5 million metric tonnes (MMT) for the country. The Government of India also decided that a Special Purpose Vehicle, fully owned by your Corporation, would be responsible for building and operating this storage. For this purpose, Indian

[3] Profit Before Interest Expenditure, Interest Income, Investment Income, Prior Period Items and Tax

Strategic Petroleum Reserves Ltd., a wholly-owned subsidiary of your Corporation, was incorporated in June 2004.

Your Corporation has initiated concerted action to optimise and achieve synergy with its subsidiary companies by rationalising infrastructure, refinery stream-sharing, shared capability building, etc. It proposes to merge its subsidiary, IBP Co. Ltd., with the parent company IndianOil, keeping in view the similarity of businesses and the possible synergies and economies of scale between the two companies. While the Government of India has accorded 'in-principle' approval for the merger, a Scheme of Amalgamation would be submitted to the Government for final approval.

It is also proposed to merge the wholly owned subsidiary, Indian Oil Blending Ltd., with the parent company for which necessary approval of the Government of India is awaited. This merger would enable consolidation of the manufacturing and sale of lubricants into one entity and would be in the best interest of the shareholders.

IndianOil is looking at opportunities to acquire a suitable medium-sized Exploration & Production (E&P) company to expand its operations in oil exploration and production. After approval of the Board, the proposal has been sent for Government clearance. This initiative will provide your Corporation an opportunity to bid for E&P projects abroad on its own.

Your Corporation is launching a one-year full-time Post-Graduate Programme in Management (Energy) at the IndianOil Institute of Petroleum Management, Gurgaon, in association with the Indian Institute of Management, Ahmedabad (IIM-A) to nurture management leaders in the energy sector. Each batch shall have 25 participants from within IndianOil, its associate companies and major customers, and the balance 25 participants shall be drawn by IIM-A from various energy sector organisations.

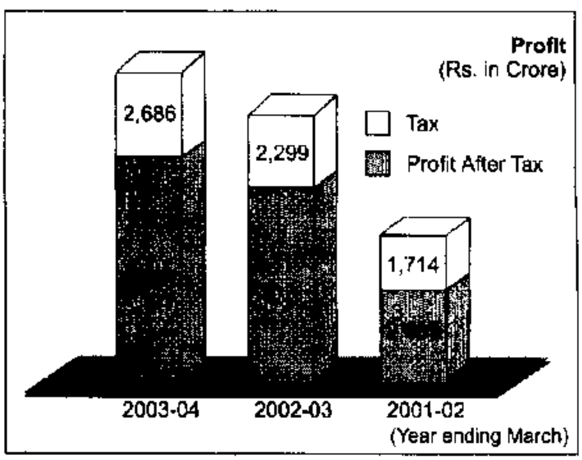
FINANCIAL REVIEW

Turnover

The turnover (inclusive of excise duty) of your Corporation for the year ended March 31, 2004 was Rs. 1,30,203 crore as compared to Rs. 1,19,884 crore in the previous year, registering a growth of 8.6%. The total sales volume (inclusive of export sales) increased from 47.56 MMT in 2002-03 to 48.61 MMT in 2003-04, registering a growth of 2.2%.

Profit Before Tax

The Corporation recorded the highest ever Profit Before Tax of Rs. 9,691 crore during the current year as against Rs. 8,414 crore in 2002-03, registering a growth of 15.2%. The increase is mainly on account of improvement in refining margins, reduction in interest cost, and gain on account of exchange fluctuations, partially offset by lower realisation on stock of petroleum products.



Provision for Taxation

a) Current Tax

An amount of Rs. 2,275 crore has been provided towards current tax considering the applicable income tax rates, as against Rs. 1,831 crore provided during 2002-03. The effective tax rate for 2003-04 works out to 23.5% as against 21.8% for 2002-03.

b) Deferred Tax

An amount of Rs. 411 crore has been provided towards deferred tax in the current financial year as against Rs. 468 crore provided during 2002-03.

Profit After Tax

The Corporation also recorded the highest ever Profit After Tax of Rs. 7,005 crore during the current financial year as compared to Rs. 6,115 crore in 2002-03, registering a growth of 14.6%.

Depreciation & Amortisation

Consequent to increased capitalisation of fixed assets, depreciation for the year 2003-04 was Rs.1,869 crore (including Rs.2 crore being the amount of amortisation on Intangible Assets) as against Rs.1,661 crore for the previous year.

Interest (Net)

Interest expenditure (Net) decreased from Rs. 452 crore during 2002-03 to Rs. 287 crore during the current year. The net decrease of Rs. 165 crore is mainly due to reduction in the overall cost of borrowing apart from reduction in total amount of borrowing.

Borrowings

The borrowings of your Corporation have reduced from Rs. 14,495 crore as on March 31, 2003 to Rs. 12,178 crore as on March 31, 2004. The Total Debt to Equity ratio as on March 31, 2004 works out to 0.53:1 as against 0.77:1 as on March 31, 2003 and the Long Term Debt to Equity ratio stands at 0.31:1 as on March 31, 2004 as against 0.39:1 as on March 31, 2003.

Capital Assets

Rs. 3,861 crore was invested in creating capital assets during the year. The Gross Fixed Assets (including Capital Work in Progress) increased from Rs. 37,813 crore as on March 31, 2003 to Rs. 41,674 crore as on March 31, 2004, of which 77% were financed from internal resources.

Investments

Investments, including advances, increased from Rs. 5,363 crore as on March 31, 2003 to Rs. 5,596 crore as on March 31, 2004, mainly due to acquisition of shares in Lanka IOC Pvt. Ltd and Petronet LNG Ltd.

The aggregate market value of the Quoted Investments as on March 31, 2004, i.e., investments made in Oil & Natural Gas Corporation Ltd. (ONGC), GAIL (India) Ltd., Chennai Petroleum Corporation Ltd. (CPCL), Bongaigaon Refinery & Petrochemicals Ltd (BRPL), IBP Co. Ltd. and Petronet LNG Ltd., is Rs. 15,503 crore as against the cost price of Rs. 5,068 crore.

Net Current Assets

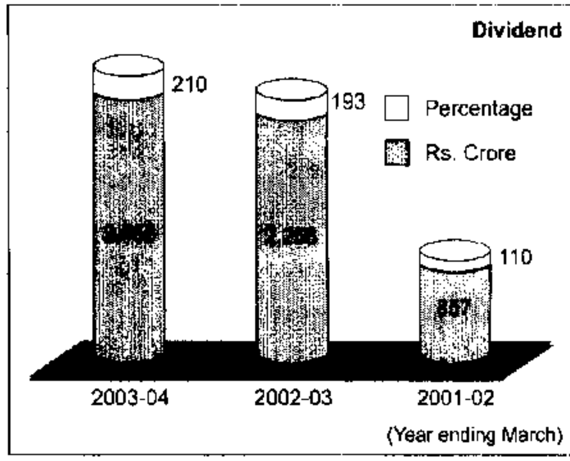
Net Current Assets as on March 31, 2004 were Rs. 6,388 crore as against Rs.6,464 crore as on March 31, 2003. The change in net current assets is mainly due to increase in current liabilities & provisions partially offset by increase in stock of finished products.

Earnings Per Share

Earnings Per Share increased to Rs. 59.97 in the current year from Rs. 52.35 for 2002-03, registering a growth of 15%. Cash Earnings Per Share for the year also moved up from Rs. 66.58 in 2002-03 to Rs. 75.97 in 2003-04, registering a growth of over 14%.

Dividend

The Board of Directors of your Corporation has recommended a final dividend of 160%, in addition to the 50% interim dividend already paid during the year. With this, the total dividend for the current year works out to 210%, as against 193% (on post-bonus share capital) in the previous year. This is the 38th consecutive year of dividend declaration by your Corporation. So far, your Corporation has paid a cumulative dividend of Rs. 6,579 crore, which does not include the final dividend of Rs. 1,869 crore for the current year.



Contribution to Exchequer

Your Corporation has made the highest ever contribution of Rs. 35,960 crore to the Exchequer during the year, out of which Rs. 22,589 crore went to the Central Exchequer and Rs. 13,371 crore to the States Exchequer in the form of duties and taxes.

Public Deposit Schemes

The total outstanding deposits with your Corporation amounted to Rs. 13.59 crore as on March 31, 2004. The Public Deposit Scheme was opened effective May 1, 1999 only for employees and ex-employees of the Corporation.

Earnings in Foreign Currency

During the year, your Corporation earned Rs. 3,637 crore in foreign currency as against Rs. 2,626 crore in 2002-03, which is mainly on account of export of petroleum products.

Internal Control Systems

Your Corporation has adequate internal control systems commensurate with the size and nature of its business. In addition, there are detailed manuals on various aspects of business activities, accounting policies and guidelines. The Board of Directors regularly monitors the performance of your Corporation.

Further, your Corporation has a full-fledged independent Internal Audit Department, which carries out extensive audits round the year covering each and every aspect of the Corporation's business to ensure accuracy, reliability and consistency of records, systems and procedures. The Audit Committee constituted by the Board of Directors reviews its observations and recommendations on a regular basis.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard-21 "Consolidated Financial Statements" and Accounting Standard-27 "Financial Reporting of Interest in Joint Ventures" issued by The Institute of Chartered Accountants of India, your Corporation has prepared the Consolidated Financial Statements consolidating all its subsidiaries and joint venture entities. The Consolidated Financial Results for the year 2003-04 are as under:

	(Rs. in Crore)
Turnover (inclusive of excise duty)	130969
Profit Before Tax	10960
Profit for the Group (After Tax)	7492

CORPORATE REVIEW

FINANCIAL

	2003-04		2002-03	
	US $ Million	**Rs. in Crore**	US $ Million	Rs. in Crore
Turnover (Inclusive of Excise Duty)	**29795**	**130,203**	25233	119,884
Profit				
Profit Before Interest, Depreciation and Tax	**2749**	**12,013**	2287	10,863
Interest Payment	**103**	**453**	166	788
Depreciation	**428**	**1,869**	350	1,661
Profit Before Tax	**2218**	**9,691**	1771	8,414
Tax Provision - Current	**521**	**2,275**	385	1,831
- Deferred	**94**	**411**	99	468
Profit After Tax	**1603**	**7,005**	1287	6,115
Appropriations				
Interim Dividend	**133**	**584**	82	389
Proposed Dividend	**428**	**1,869**	393	1,869
Corporate Dividend Tax	**72**	**314**	51	240
Insurance Reserve	**2**	**10**	2	10
Bond Redemption Reserve	**9**	**38**	(5)	(24)
General Reserve	**959**	**4,190**	764	3,631

PHYSICAL

	(Million Metric Tonnes)	
	2003-04	2002-03
Product Sales		
- Domestic	**46.80**	46.46
- Export	**1.81**	1.10
- Total	**48.61**	47.56
Refineries Throughput	**37.66**	35.29
Pipelines Throughput	**45.17**	41.11

SHARE VALUE

	2003-04		2002-03	
	US $	**Rupees**	US $	Rupees
Cash Earning Per Share*	1.74	75.97	1.40	66.58
Earning Per Share*	1.37	59.97	1.10	52.35
Book Value Per Share*	4.52	197.32	3.41	162.05

* Earnings Per Share, Cash Earnings Per Share and Book Value Per Share for both the years have been calculated after considering the bonus shares issued during 2003-04 in line with AS-20 - " Earnings Per Share."

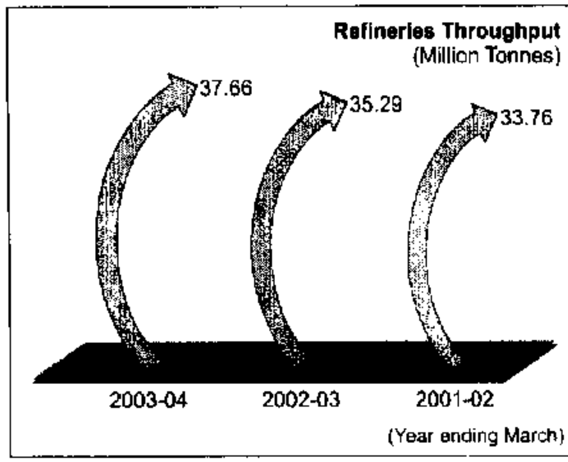
Note:

1. Exchange rate used:
   1 US $ = Rs.43.70 as on 31.03.2004
   1 US $ = Rs.47.51 as on 31.03.2003
2. Figures for the previous year have been regrouped, wherever necessary.

OPERATIONS

REFINERIES

IndianOil's seven refineries achieved a record throughput of 37.66 million metric tonnes (MMT) during the year, surpassing the previous best of 35.29 MMT in 2002-03, thus registering an increase of 6.7%. The overall refining capacity utilisation also increased to 91% as against 89% in the previous year. Record crude oil throughput was achieved at Koyali, Panipat and Barauni refineries during the year. IndianOil refineries also achieved record production of LPG, petrol, kerosene, diesel and bitumen. The overall distillate yield of 73.2% wt. achieved during the year was also the highest ever.

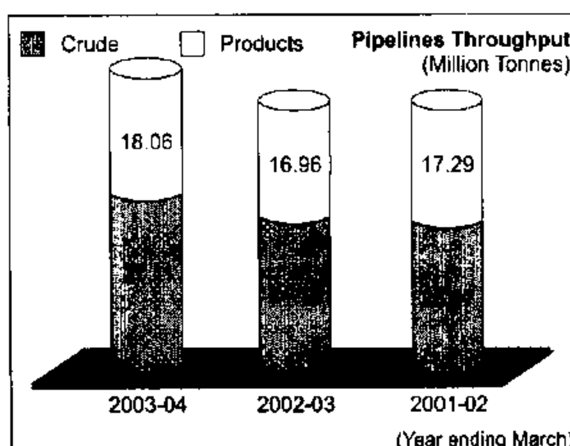


During the year 2003-04, your Corporation commissioned a Solvent De-waxing Unit at its Digboi Refinery, thereby increasing paraffin wax production from 2,000 metric tonnes to 3,500 metric tonnes per month. For production of green fuels, a Hydrogen Unit and a Diesel Hydrotreater were commissioned at Digboi Refinery, and a new Sulphur Recovery Unit was commissioned at Haldia Refinery.

Your Corporation's strategy in the short-term for capacity augmentation through de-bottlenecking and low-cost expansions of existing refineries has resulted in significant cost advantage vis-à-vis building grassroots refining capacities. Stress has also been laid on improving the bottom line by enhancing the flexibility of these refineries to process a wide variety of crude oils so that supply sources can be broadened.

PIPELINES

Your Corporation owns and operates the largest network of crude oil and petroleum product pipelines in India. The 7,575 km network transported a record 45.17 MMT of crude oil and petroleum products, the highest achieved so far.

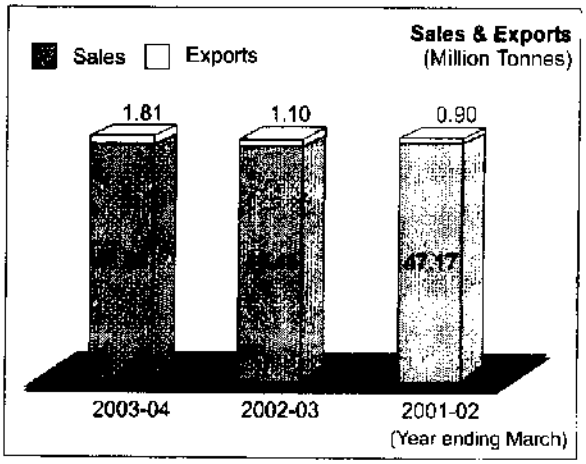


Among the major projects commissioned during the year were the Viramgam-Koyali crude oil pipeline, and the Koyali-Viramgam-Sidhpur and Kurukshetra-Roorkee-Najibabad product pipelines. Considerable progress was also made during the year on the Chennai-Trichy-Madurai product pipeline project, the Corporation's maiden pipeline project in South India.

MARKETING

During the year, your Corporation reversed the trend of declining sales by selling 48.61 MMT of petroleum products as against 47.56 MMT in the previous year. The strong customer-centric approach of Marketing Division helped maintain our market leadership despite increased competition from established and new players. The year 2004 is being celebrated as 'Customer Care Year' at IndianOil so as to give further impetus to meeting the discerning needs of our customers. A 'Customer Care Policy' has been framed and is being institutionalised at all locations along with a 'Customer Service Pledge.'

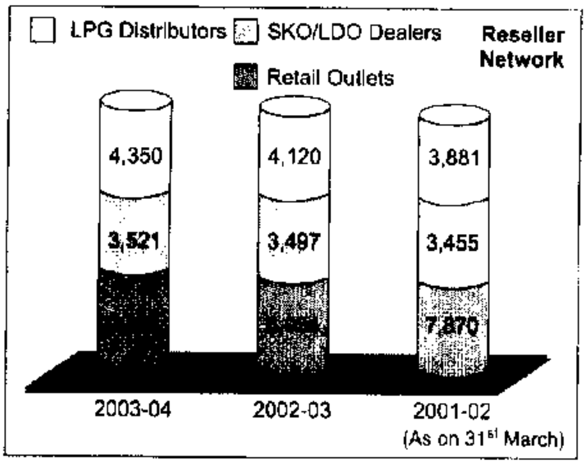
The retail network was further expanded during the year with the commissioning of 1,134 ROs – an industry record - and 22 SKO/LDO[4] dealerships; thus raising their total number to 9,138 and 3,521 respectively as on March 31, 2004.



Customer Care – New Initiatives

The major steps taken by your Corporation during the year towards improved customer service include:

- 'Customer Ambassador' contact programmes at ROs and Indane distributors' premises across the country
- Launch of Indane 'Star Distributors Club' in association with select Indane distributors, setting new standards of service in customer care, safety, reliability and convenience
- Floating consumer pump at Mumbai, to fuel fishing trawlers at sea
- Mobile consumer pump to fuel heavy equipment at work sites, etc.



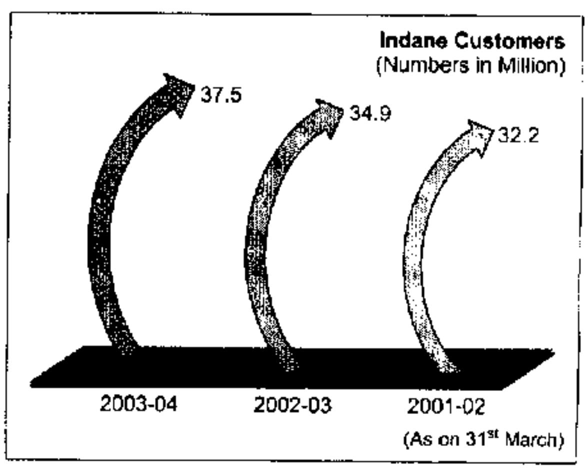
Indane – Revolutionising the Kitchens

During the year, your Corporation enrolled 29.8 lakh new Indane cooking gas customers, taking their cumulative number to 375 lakhs. The customer base for 5 kg LPG cylinders also rose to 76,000 spread over 1,177 markets. The Corporation commissioned 229 new Indane distributorships during the year, raising their total number to 4,350. Also, eight new Indane bottling plants were added, bringing their total number to 87. The Corporation's LPG bottling capacity now stands at 3,674 thousand metric tonnes per annum. Toll-free telephone facility at Indane Customer Service Cells across the country was another initiative in LPG customer service.

IndianOil currently operates 42 AutoGas (LPG) dispensing stations for supplying LPG to automobiles in metros and major cities. Another 29 new stations are in the offing.

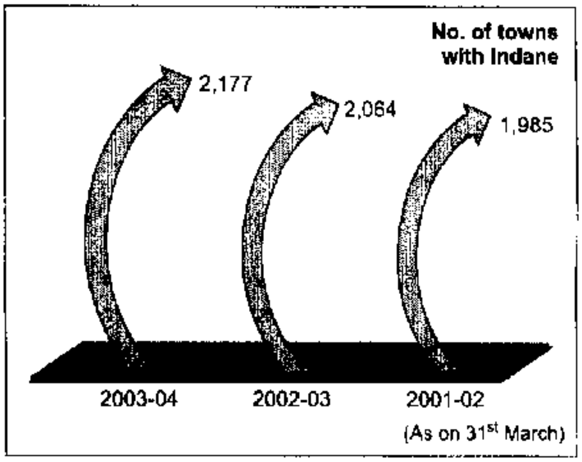
Retail Branding – For Xtra Growth

The 'Operation Everest' retail transformation programme has so far covered 1,038 ROs. Under the programme, the ROs are being continuously benchmarked for quality & quantity, customer service, efficient forecourt service, high levels of housekeeping, etc. by a third party inspection agency of international repute. Several value-added non-fuel services were also launched in association with reputed organisations, including vehicle care, communications, vehicle-tracking, transport exchanges, health care, convenience stores and fast food counters.



[4] Superior Kerosene Oil / Light Diesel Oil

A new retail branding concept under an umbrella brand 'XTRA' was launched during the year. All retail offerings were encompassed under this new concept with the prefix 'XTRA'. Accordingly, branded fuels XTRAPREMIUM (91-octane petrol with multifunctional additives) and XTRAMILE (diesel with multifunctional additives) were launched nationally across various markets. Other retail offerings XTRAPOWER (fleet card), XTRAREWARDS (loyalty cards with rewards), XTRASHOPPE (convenience stores), etc., were also rolled out.



Bulk Sales – Long-term Tie-ups

To further consolidate its leadership status in bulk consumer business, particularly in the present competitive environment, your Corporation commissioned 268 dedicated consumer pumps for bulk users during the year. Long-term business tie-ups were also executed with major users like the Indian Railways, the Defence Services, State Transport Undertakings, etc.

Aviation – Flying High

Your Corporation continued to lead the aviation fuel business with a market share of about 67%. New business from several international and private airlines and chartered flights were added during the year. Foreign exchange earnings from ATF sales to international airlines during the year were Rs. 911 crore.

IndianOil's 94th Aviation Fuel Station (AFS) was commissioned at Barapani in Shillong.

SERVO – Lubricating the Indian Economy

IndianOil's *SERVO* brand lubricants and greases have earned the distinction of being the first and the only one in its category in India to be accorded the 'Superbrand' status.

Your Corporation achieved a production of 313.95 thousand metric tonnes (TMT) of lubricants and 12.6 TMTs of greases during the year. The market share of lubricants increased by 1.2%, aided by a 4.1% growth in volume. Import substitution and cost reduction in procurement of lube containers and additives helped save Rs. 116 crore (including Rs. 102 crore in foreign exchange).

RESEARCH & DEVELOPMENT

The year 2003-04 saw the Corporation's R&D Centre, located at Faridabad, gain the status of a technology provider with the launch of 'IndianOil Technologies Ltd.', a wholly-owned subsidiary company, to translate the Centre's intellectual property into financial gains.

The R&D Centre recently bagged the prestigious National Technology Award-2004 for successful commercialisation of its INDMAX technology for conversion of low-value heavy petroleum residue into high-value LPG. Developed for the first time in the world by IndianOil, this technology achieved commercial success with the commencement of operation of the 100 TMT per annum (TMTPA) capacity INDMAX unit at Guwahati Refinery in June 2003.

IndianOil's R&D Centre also won the National Research Development Corporation Award for developing corrosion inhibitors and metal passivators from waste refinery streams for lubricant, grease and fuel applications.

During the year 2003-04, the Centre developed 40 new lubricant formulations and upgraded 42 existing ones. A new process INDALIN+ has also been developed for conversion of naphtha to LPG and high-octane petrol.

The R&D Centre made significant contributions in implementing Government policies on the use of eco-friendly and renewable fuels. It conducted extensive research on use of ethanol in petrol and, along with Indian Railways, successfully tested Bio-diesel, synthesised at the R&D Centre. The Centre has been identified by the Ministry of Petroleum & Natural Gas (MOP&NG) as the nodal agency within the hydrocarbon sector to take the lead for development of Hydrogen as an alternative fuel.

ASSAM OIL DIVISION

The Digboi Refinery of Assam Oil Division (AOD) processed 0.60 MMT of crude oil during the year. The Division sold one MMT of products and retained its position as the market leader in the North-East. AOD's marketing network comprises 335 ROs, 399 SKO/LDO dealerships and 251 Indane distributorships. It supplies Indane gas to 12.4 lakh households in 174 towns in the North-East. Two new LPG bottling plants were commissioned during the year, bringing their total number to five.

PROJECTS

Project implementation without time and cost overruns is accorded the highest priority by your Corporation. The details of various major projects are as follows:

Completed Projects

- Diesel Hydrotreating and Solvent De-waxing units at Digboi Refinery
- Viramgam—Koyali crude oil pipeline (148 km)
- Koyali—Viramgam—Sidhpur product pipeline (102 km)
- Kurukshetra—Roorkee—Najibabad product pipeline (167 km)
- LPG bottling plants at eight locations
- Port terminal at Mauritius with a tankage of 15.5 TMT

Ongoing Projects

- Linear Alkyl Benzene unit at Koyali Refinery
- Diesel Hydrotreating unit at Mathura Refinery
- MS quality improvement projects at Mathura, Koyali and Haldia refineries
- Paraxylene/Purified Terephthallic Acid unit at Panipat Refinery
- Panipat Refinery expansion from 6 MMT per annum to 12 MMT per annum
- Grassroots refinery at Paradip
- Mundra—Kandla crude oil pipeline (73 km) and conversion of the Kandla-Panipat section of KBPL to crude oil service
- Paradip—Haldia crude oil pipeline (353 km)
- Sidhpur—Sanganer product pipeline (506 km)
- Chennai—Trichy—Madurai product pipeline (683 km)
- Capacity augmentation of LPG bottling plants at Chengalpet and Tikrikalan
- Naphtha transfer pipeline from Asaoti to NTPC, Faridabad
- Hydrocracker Laboratory – Phase-II – at R&D Centre

New Projects

- Naphtha Cracker project and downstream polymer units at Panipat
- Branch pipelines to Raxaul and Baitalpur from Barauni-Kanpur product pipeline
- Koyali-Ratlam (274 km) and Koyali-Dahej (112 km) product pipelines
- Dadri-Panipat gas pipeline
- 7 depots at various locations
- Dockline at Narimanam (8 km)
- Construction of grassroots LPG bottling plants at Raipur and Virudhachalam

BUSINESS DEVELOPMENT

Your Corporation plans to achieve its Vision of becoming a "major, diversified, transnational integrated energy company" through a series of strategic initiatives. It is IndianOil's ambition to emerge as an organisation of international repute in its core business, i.e., refining and marketing of petroleum products, as well as in allied areas like Petrochemicals, Gas, E&P, etc. Our business strategy takes into consideration our current standing as well as the emerging opportunities and challenges in the context of economic liberalisation in the country in general and deregulation of the hydrocarbon sector in particular.

During the year 2003-04, your Corporation consolidated its core business and at the same time ventured into new areas through integration, diversification and globalisation. Our globalisation forays not only offer new vistas of growth and expansion of business but also provide a ready outlet for export of our products and services.

Downstream Marketing – Overseas

Your Corporation successfully graduated from a product exporter to a transnational energy company with the establishment of two wholly-owned overseas subsidiaries, Lanka IOC Pvt. Ltd. and IndianOil (Mauritius) Ltd.

Lanka IOC Pvt. Ltd. (LIOC), now a full-fledged Sri Lanka company, commenced operations in February 2003 from 100 petrol/diesel stations taken over from Ceylon Petroleum Corporation, and the Trincomalee Tank Farm taken on long-term lease. An additional 57 franchisee outlets were added thereafter, and about a 100 more are in the offing. With the average per pump throughput at an impressive 300 kl per month, LIOC has already captured a market share of 25% in Sri Lanka, with a target to achieve 40% in the near future.

IndianOil, through its subsidiary IndianOil Mauritius Ltd (IOML), is setting up a range of marketing infrastructure at Mauritius. IOML's 15.5 TMT petroleum storage terminal was commissioned at Mer Rouge Port in April this year. The Hon'ble Prime Minister of Mauritius formally launched the facilities there. IndianOil has also joined a consortium of four existing multinational oil companies to operate aviation-fuelling facilities in Mauritius. IOML would soon be setting up world-class petrol stations in Mauritius, offering a range of value-added services.

Certain other opportunities identified in Africa, South-East Asia and SAARC regions are at different stages of pursuance.

Exports - Products

For the first time, your Corporation entered into a term contract with Bangladesh Petroleum Corporation for supply of 220 TMT of petroleum products, and commenced supplies in March 2004. The term contract with Ceylon Petroleum Corporation was successfully completed in September 2003. Thereafter, regular exports are being organised to meet the requirements of LIOC in Sri Lanka.

Our initiatives in Sri Lanka helped increase overseas sale of *SERVO* lubricants. Besides, a lube hub is being established in Dubai, where we commenced blending operations in December 2003, for marketing *SERVO* lubricants in the Middle East, Africa and CIS region. Commissioning of bitumen-loading facilities at Haldia has provided a big boost to bitumen exports.

These initiatives have enabled your Corporation to earn valuable foreign exchange and maximise returns on surplus products through exports, besides establishing IndianOil and *SERVO* as global brands.

Exports - Services

Your Corporation has been aggressively pursuing business opportunities in the Middle East and African countries related to major revamp/upgradation/product quality improvement projects in refineries, implementation of cross-country pipeline projects, and equity participation in existing refineries, including long-term contracts for operation & maintenance.

Exploration & Production

Vertical integration along the entire hydrocarbon value chain is a key strategy for achieving growth in the hydrocarbon business. Your Corporation is attempting vertical integration through E&P initiatives to secure its own equity oil so as to safeguard its business interests against the highly volatile international oil market.

Your Corporation in consortium with other companies, was awarded 11 exploration blocks in the first three rounds of NELP. Under CBM-I (Coal Bed Methane, Round-I), your Corporation was awarded 2 blocks in consortium with ONGC. Work is progressing as per the work programme in these blocks.

Your Corporation had entered into a 'Farm Out Agreement' with Premier Oil (NE India) BV and Hindustan Oil Exploration Corporation and acquired 27% participating interest in the on-shore exploration block in Assam and Arunachal Pradesh region. Your Corporation has also decided to acquire 35% equity stake in another block in Assam from Premier Oil.

IndianOil, along with ONGC Videsh Ltd. (OVL) and Oil India Ltd. (OIL), was awarded the Farsi Exploration Block in Iran. OVL is the operator of this block, in which IndianOil has 40% equity participation. The exploration activities in this block are progressing as per contractual obligations, and the first exploratory well will be spudded by October 2004. The IndianOil-OVL combine had been qualified by Kuwait Petroleum Corporation as one of the non-operators for their 'Northern Kuwait Oil Fields Project' for development of four Northern Kuwait oilfields. This combine has formed a consortium with British Petroleum (operator) and Occidental Petroleum for joint bidding for this project and the initial bid documents have been submitted.

Gas - A New Thrust

With Gas emerging as the preferred fuel of the utilities sector, viz., power, fertilisers and transportation, its share in the total energy basket is expected to rise from 8.8% at present to 20% by the year 2025, as per the Hydrocarbon Vision-2025 Document of the Government of India. Your Corporation has taken several initiatives to harness this growth potential:

(a) **Petronet LNG Limited:** Petronet LNG Limited (PLL), a joint venture company co-promoted by IndianOil along with Bharat Petroleum Corporation Limited, ONGC and GAIL, has successfully commissioned its LNG Terminal at Dahej. The first parcel of LNG from Qatar was received at this terminal in January 2004.

    Your Corporation has entered into a 25-year contract with PLL to purchase 1.5 million metric tonnes per annum (MMTPA) of re-gassified LNG (R-LNG) from Dahej terminal as part of its maiden foray into gas marketing, and has also tied up customers for the entire quantity available in the first year. R-LNG supplies to customers commenced from March 2004.

(b) **Kakinada IndianOil LNG Consortium:** Your Corporation is the lead promoter of Kakinada IndianOil LNG Consortium (KIOLC) with Petronas International Corporation Ltd. (of Malaysia), Kakinada Sea Ports Ltd. (operator of Kakinada Deepwater port) and BP Global Investment Ltd. (of UK) as other promoters. The consortium was earlier contemplating developing an LNG import and re-gasification terminal at Kakinada. However, based on market study and for making the project more competitive, the consortium has now decided to resite the facilities at Krishnapatnam in Andhra Pradesh. Your Corporation, on behalf of KIOLC, has entered into a Memorandum of Understanding with Krishnapatnam Port Co. for development of the LNG project.

As part of gas marketing from the project, KIOLC has submitted its bid to Karnataka Power Corporation Limited for supply of about 1.4 MMTPA of R-LNG for their proposed 1400 MW power project at Bidadi near Bangalore.

(c) **Import of LNG from National Iranian Oil Company:** As another step towards sourcing LNG for the Indian market, your Corporation has entered into a Memorandum of Understanding (MoU) with National Iranian Oil Company (NIOC) for import of LNG for marketing in India and for cooperation in various areas of the hydrocarbon sector. In pursuance of this MoU and as part of an MoU between the Governments of India and Iran, your Corporation, along with GAIL, is in discussion with National Iranian Gas Exporting Co., a subsidiary of NIOC, for an LNG Sale Purchase Agreement for import of the gas into India.

Petrochemicals – Driver of Future Growth

The per capita consumption of petrochemical products (polymers) in India is far less as compared to the world average, or even the Asian region. Ample opportunities exist for growth in the petrochemicals industry in India. With the onset of deregulation and limited growth opportunities in the liquid fuel sector, integration into petrochemicals is considered to be essential for achieving value addition and consequential incremental profitability. Accordingly, IndianOil has envisioned to emerge as a major petrochemical player in the near future, which is set to be the key driver of the growth of your Corporation in the years to come.

Your Corporation has finalised a master plan on petrochemicals, predominantly utilising the streams available in various refineries. This plan envisages an investment of about Rs. 25,000 crore spread over 8 years. During the X five-year plan period (2002-07), your Corporation plans to invest Rs. 10,852 crore in petrochemicals alone, which is about 45% of the investment of Rs. 24,399 crore planned during this period.

Various projects have been identified under the master plan. The projects, which are under various stages of implementation, are given below.

- **Linear Alkyl Benzene (LAB) unit at Koyali Refinery:** Rs. 1,248 crore is being invested in this project and it is expected to be commissioned by August 2004. It would use Kerosene as feedstock (100 TMTPA) with LAB (120 TMTPA) as the finished product.
- **Integrated Paraxylene/Purified Terephthalic Acid (PX/PTA) unit at Panipat Refinery:** The capital expenditure planned for this project is Rs. 5,104 crore, and it is expected to be completed by August 2005. The feedstock in this plant would be Naphtha (500 TMTPA) with PTA (553 TMTPA) as finished product. When the PTA unit gets operational, it would be the single largest capacity unit in India.
- **Naphtha Cracker and downstream polymer units at Panipat:** Rs. 6,300 crore is planned to be invested in this project, which is expected to be completed by July 2007. This plant would use surplus

Naphtha that would be available from Panipat, Mathura and Koyali refineries. The project includes a Naphtha Cracker (800 TMTPA of ethylene production) and associated units, viz., hydrogenation, butadiene extraction, benzene extraction, etc. besides downstream polymer units like swing unit (LLDPE/HDPE)[5], dedicated HDPE unit, Polypropylene unit and MEG[6] unit.

In addition, other projects of about Rs. 3,500 crore investment have also been identified in the master plan, some of which are given below:

- Standalone Polypropylene unit based on FCC[7] revamps
- Acrylic Acid / Acrylates based on Propylene
- Engineering Polymers like Acrylonitrile Butadiene Styrene (ABS), etc.

Your Corporation also has plans for a petrochemicals complex on the East Coast, which would include Olefin as well as Aromatics units, for production of Polymers, Paraxylene, Styrene, etc.

INTERNATIONAL TRADE

To meet the shortfall in domestic availability, your Corporation imported crude oil, products and lube oil base stock during the year. For crude oil import, a strategic mix of term contracts and spot buys was resorted to, besides expanding the basket of crude oil supplies. New term contracts were signed with Brunei and Iraq and six new grades were included in the crude oil basket. Select product exports were also undertaken during the year. The details of imports and exports handled during the year are as follows:

	Quantity (MMT)	Value (Rs. in crore)
Imports		
Crude Oil	27.457	26,769.38
Petroleum Products	1.820	2516.93
Lube Oil Base Stock / Additives	0.003	17.80
Exports		
Petroleum Products	1.81	3,632.83

The year 2003-04 saw the Corporation adopt the tools of risk management in international trading, and commence derivatives trading to protect its refining margins, a first for an oil PSU in the country. Use of 'very large' and 'ultra large' crude carriers resulted in substantial savings.

INFORMATION SYSTEMS

Through Project *Manthan*, an IT re-engineering project, your Corporation has become the first downstream petroleum company in the Asia-Pacific region to customise the enhanced version of the leading Enterprise Resource Planning (ERP) software package, SAP R/3 4.6c. Over 340 IndianOil locations are operating on SAP presently, including all Refineries and Pipelines Division units and the R&D Centre. This ERP package is also being extended to our subsidiaries IBP and BRPL.

A state-of-the-art Metro Disaster Recovery Centre began operating at Gurgaon from October 2003 to ensure uninterrupted operations even in case of major failures at the primary production site.

A Refinery Planning Module, which generates optimised production plan for individual refineries based on production numbers, has been made operational at five IndianOil refineries, viz., Panipat, Koyali, Mathura, Haldia and Barauni.

[5] LLDPE - Linear Low Density Polyethylene; HDPE – High Density Polyethylene
[6] MEG – Mono Ethylene Glycol
[7] FCC – Fluidised Catalytic Cracking

The Optimisation Group, which was set up during the year to optimise the hydrocarbon supply chain across the Company, is currently implementing an integrated software solution encompassing diverse activities like demand estimation, distribution planning, refinery production planning, integrated planning, etc., which were hitherto undertaken by different Divisions in a stand-alone mode. Apart from supply chain optimisation, the integrated software solution, once in place, shall help your Corporation plan activities and take informed decisions on business strategies, pricing strategy, infrastructure development, capacity augmentation, sourcing of crude oil and petroleum products, etc.

IndianOil's knowledge management portal named *Spandan* was launched at the R&D Centre to institutionalise a culture of continuous learning for developing innovative, globally competitive technologies, products and processes.

Your Corporation has also introduced the concept of 'e-tendering' for procurements, including internet-based reverse auctioning process.

SAFETY & QUALITY

All IndianOil units have a comprehensive safety, health & environment management system in place, which is regularly audited and upgraded for continuous improvement. The environment management systems at IndianOil refineries and major marketing and pipeline installations are certified to ISO 14001 standards.

Your Corporation's emphasis on quality assurance has made it a market leader for testing of petroleum products through its countrywide network of testing facilities. Its 37 static and 23 mobile laboratories tested approximately 1.39 lakh product samples during the year. All IndianOil refinery laboratories and its five metro laboratories have NABL[8] accreditation while 13 satellite laboratories are certified under ISO-9001.

ENERGY CONSERVATION

Your Corporation continues to put in its best efforts in energy conservation and reduction of hydrocarbon loss in refining operations. Concerted energy conservation measures by IndianOil refineries during 2003-04 have brought down the energy index to 111 MBTU/BBL/NRGF[9] from 114 the previous year. Hydrocarbon loss was lowest at 0.27% weight. Similarly, energy conservation schemes implemented during the year resulted in recurring savings of about 21,000 tonnes of oil per year valued at about Rs. 21 crore.

HUMAN RESOURCES

The Corporation's employee strength as on March 31, 2004 was 30,801, including 10,437 officers. There are 2,406 women employees (including 775 officers), constituting 7.8% of the total manpower.

The industrial relations climate in the Corporation continued to remain harmonious, peaceful and cordial during the year. Some of the recognised unions under the banner of National United Forum went on strike on December 16, 2003 to protest against privatisation of certain oil sector PSUs. However, most of the operations were maintained during the strike period.

As part of continuous improvement in employee benefits, the House Building Advance was enhanced, and several work-related allowances and benefits were revised upwards. A scheme was also introduced for payment of ex-gratia to those employees who retired from service before the introduction of the Superannuation Benefit Fund scheme.

[8] National Accreditation Board for Calibration and Testing Laboratories

[9] Million British Thermal Unit / Barrel / Energy Factor

Presidential Directives regarding Representation of SCs, STs, etc.,

Your Corporation has been diligently following the Presidential Directives and other instructions and guidelines issued by the Ministry of Petroleum & Natural Gas / Department of Public Enterprises with regard to reservation in services for Scheduled Castes, Scheduled Tribes, Other Backward Classes, Physically Handicapped, etc. Officers dealing with the subject were provided necessary training to enable them to update their knowledge and perform their job effectively. Liaison officers were carefully chosen and appointed at various units all over the country to ensure implementation of the Government Directives.

In accordance with para-29 of the Draft Presidential Directives, a note about the Corporation's activities which have direct relevance to the advancement of SC/ST category of employees along with the statistics relating to representation of SCs/STs, in the prescribed proformae – SC/ST/OBC Report-I and SC/ST/OBC Report-II – is annexed.

Status on Implementation of Disabilities Act, 1995

Your Corporation has been implementing the provision of 3% reservation for physically handicapped and disabled persons both in letter and spirit. Various concessions and relaxations are also being extended to physically handicapped persons in recruitment.

Welfare of Other Weaker Sections

It has been the endeavour of your Corporation to utilise 25% of its community development funds towards Special Component Plan and Tribal Sub Plan to meet the specific needs of the weaker sections of society.

Human Resource Development

With the reforms process ushering in free-market conditions, your Corporation is continuously focussed on providing a 'learning and knowledge-based' environment for its employees. The Human Resource Group is facilitating the implementation of this strategic agenda. Career progression of executives, particularly in middle and senior level positions, has been linked to their career paths so as to prepare them to function effectively in cross-functional duties across a multi-unit environment.

McKinsey & Co. were appointed to advise on Business Strategy, Organisation Structure and People Processes and their recommendations on various issues are under different stages of implementation. The creation of an Optimisation Group at Corporate level and a Branding Group at Marketing Headquarters are also an outcome of this study.

Your Corporation continued its policy of nurturing budding talent in sports during the year and recruited several youngsters in diverse disciplines.

Hindi Implementation

In compliance with the Official Language Act-1963, Official Language Rules-1976 and subsequent orders issued by the Government, efforts were continued for increasing the progressive use of Hindi in official work. Official Language Committees functioning at IndianOil units regularly review the progress of implementation of Official Language policies and the annual programme as circulated by the Department of Official Language, Ministry of Home Affairs.

A Committee of Parliament on Official Language and a team of officials of MoP&NG visited various IndianOil units and appreciated the efforts being made in inculcating the use of Hindi. Several IndianOil units received regional and national awards from the Department of Official Language during the year for progressive use of Hindi in official work.

Foreign Tours

IndianOil Officers undertook a total of 381 foreign tours during the year for business purposes and for attending conferences, seminars and training programmes. The total expenditure on foreign tours was Rs. 5.34 crore.

VIGILANCE

IndianOil's Vigilance Group earned the ISO 9001:2000 certification for quality assurance from DNV, The Netherlands, in March 2004. A Vigilance intranet site was launched in November 2003 for dissemination of information and feedback from employees. Specific provision was made on the corporate website (www.iocl.com) for online submission of complaints and suggestions by the general public directly to the Vigilance Department. A number of seminars and awareness programmes were also organised for the benefit of employees.

REMUNERATION TO AUDITORS

The Auditors' remuneration for the year 2003-04 has been fixed at Rs. 30 lakh plus applicable service tax. In addition to this, reasonable out-of-pocket expenses actually incurred are also reimbursable.

ENTERTAINMENT EXPENSES

The entertainment expenses for the year 2003-04 stood at Rs. 20 lakh.

SUBSIDIARIES

Indian Oil Blending Limited

The Annual Accounts and Directors' Report of Indian Oil Blending Limited (IOBL), a wholly owned subsidiary of the Corporation are annexed. IOBL earned a net profit of Rs.0.57 crore and declared a dividend of 30% for the year 2003-04.

Chennai Petroleum Corporation Limited

The Annual Accounts and Directors' Report of Chennai Petroleum Corporation Limited (CPCL), a subsidiary of the Corporation, are annexed. CPCL earned a net profit of Rs. 400 crore and declared a dividend of 50% for the year 2003-04.

Bongaigaon Refinery & Petrochemicals Limited

The Annual Accounts and Directors' Report of Bongaigaon Refinery & Petrochemicals Limited (BRPL), a subsidiary of the Corporation, are annexed. BRPL earned a net profit of Rs.304 crore and declared a final dividend of 50% for the year 2003-04 in addition to interim dividend of 27% paid earlier during the year.

IBP Co. Limited

The Annual Accounts and Directors' Report of IBP Co. Ltd. are annexed. IBP Co. Ltd. earned a net profit of Rs.215 crore and have declared a final dividend of 250% for the year 2003-04 in addition to interim dividend of 100% paid earlier during the year.

IndianOil (Mauritius) Limited

The Annual Accounts and Directors' Report of IndianOil (Mauritius) Ltd., a wholly-owned subsidiary of your Corporation, are annexed.

Lanka IOC (Pvt.) Limited

The Annual Accounts and Directors' Report of Lanka IOC (Pvt.) Ltd. (LIOC), a wholly owned subsidiary of the Corporation are annexed. LIOC earned a net profit of Rs. 58 crore (in Sri Lankan Rupees) during the year, which is equivalent to Rs. 29 crore (in Indian Rupees).

IndianOil Technologies Limited

The Annual Accounts and Directors' Report of IndianOil Technologies Limited, a wholly owned subsidiary of the Corporation, are annexed.

REPORT ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS

In accordance with the Companies' (Disclosure of Particulars in the report of Board of Directors) Rule, 1988, a report on Energy Conservation, Technology Absorption and Foreign Exchange earnings is annexed.

PARTICULARS OF EMPLOYEES

The particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 and Rules framed thereunder, are annexed.

BOARD OF DIRECTORS

Shri A.K. Mitra, Director (Human Resources), superannuated from the services of the Corporation on August 31, 2003. Dr. N.G. Kannan was appointed as Director (Human Resources) w.e.f. September 1, 2003. Dr. Kannan was re-designated as Director (Marketing) and Shri P.K.Agarwal, Director (Marketing), was re-designated as Director (Human Resources) w.e.f. September 14, 2003.

Dr. Surajit Mitra, Joint Secretary & Financial Advisor, MoP&NG, Government of India, ceased to be a Director of IndianOil w.e.f. July 16, 2003. Shri Badal K. Das, Addl. Secretary & Financial Advisor, MoP&NG, was appointed as a Director w.e.f. September 5, 2003 and ceased to be Director w.e.f. June 30, 2004.

Dr. R.K. Pachauri, Shri M. Kalyanasundaram and Shri L. Sabaretnam ceased to be Directors of IndianOil and in their place S/Shri V. Ranganathan, V.K. Agarwal and P.M. Sinha were appointed as Directors w.e.f. August 29, 2003.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

(i) that in the preparation of the annual accounts for the financial year ended March 31, 2004, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

(iii) that the Directors had 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) that the Directors had prepared the accounts for the financial year ended March 31, 2004 on a 'going concern' basis.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's focal objectives, expectations or anticipations may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from the expectations. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of products, input availability and prices, changes in Government regulations/tax laws, economic developments within the country and factors such as litigation and industrial relations.

ACKNOWLEDGEMENTS

The Board of Directors conveys its sincere appreciation of the commitment and dedicated efforts of the members of the IndianOil family for the excellent performance of the Corporation. The Board also wishes to thank the Government of India and the various State Governments for their valuable support and guidance.

The Board of Directors also wishes to place on record its appreciation of the significant contributions and valuable services rendered by S/Shri A.K. Mitra, M. Kalyanasundaram, L. Sabaretnam, Dr. R.K. Pachauri, Dr. Surajit Mitra and Shri Badal K. Das during their tenure on the Board of IndianOil as Directors.

For and on behalf of the Board

M. S. Ramachandran

(M.S. RAMACHANDRAN)
Chairman

Place : New Delhi
Dated : 30th July 2004

Inspired Earnings

(Major awards, accreditations and recognitions earned by IndianOil and its people in the past year)

Corporate

- Ranked among the top 10 'Best Employers in India–2003' in a joint survey conducted by *Business Today* magazine and Hewitt Associates
- **'Award for Business Excellence' conferred** by the Centre of International Business, Amity Business School, NOIDA
- 'Achiever of the Year Award in Oil Refining Sector' conferred on Shri M S Ramachandran, Chairman, IndianOil, at OCEANTEX-2004 Conference & Exposition in Mumbai
- 'Distinguished Fellow Award' conferred on Shri Ramachandran by the Institute of Directors, New Delhi
- 'FIIE Corporate Excellence Award for the Best Corporate Man of the Year–2002' conferred on Shri Ramachandran by the Foundation of Indian Industry and Economists, New Delhi
- Honorary Fellowship of CEPM-PMA, instituted by the Centre for Excellence in Project Management (CEPM) and Project Management Associates (PMA) bestowed upon Shri Ramachandran for distinguished project management
- 'IISE-Top Rankers Award for Business Excellence in Finance' conferred on Shri P. Sugavanam, Director (Finance), IndianOil, for the year 2002-03 by Top Rankers (a consultancy house promoted by a group of seasoned HRD professionals) in association with Indian Institute of Special Education (IISE), Lucknow
- 'Award for Excellence in Research & Development in Petroleum Sector' to IndianOil's R&D Centre at OCEANTEX 2004 Conference & Exposition in Mumbai
- National Petroleum Management Program (NPMP) Awards for Excellence–2004
  - NPMP Award for Excellence in Internal Communication instituted first time for the year 2002-03 was conferred on IndianOil in the Enterprise category.
  - The NPMP Award for Excellence in Creativity & Innovation (teams category) jointly bagged by two teams from IndianOil's R&D Centre – Dr. N R Raje, Director (R&D), and his team for Oilivorous-S Technology (an environmentally benign solution for disposal of petroleum sludge) and Dr. Sobhan Ghosh, ED (Refining Technology), and his team for development of a novel technology (INDMAX) for conversion of refinery residue into LPG and light distillates
  - The NPMP Award for Excellence in Creativity & Innovation (individual category) was bagged by Shri Baljeet Singh, Deputy Manager (Power & Utilities), Guwahati Refinery, for commissioning and running of demineralisation plant by modified regeneration schemes
  - NPMP Certificate of Recognition was presented to Shri Saket Bihari, Operator -A, Barauni Refinery, for his innovation in improving the efficiency of fired heaters of Atmospheric Vacuum Unit-I

Prime Minister's Shram Awards

- Hon'ble Prime Minister's Shram Vir Award for the year 2001 was presented during the year to Shri J.V.Darji, Helper at IndianOil's Kandla-Bhatinda Pipeline, Kandla

- Hon'ble Prime Minister's Shram Shri Award for the year 2003 was presented to Shri Shane Mehdi of Panipat Refinery

Energy Conservation

- National Energy Conservation Award–2003 instituted by the Ministry of Power, Government of India, was bagged by three IndianOil refineries - Panipat (first prize for the second consecutive year), Koyali (special prize for the second consecutive year), and Mathura (Certificate of Merit)
- Jawaharlal Nehru Centenary Rolling Trophy for the year 2001-02 instituted by the Ministry of Petroleum & Natural Gas (MoP&NG) was awarded to Koyali Refinery for best performance in energy conservation for the third consecutive year; Panipat Refinery received the second prize
- Jawaharlal Nehru Centenary Award for the year 2001-02 instituted by MoP&NG was awarded to Panipat Refinery for best improvement in energy conservation over past best performance
- The first and third prizes awarded by MoP&NG during the Oil Conservation Fortnight–2003 were bagged by Guwahati and Haldia refineries respectively for minimum steam leaks in a survey conducted by the Centre for High Technology, Delhi. The Madhya Pradesh State Office of IndianOil's Marketing Division also bagged the Outstanding Performance Award for its petroleum conservation efforts during the fortnight
- CII National Award for Excellence in Energy Management, instituted by Confederation of Indian Industry, was bagged by Mathura Refinery
- PCRA Award (200-03), instituted by Petroleum Conservation Research Association, for exemplary work in energy conservation, conferred on IndianOil R&D Centre for developing multigrade railroad oil and energy-efficient industrial gear oil; IndianOil's Guwahati-Siliguri Pipeline too bagged the award under Medium Projects category
- Jaipur Vidyut Vitaran Nigam commendation award was conferred on Chaksu Station of IndianOil's Salaya-Mathura Pipeline for maintaining the highest power factor

Environment Management

- Institute of Petroleum, UK, Award to R&D Centre for 2003 for developing Oilivorous-S technology
- Environment Excellence Award (2002-03) of Greentech Foundation, UK, was conferred on R&D Centre for developing eco-friendly Oilivorous-S Technology in association with The Energy Resources Institute (TERI)
- Greentech Foundation's Environment Excellence (Platinum) Award (2002-03) was conferred on Koyali Refinery (for the fourth consecutive year) for environment management. Barauni and Mathura refineries also received the Gold Award (2002-03) for the third consecutive year
- TERI Environment Award 2003-04 (first prize in Category III) was conferred on Barauni Refinery for installation and commissioning of flue gas scrubbing facility in its RFCC (fluidised catalytic cracking) unit to remove particulate matter and sulphur dioxide
- Golden Peacock Environment Management Award-2003, instituted by the World Environment Foundation, London, was conferred on Panipat Refinery and Irugur Depot for environment excellence. Mathura Refinery bagged a special commendation award

Safety Awards

- IndianOil's Koyali Refinery earned the prestigious ISRS Level-9 rating, under International Safety Rating System, from M/s DNV, The Netherlands, in September 2003
- Royal Society for Prevention of Accidents, U.K, was conferred the Occupational Health and Safety Award–2003 on Barauni refinery
- National Safety Award–2002 of the British Safety Council was bagged by Barauni Refinery (for the fourth consecutive year) and Indane bottling plants at North Guwahati and Borkhola
- British Safety Award–2002 from British Safety Council was conferred on IndianOil's Kandla-Bhatinda Pipeline, Mathura-Jalandhar Pipeline, Salaya-Mathura Pipeline (SMPL) and Koyali Ahmedabad Pipeline (KAPL)
- Oil Industry Safety Directorate (OISD) Safety Award was conferred on Barauni refinery for 2002-03 [second prize in the Group-1 (Refineries) category] for the best safety performance and compliance records
- A V Ogale Shield, instituted in the memory of Shri A.V. Ogale in 1981-82 for the cause of Safety and prevention of Fire in IndianOil refineries, was awarded to Barauni refinery for 2003-04 (third consecutive year)
- National Safety Awards of the Ministry of Labour, Government of India, for the years 2001 and 2002 were bagged by Koyali Refinery (for six consecutive years), and Panipat Marketing Complex (for the year 2000)
- *Sarva Shrestha Suraksha Puraskar–2003* of the National Safety Council of India was presented to Koyali Refinery; Prashansa Patra (for the year 2001) given to Salaya-Mathura Pipeline
- Greentech Safety Awards (2003-04) of the Greentech Foundation, UK, were conferred on Koyali, Barauni and Panipat refineries
- National Safety Council of India Award to IndianOil's pipeline systems SMPL (2001) and KAPL (2002) for developing and implementing effective Occupational Safety & Health Management Systems and Procedures and achieving good performance. Both the pipelines also received the Gujarat Safety Council Award for 2002
- Maharashtra Safety Council Silver Plaque for the longest accident free period was awarded to Wadala Terminal; 12 other IndianOil locations received Certificates of Merit

Quality Awards

- ICMA (Indian Chemical Manufacturers Association) award for excellence in Chemical Plant Design & Engineering was conferred on IndianOil's R&D Centre
- Rajiv Gandhi National Quality Award–2003, instituted by the Bureau of Indian Standards (BIS), was conferred on Koyali Refinery for highest achievement in quality; Commendation Certificates to Panipat Refinery and Mathura-Jalandhar Pipeline
- Golden Peacock National Quality Award–2003, instituted by the Institute of Directors, New Delhi, was bagged by Koyali Refinery in the Large Enterprises category
- NABL (National Accreditation Board for Calibration and Testing Laboratories) accreditation for IndianOil's quality control laboratories in five Metros; 13 satellite laboratories certified under ISO-9001.

IndianOil

ANNEXURE-I

Annexure to Directors' Report on Energy Conservation, Technology Absorption and Foreign Exchange Earnings as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

a. Energy conservation measures taken:

As part of continued efforts towards energy conservation, a number of projects are at various stages of implementation at refineries.

b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

I. SCHEMES IMPLEMENTED

S. No.	Item	Cost (Rs. in Lakh)	Fuel Savings FO Equivalent (Tonnes/year)
1.	Installation of Gas Turbine with HRSG at Barauni Refinery	7,912	8,470
2.	Installation of Gas Turbine with HRSG at Haldia Refinery	9,700	12,000

II. MAJOR SCHEMES UNDER IMPLEMENTATION

- Combined re-run unit operation of AU-1 & 2 at Gujarat Refinery
- Installation of new energy-efficient boilers at Guwahati Refinery
- Installation of new gas turbine along with HRSG at Digboi Refinery

c. Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The above schemes, on completion, are expected to result in fuel savings of 13,000 MT per annum.

d. Total energy consumption and energy consumption per unit of production as per Form 'A' of the Annexure in respect of industries specified in the schedule thereto

Necessary information in Form 'A'.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form 'B' of the Annexure is attached.

C. FOREIGN EXCHANGE EARNING AND OUTGO

(a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services, and export plans:

(b) Total foreign exchange used and earned

	(Rs. in Crore)
Foreign Exchange earnings	3,637.26
Foreign Exchange used	39,011.09

Form 'A'

Form for Disclosure of Particulars with respect to Conservation of Energy

PARTICULARS	TOTAL 2003-2004	TOTAL 2002-2003
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY:		
a) Purchased		
Qty ('000 KWH)	**21391**	23787
Rate/Unit	**7.17**	6.85
Amount (Rs. in Lakh)	**1534**	1630
b) Own Generation		
i) Through Dual Fuel (HSD/Natural Gas) Generator		
Unit ('000 KWH)	**1356811**	1141744
KWH per MT of Std. Fuel	**3130**	3455
Cost/Unit (Rs./KWH)	**3.25**	2.75
ii) Through Steam Turbine/Generator		
Unit ('000 KWH)	**644377**	657627
KWH per MT of Std. Fuel	**2792**	2573
Cost/Unit (Rs./KWH)	**3.92**	4.53
c) Electricity Consumed		
(a+b) ('000 KWH)	**2022579**	1823158
2. COAL	**-**	-
3. LIQUID FUEL (LSHS/FO/NAPHTHA)		
Qty (MTs)	**1285061**	1192632
Amount (Rs. in Lakh)	**128674**	120416
Average Rate (Rs./MT)	**10013**	10097
4. OTHER / INTERNAL FUEL		
a) INTERNAL FUEL		
i) **Fuel Gas**		
Unit (MTs)	**704154**	729088
Amount (Rs. in Lakh)	**68230**	68156
Average Rate (Rs./MT)	**9690**	9348
ii) **LDO / HSD**		
Unit (MTs)	**164817**	147894
Amount (Rs. in Lakh)	**20692**	15842
Average Rate (Rs./MT)	**12555**	10712
iii) **Coke**		
Unit (MTs)	**299347**	241422
Amount (Rs. in Lakh)	**25083**	21948
Average Rate (Rs./MT)	**8379**	9091
b) PURCHASED FUEL		
i) **Natural Gas**		
Unit (MTs)	**412602**	373436
Amount (Rs. in Lakh)	**20773**	19764
Average Rate (Rs./MT)	**5035**	5293
B. CONSUMPTION PER MT OF PRODUCT		
i) **Actual Production ('000 MTs)**	**36021**	32812
ii) **Consumption per MT of Product**		
- Electricity (KWH/MT)	**56.150**	55.564
- Liquid Fuel (MT/MT)	**0.036**	0.036
- Fuel Gas/LDO/Coke (MT/MT)	**0.032**	0.034
- Natural Gas (MT/MT)	**0.011**	0.011

ANNEXURE-I (Contd.)

Form 'B'

(See Rule 2)

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)

1. **Specific areas in which R&D carried out by the company**

    a) Lubricants, greases and specialities

    b) Fuels & emission studies

    c) Refinery processes

    d) Pipeline transportation of crude oil and products

    e) Material failure analysis

    f) Synthesis of additives and biotechnologies

    g) Fuel efficient appliances

    h) Information technology/knowledge management

2. **Benefits derived as a result of the above R&D**

    - Process technologies for lubricity additive for HSD developed and commercialised
    - Indetreat & Indesweet technology (CFC based) for caustic/amine treatment for sweetening of LPG & Gasoline developed and commercialised
    - Development of hydrocracking technology for conversion of naphtha to LPG
    - Development of in-house technology for Bio-diesel production
    - 40 new and 42 revised product formulations were developed. Some of these include: Servo Syn. Circulatory Oil for M/s Sulzure Looms, Servo Super 10W, 20, 20 W-50, 40 & 50, Servocut-S with ICI Uniquema additive, Servo Gear HP series, Servo Superior 30, 40, 50 for Sri Lanka, Servo Super DS-30 & 50, Shock absorber oil for M/s Endurance Systems (I) Pvt. Ltd., Aurangabad, Servo Super Multigrade 10W-40(for defence), Servo Agro Spray T/M/A, Servo L1 (Lubricity improver) Bajaj Servo Gem 2T Zoom, Kinetic Ultra 2T oil.
    - 35 products got approvals from user industries and Original Equipment Manufacturers.

3. Future plan of action

a) Development of new generation and energy efficient lubricants and fuel/alternative fuels

b) Extended R&D services to other refineries

c) Optimisation/upgradation of existing refinery processes to maximise product yield

d) Value addition/cost reduction

4. Expenditure on R&D

			Rs in crore
a)	Capital	-	34.11
b)	Revenue	-	51.39
c)	Total	-	85.50

ANNEXURE-I (Contd.)

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made towards technology absorption, adaptation and innovation:

With a view to further improve the product pattern and product quality as well as to meet the environmental emission norms, IndianOil has adopted latest technologies in line with the latest developments worldwide. Major steps taken in this regard are given below:

A. IMPORTED TECHNOLOGY

i) Hydrocracker Technology for middle distillate improvement:

The first Hydrocracker of the country was commissioned at Gujarat Refinery in 1994, adopting technology from M/s Chevron, USA. Thereafter, once-through hydrocracker unit was commissioned at Panipat and Mathura refineries with technologies from M/s UOP, USA and M/s Chevron, USA respectively. Hydrocracker Technology from M/s UOP, USA has been selected for implementation for Panipat Refinery (under expansion to 12 MMTPA).

ii) Diesel Hydrodesulphurisation/Hydrotreatment Technology:

Diesel Hydrodesulphurisation Units are already commissioned at Mathura and Panipat refineries from M/s IFP, France and in Gujarat and Haldia refineries from M/s UOP, USA. Diesel Hydrotreatment Units have also been commissioned at Guwahati, Barauni and Digboi refineries with technology from M/s UOP, USA. Technology from M/s IFP, France has been selected for Mathura and Panipat (under expansion to 12 MMTPA) for Diesel Hydrotreatment.

iii) Resid Fluidised Catalytic Cracking Technologies:

For improvement of distillate yield, Resid Fluidised Catalytic Cracking technology from M/s S&W, USA has been successfully implemented at Panipat, Haldia and Barauni refineries.

iv) Catalytic Iso-Dewaxing Unit at Haldia Refinery:

For improving the lube oil quality in line with international standards and augmenting production capability, Iso-dewaxing technology from M/s Mobil, USA is under implementation at Haldia refinery.

v) Hydrofinishing Technology for Treatment of Paraffin Wax/Microcrystalline Wax:

Process technology from M/s IFP, France for hydrofinishing of Paraffin Wax has already been implemented at Digboi refinery. The same technology from M/s IFP, France for Microcrystalline wax has been implemented at Haldia refinery.

vi) Solvent Dewaxing/Deoiling technology at Digboi:

In order to upgrade the process for the production of Paraffin Wax at Digboi Refinery, Solvent Dewaxing/Deoiling Technology from M/s UOP, USA has been implemented and production of microcrystalline wax has commenced.

vii) **Hydrogen Generation Technology:**

Hydrogen generation technology from M/s Linde, Germany was adopted in 1993 for Hydrogen supply to Hydrocracker unit at Gujarat refinery. Hydrogen generation technology obtained from M/s Haldor Topsoe, Denmark is in operation at Gujarat, Mathura, Haldia, Panipat and Barauni refineries. This technology is also being adopted for supply of hydrogen to Diesel Hydrotreatment units of Panipat expansion. Similar technology from M/s KTI, The Netherlands has been adopted for Hydrogen Plant at Guwahati and Digboi refineries and also selected for implementation at Haldia and Mathura refineries.

viii) **Sulphur Recovery Technologies for reduction of SO_2 emission:**

IndianOil refineries at Gujarat, Haldia, Mathura and Barauni are successfully operating the Sulphur Recovery Technology from M/s Stork Comprimo, the Netherlands. Sulphur Recovery Technology from M/s.Delta, Houston, USA is employed at Paniapt refinery. The same technology from M/s Stork Comprimo is under implementation for additional SRU at Haldia.

Further, for the projects of Panipat expansion as well as for Paradip Refinery Project (PDRP), Sulphur recovery technologies from M/s B & V Pritchard, USA have been selected for implementation.

ix) **ISOSIV Technology at Guwahati Refinery:**

For production of unleaded MS at Guwahati refinery, ISOSIV technology from M/s UOP, USA has been implemented.

x) **Delayed Coker Technology:**

For bottom of the barrel upgradation, Coker technology from M/s ABB Lummus, USA has been selected for implementation at Panipat refinery as part of expansion project.

xi) **IGCC Technology:**

For generation of power from Petroleum Coke, Integrated Gassification Combined Cycle (IGCC) based technology from M/s Shell, The Netherlands has been selected for implementation at PDRP.

xii) **Continuous Catalytic Reforming Technology:**

For improvement in octane number of Motor Spirit, Continuous Catalytic Reforming Technology from M/s IFP, France has been implemented at Mathura and Panipat refineries. Same technology from M/s UOP, USA has been selected for implementation at Gujarat refinery and PDRP.

xiii) **Technology for Paraxylene:**

For production of Paraxylene at Panipat, Parex and Reforming technologies from M/s UOP, USA have been selected for implementation.

xiv) **Technology for Purified Terephthalic Acid (PTA):**

For production of PTA at Panipat, technology from M/s Du Pont, USA has been selected for implementation.

ANNEXURE-I (Contd.)

xv) Technology for Linear Alkyl Benzene (LAB):

For production of Linear Alkyl Benzene, technology from M/s UOP, USA has been selected for implementation.

xvi) MS Quality Upgradation Technology:

For MS Quality Upgradation, Isomerisation Technology of M/s UOP, USA has been selected for implementation at Mathura and Gujarat refineries. Technology from M/s Axens, France has been selected for implementation at Haldia refinery.

B. INDIGENOUS TECHNOLOGY

i) INDMAX Technology:

INDMAX technology developed by IOC(R&D) for converting heavy distillate and residue into LPG/light distillate products has been implemented successfully at Guwahati refinery.

ii) Hexane Hydrogenation Technology :

Hexane Hydrogenation process for production of food grade Hexane (WHO grade quality), developed by IOC (R&D) with indigenous catalyst has been successfully implemented at Gujarat refinery.

C. MODERNISATION OF INSTRUMENTATION & CONTROL

A) Distributed Digital Control System (DDCS)

Conventional Pneumatic Instruments in existing process units and captive power plants are being replaced by microprocessor-based DDCS in a phased manner. DDCS has already been implemented and commissioned in all process units and captive power plants of all refineries.

B) Advanced Control & Optimisation (APC)

APC has been implemented in

- Crude & Vacuum Distillation Units, Hydro-cracker, Fluidized Catalytic Cracking Unit & CRU of Gujarat Refinery.
- Crude Distillation Unit & Delayed Coker Unit of Guwahati Refinery.
- Atmospheric & Vaccum Distillation Units, Once Through Hydrocracker, Resid Fluidised Catalytic Cracking, Visbreaker & Continuous Catalytic Reforming Unit of Panipat Refinery.
- Atmospheric & Vacuum Distillation Units of Barauni Refinery
- New Delayed Coker Unit of Digboi Refinery

C) Offsite Modernisation

As a part of modernisation of Oil Movement & Storage (OM&S) facilities, the following have already been implemented.

- Automation of Tank Wagon loading at Barauni, Gujarat, Mathura and Haldia Refineries.
- Automation of Tank Truck Loading at Gujarat & Haldia Refineries.
- Blending Automation at Haldia, Mathura & Barauni Refineries.
- Auto Tank gauging has been completed at all refineries.

D) Automation of Laboratories has been completed at all refineries.

E) Networking & Real Time Data Base

- Networking of units and offsite facilities has been completed at all refineries.
- Real Time Data Base (RTDB) has been implemented at Gujarat and Mathura refineries.

IndianOil

ANNEXURE - II

SC/ST/OBC REPORT-I

Annual Statement showing the representation of SCs, STs and OBCs as on 1st January 2004 and number of appointments made during the preceding calendar year

Groups	Representation of SCs/STs/OBCs (as on 01.01.2004)				Number of appointments made during the calendar year 2003									
					By Direct Recruitment				By Promotion			By Deputation/ Absorption		
	Total number of employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A	3083	469	184	247	212	34	16	50	269	53	19	0	0	0
B	4261	638	280	4	No recruitment is made in this group				433	80	35	1	0	0
C	15468	3129	1207	1004	99	12	14	21	1866	334	135	9	0	0
D (Excluding Sweeper)	779	162	31	105	68	17	0	7	Filled by recruitment only			0	0	0
D (Sweeper)	13	7	1	1	1	0	0	0	Filled by recruitment only			0	0	0
Total	23604	4405	1703	1361	380	63	30	78	2568	467	189	10	0	0

ANNEXURE - II (Contd.) **SC/ST/OBC REPORT-II**

Annual Statement showing the representation of SCs, STs and OBCs in various group "A" services as on 1st January 2004 and number of appointments made in the service in various grades in the preceding calendar year

Pay Scale (in rupees)	Representation of SCs/STs/OBCs (as on 01.01.2004)				Number of appointments made during the calendar year 2003									
					By Direct Recruitment				By Promotion			By Deputation/ Absorption		
	Total number of employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
12,000-17,500	3083	469	184	247	212	34	16	50	269	53	19	0	0	0
13,750-18,700	2536	474	182	194	No recruitment is made in this group				793	138	53	2	0	0
16,000-20,800	1778	358	133	1	No recruitment is made in this group				427	96	37	2	0	0
17,500-22,300	1257	213	84	0	No recruitment is made in this group				288	53	21	2	0	0
18,500-23,900	1051	148	38	2	No recruitment is made in this group				284	37	9	2	1	0
19,000-24,750	535	39	5	1	No recruitment is made in this group				159	13	2	2	0	0
19,500-25,600	201	6	0	0	No recruitment is made in this group				25	0	0	0	0	0
20,500-26,500	87	1	0	0	No recruitment is made in this group				17	0	0	0	0	0
23,750-28550	31	0	0	0	No recruitment is made in this group				6	0	0	1	0	0

Report on Corporate Governance

(Forming part of the Directors' Report for the period ended 31st March 2004)

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

IndianOil consistently endeavours to attain the highest standards of Corporate Governance by ensuring transparency in all its operations, disclosures and to maximise shareholders' value. IndianOil is also committed to its other business constituents like customers, employees, suppliers, dealers and the community at large. In order to fulfill these objectives, IndianOil fully complies with the stipulations laid down in the guidelines on Corporate Governance as specified in Clause 49 of the Listing Agreement executed with the Stock Exchanges.

BOARD OF DIRECTORS

The Board of IndianOil has set certain strategic goals based on its Vision & Mission Statement so as to achieve international standards of excellence in all aspects of its business. The Board defines the Company's policy and oversees its implementation for attainment of its goals.

(a) Composition of Board of Directors

The Board of IndianOil consists of optimum combination of Executive and non-Executive Directors. Part-time Non-Executive Directors are persons with proven record in diverse areas like Energy Policy, Academics, Government and Public Sector, Industry, etc.

At present, the Board has a total of 16 Directors. These include Chairman and 7 whole-time Functional Directors, 5 Part-time Non-Executive Directors, 2 Part-time Non-Executive nominee Directors from the Ministry of Petroleum & Natural Gas (MoP&NG), Govt. of India, and a nominee from ONGC Ltd.

(b) Number of Board Meetings

There were 14 Board meetings during the financial year 2003-04 as against the requirement of holding one meeting every quarter as per the provisions of the Companies Act, 1956.

Details of the Board Meetings held during the year

Sr.No.	Date of the Board Meeting	Board Strength	No. of Directors Present
1.	24.04.2003	17	13
2.	26.05.2003	17	16
3.	06.06.2003	17	13
4.	23.06.2003	17	13
5.	30.07.2003	16	12
6.	07.08.2003	16	13
7.	28.08.2003	16	12
8.	29.09.2003	17	16
9.	31.10.2003	17	14
10.	27.11.2003	17	17
11.	26.12.2003	17	15
12.	31.01.2004	17	15
13.	26.02.2004	17	14
14.	30.03.2004	17	16

(c) Attendance of each Director at Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies is as follows:

Name of the Director	No. of Board Meetings attended out of 14 meetings held	Annual General Meeting held on 29.9.2003 attended (Yes/No)	No. of Directorship in other Companies Boards	Membership in Committees in other Companies Boards	Chairmanship of Committees of other Companies Boards
Whole-time Functional Directors					
Shri M.S. Ramchandran, Chairman	14	Yes	3	-	-
Shri P. Sugavanam, Director (Finance)	13	Yes	2	-	-
Shri A.M. Uplenchwar, Director (Pipelines)	13	Yes	3	-	-
Shri P.K. Agarwal, Director (Human Resources)[1]	11	Yes	-	-	-
Shri A.K. Mitra, Director (Human Resources)[2]	7	No	-	-	-
Shri N.K. Nayyar, Director (Planning & BD)	13	Yes	5	2	-
Shri N.R. Raje, Director (R&D)	14	Yes	1	-	-
Shri Jaspal Singh, Director (Refineries)	14	Yes	1	-	-
Dr. N.G. Kannan, Director (Marketing)[3]	7	Yes	4	-	-
Part-time Non-Executive Government Directors					
Shri M.S. Srinivasan	8	Yes	2	-	-
Dr. Surajit Mitra[4]	4	No	2	-	-
Shri Prabh Das	12	Yes	3	-	2
Shri Badal K. Das[5]	6	Yes	3	1	-
Part-time Non-Executive Directors					-
Dr. R.K. Pachauri[6]	1	No	1	-	-
Shri M. Kalyanasundaram[7]	6	No	-	-	-
Prof. S. K. Barua	9	Yes	2	2	-
Shri L. Sabaretnam[8]	7	No	3	-	-
Shri Vineet Nayyar	12	Yes	10	-	-
Shri V. Ranganathan[9]	7	Yes	-	-	-
Shri V.K. Agarwal[10]	6	Yes	1	-	-
Shri P.M. Sinha[11]	6	Yes	4	4	-
Part time Non-Executive nominee Director of ONGC Ltd.					
Shri R. S. Sharma	9	No	3	4	-

Remarks:

1 Shri P.K. Agarwal was redesignated as Director (Human Resources) w.e.f. 14.09.03 & consequently ceased to be Director on other Company Boards.

2 Shri A.K. Mitra ceased to be Director (Human Resources) on his superannuation on 31.08.2003.

3 Dr. N.G. Kannan, was inducted as Director (Human Resources) on the Board w.e.f. 1.09.03 and was redesignated as Director (Marketing) w.e.f. 14.09.2003.

4 Dr. Surajit Mitra ceased to be Director w.e.f. 16.07.2003.

5 Shri Badal K. Das was inducted on the Board w.e.f. 05.09.03 and ceased to be a Director w.e.f. 30.06.04.

6 Dr. R.K. Pachauri ceased to be Director w.e.f. 28.08.03.

7 Shri M. Kalyanasundaram ceased to be Director w.e.f. 28.08.03.

8 Shri L. Sabaretnam ceased to be Director w.e.f. 28.08.03.

9 Shri V. Ranganathan was inducted on the Board w.e.f. 29.08.03.

10 Shri V.K. Agarwal was inducted on the Board w.e.f. 29.08.03.

11 Shri P.M. Sinha was inducted on the Board w.e.f. 29.08.03.

As may be observed from the above, the Company has an Executive Chairman and all the Part-time Non-Executive Directors, who are independent, constitute 50% of the total strength of the Board.

None of the Directors on the Board is a member on more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee position occupied by them in other companies.

A brief resume of the Directors, who are being appointed/re-appointed at the forthcoming AGM, is given in the notice of the AGM.

AUDIT COMMITTEE:

IndianOil's Audit Committee comprises three independent Part-time Non-Executive Directors, viz., Prof. S.K. Barua, Chairman of the committee and Shri V.K. Agarwal and Shri V. Ranganathan as members. This is in line with the guidelines set out in the Listing Agreement and also meets the requirement of section 292A of the Companies Act, 1956.

The Terms of Reference of Audit Committee include overseeing the audit functions, review of Company's financial performance, review critical findings of Internal Audit, compliance with the Accounting Standards and all other matters specified under Clause 49 of the Listing Agreement of the Stock Exchange. The Committee considered the quarterly Financial Results and the Annual Accounts for the financial year 2003-04 before recommending the same to the Board for approval.

The attendance at the eight meetings of the Audit Committee held during the year 2003-04 are given below:

Dates of the Meeting	Prof. S.K. Barua (Chairman)	Shri M. Kalyanasundraram (Member)	Shri L. Sabaretnam (Member)	Shri V.K. Agarwal (Member)	Shri V. Ranganathan (Member)
12.04.2003	Yes	Yes	Yes	-	-
19.06.2003	Yes	Yes	Yes	-	-
29.07.2003	No	Yes	Yes	-	-
20.09.2003	Yes	-	-	Yes	No
30.10.2003	Yes	-	-	Yes	Yes
27.11.2003	Yes	-	-	Yes	Yes
30.01.2004	Yes	-	-	Yes	Yes
06.03.2004	Yes	-	-	Yes	Yes

1. Shri M. Kalyanasundaram & Shri L. Sabaretnam ceased to be members of the Committee effective 28.08.03.
2. Shri V.K. Agarwal & Shri V. Ranganathan became members of the Committee w.e.f. 29.08.03.

The Audit Committee meetings are also attended by the Director (Finance) and head of the Internal Audit as Special Invitees. The representatives of the Statutory Auditors are invited to the meetings as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

REMUNERATION COMMITTEE:

The remuneration of the whole-time Directors is decided by the Government of India since IndianOil is a Government Company. The Part-time Non-Executive Directors are not paid any remuneration except sitting fees for attending the meetings of the Board or Committees thereof. However, the Board has constituted a Remuneration Committee to approve certain perquisites for whole-time Directors and below Board level Executives which are within the powers of the Board.

The Remuneration Committee comprises of Shri M.S. Srinivasan, Part-time Non-Executive Director as Chairman of the Committee, Shri P. Sugavanam, Director (Finance), Shri P.K. Agarwal, Director (Human Resources), both whole-time Functional Directors as Members.

One meeting of the Remuneration Committee was held on 26.5.2003, which was attended by all the members of the Committee.

Remuneration paid to whole-time Directors during the financial year 2003-04 is as under:

Whole-time Directors

(Rs. in Lakh)

Name of the Director	Designation	Salaries & Allowances	Contribution to Provident Fund	Contribution to Gratuity Fund	Other Benefits & Perquisites	Total Remuneration
Shri M.S. Ramachandran	Chairman	7.23	0.76	0.04	13.15	21.18
Shri P. Sugavanam	Director(Finance)	6.85	0.71	0.05	3.19	10.80
Shri A.M. Uplenchwar	Director(Pipelines)	7.21	0.70	0.04	1.15	9.10
Shri P.K. Agarwal	Director(HR)	6.44	0.67	0.04	1.29	8.44
Shri A.K. Mitra	Director(HR) (up to 31.08.2003)	11.52	0.76	0.05	5.87	18.20
Shri N.K. Nayyar	Director(Plng. & BD)	7.14	0.75	0.05	1.43	9.37
Shri N.R. Raje	Director(R&D)	9.21	1.01	0.05	1.76	12.03
Shri Jaspal Singh	Director(Refineries)	6.72	0.70	0.05	3.50	10.97
Dr. N.G. Kannan	Director (Marketing) (w.e.f. 1.9.2003)	3.54	0.39	0.05	0.79	4.77
TOTAL		65.86	6.45	0.42	32.13	104.86

Note:

1) No performance-linked incentive is paid to the whole-time Directors.
2) No Stock Options have been issued to whole-time Directors during the year.
3) The terms of appointment of the whole-time Directors, as issued by the Government of India, provides for 3 months notice period for severance of service and there are no severance fees.

Sitting fees paid to Part-time Non-Executive Directors during the financial year 2003-04 is as under:

(Rs. in Lakh)

Name of the Director	Sitting Fees
Shri Vineet Nayyar	2.20
Prof. S.K. Barua	1.85
Shri V.K. Agarwal (w.e.f. 29.08.2003)	1.50
Shri V. Ranganathan (w.e.f. 29.08.2003)	1.60
Shri P.M. Sinha (w.e.f. 29.08.2003)	1.20
Shri L. Sabaretnam (up to 28.08.2003)	0.65
Shri M. Kalyanasundaram (up to 28.08.2003)	0.40
Dr. R.K. Pachauri (up to 28.08.2003)	0.05
TOTAL	9.45

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

Shareholders'/Investors' Grievance Committee comprises three Members with a Part-time Non-Executive Director as Chairman. The committee examines and redresses the grievances of shareholders/investors.

No overdue share transfers are pending as on date. The Company gives top priority to resolving matters relating to the grievances/queries of shareholders at the earliest.

The composition of the Shareholders'/Investors' Grievance Committee and attendance at the three meetings held during the year 2003-04 are given below:

Name of the Member	Number of meetings attended
Prof.S.K. Barua (Chairman - up to 28.08.03)	1
Shri V.K. Agarwal, (Chairman - w.e.f. 29.08.03)	2
Shri P. Sugavanam, Director (Finance)	3
Shri P.K. Agarwal, Director (Human Resources) (w.e.f. 14.09.03)	2
Shri A.K. Mitra, Director (Human Resources) (up to 31.08.03)	-

Shri R. Narayanan, Company Secretary is the compliance officer for the Committee.

Summarised information on Complaints received and resolved during the period 1st April 2003 to 31st March 2004:

Sr.No.	Nature of complaint	Received during the period 1.4.2003 to 31.3.2004	Redressed during the period	Pending less than 30 days
1.	Letters received from SEBI	4	4	-
2.	Letters received from Stock Exchanges	3	3	-
3.	Letters received from Deptt. of Company Affairs	-	-	-
4.	Court/Consumer Forum cases	-	-	-
5.	Change of Address	2334	2334	-
6.	Request for Nomination	163	163	-
7.	Non-Receipt of dividend	1146	1146	-
8.	Query regarding bonus shares	367	367	-
9.	Revalidation of dividend	262	262	-
10.	Indemnity Bond for duplicate dividend	143	143	-
11.	Indemnity Bond for issue of duplicate share certificates	77	77	-

Other Committees of the Board

In addition to the above Committees, the Board has delegated certain powers to various committees with distinct roles and responsibilities, the details of which are as under:-

Sr.No.	Name of Committee	Role and Responsibilities	Members
1.	Planning & Projects Committee	For approval of capital investments up to Rs.100 crore	Chairman and all whole-time Directors
2.	Contracts Committee	For award of contracts and implementation thereof	- do -
3.	Projects Evaluation Committee	For evaluating and recommending for Board approval, projects costing over Rs. 250 crore	Three Part-time Non-Executive Directors, Director (F) and concerned whole-time Director

4.	Establishment Committee	To take decisions in respect of creation of posts of General Managers and above, selection, appointment and promotion to General Managers and above and Conduct, Discipline and Appeal Rules	Chairman and all whole-time Directors, two Part-time Non-executive Govt. Directors and one part-time Non-Executive Director
5.	Deleasing of Flats Committee	To consider request for deleasing of Company-leased flats/ accommodation	Chairman, Director (Human Resources), Director (Finance) and a Part-time Non-Executive Government Director
6.	Human Resource Management Committee	To oversee the implementation of human resource functions	Two Part-time Non-Executive Directors and Director (Human Resources)

Annual General Meetings (AGMs):

The Annual General Meetings of the Company are held at Mumbai where the Registered Office of the Company is situated. The details of the AGMs held for the past three years are as under:

	2000-01	**2001-02**	**2002-03**
Date & Time	24.09.2001 11.00 A.M.	30.09.2002 11.00 A.M.	29.09.2003 11.00 A.M.
Venue	Shri Bhaidas Maganlal Sabhagriha,U-1,Juhu Development Scheme Vile Parle(W) Mumbai-400 056	Nehru Centre Auditorium Discovery of India Building Worli, Mumbai-400 018	Nehru Centre Auditorium Discovery of India Building Worli, Mumbai-400 018
No. of special resolutions passed	Nil	Nil	One

There was no item which warranted Postal Ballot, as stipulated under the Companies Act, 1956.

Disclosures:

a. There have been no materially significant related party transactions, pecuniary transactions or relationship between the Company and its Directors for the year ended 31st March 2004 that may have a potential conflict with the interests of the Company at large.

b. There were no cases of non-compliance by the Company and no penalties/strictures were enforced on the Company by Stock Exchange/SEBI or any other statutory authority on any matter related to the capital markets during the last three years.

c. Pursuant to Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulation, 1992, as amended, the Company has implemented a Code of Internal Procedure and Conduct for Prevention of Insider Trading and also laid down the procedure for Corporate Disclosure for Prevention of Insider Trading in the securities of the Company. The Code applies to all Directors, Executive Directors and General Managers besides certain other categories of employees falling within the ambit of "Designated Employees" as per the Code.

Means of Communication

The quarterly financial results of the Company are announced within a month of the end of the respective quarter and the Audited Financial Results are announced within three months of the end of the financial year. The results are published in leading national dailies and are also hosted on our website www.iocl.com The Company also issues news releases on significant corporate decisions and activities and posts them on its website. The Directors' Report deals with all matters stipulated under the Management Discussion and Analysis Report.

The Company makes presentations to institutional investors and analysts which are also hosted on the Company's website.

In order to enable investors to raise queries and grievances, the Company has created a separate e-mail ID **investors@indianoil.co.in**

The Company also posts its shareholding pattern and financial results in the EDIFAR system of SEBI in the website **www.sebiedifar.nic.in**

General Shareholder Information

(a) Annual General Meeting

Date, Time & Venue of the Annual General Meeting	08.09.2004 at 1100 hours at Rangsharda Natyamandir Bandra Reclamation Bandra (West) Mumbai-400 050

(b) Financial Calendar for 2004-05

Quarter ending 30th June 2004	On or before 31.07.2004
Quarter ending 30th September 2004	On or before 31.10.2004
Quarter ending 31st December 2004	On or before 31.01.2005
Quarter and Annual Financial results ending 31st March 2005	On or before 30.06.2005

(c) Date of Book Closure / Record Date for Dividend:

1) Record date for Interim Dividend	2nd January 2004
2) Book Closure for Final Dividend	25.08.04 to 08.09.04 inclusive of both days

(d) Dividend Payment Date — 15.9.2004 (tentative)

(e) Listing on Stock Exchanges

The shares of the Company are listed on the Stock Exchange of Mumbai, Calcutta and the National Stock Exchange. The Company has delisted its shares from Delhi & Madras Stock Exchanges in February 2004. The delisting application is pending with the Calcutta Stock Exchange.

(f) Stock Code at Stock Exchange of Mumbai	530965
(g) Stock Code at National Stock Exchange	IOCEQ
(h) Demat ISIN Number at NSDL/CDSL	INE 242A01010

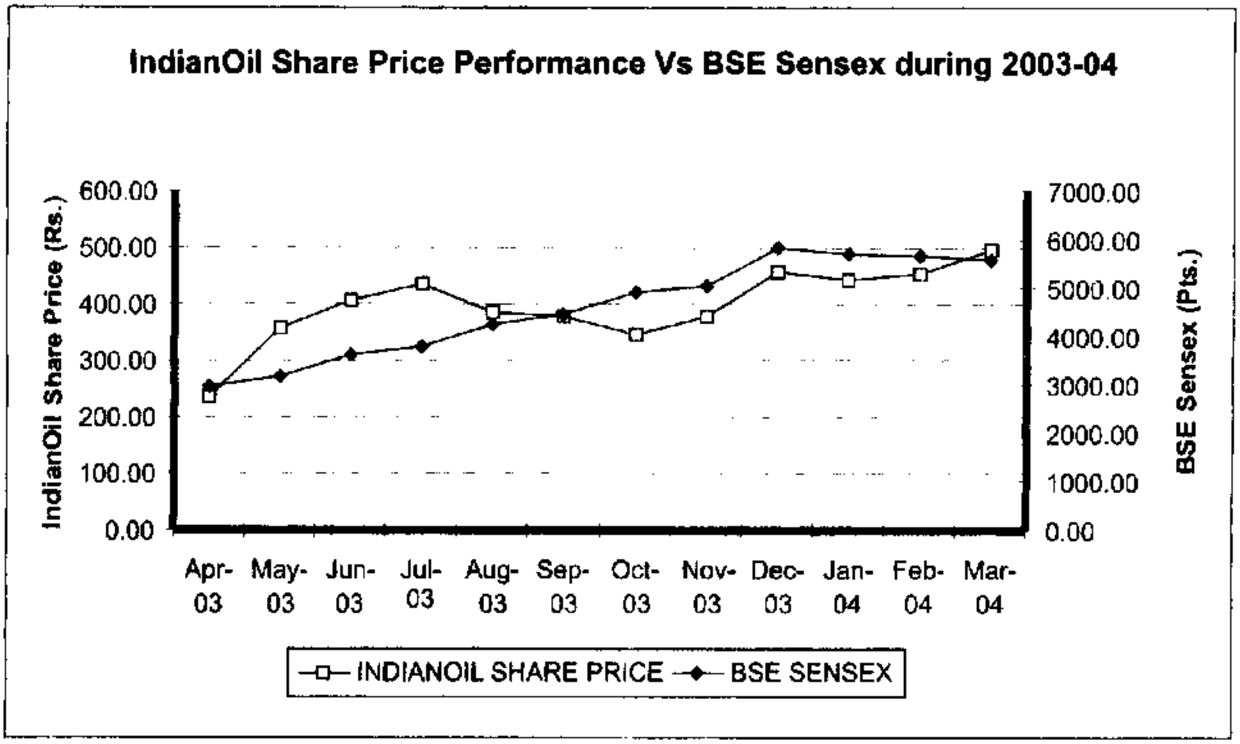
(i) Market Price Data

Month	Mumbai Stock Exchange Price			National Stock Exchange Price		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
April '03	245.00	232.00	172,811	244.05	231.40	208,798
May '03	368.00	239.00	2,010,037	368.85	238.45	5,100,025
June '03	429.30	358.90	7,902,160	428.90	341.45	22,428,471
July '03	472.05	380.00	2,788,490	447.70	381.15	8,127,262
August '03	545.80	321.00	5,226,547	547.70	321.30	14,229,754

Month (Contd.)	Mumbai Stock Exchange Price			National Stock Exchange Price		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
September '03	415.00	326.25	5,034,294	415.90	327.10	13,282,958
October '03	434.00	326.60	5,328,514	438.00	324.00	14,754,568
November '03	421.45	338.00	7,177,732	421.20	336.00	20,360,224
December '03	465.80	371.50	8,982,988	466.00	371.55	22,768,020
January '04	558.35	423.00	11,622,525	558.90	421.25	31,198,475
February '04	507.00	407.00	8,056,321	507.00	405.50	19,441,009
March '04	534.95	434.70	8,059,821	534.30	434.50	21,496,306
52 Weeks	**558.35**	**232.00**		**558.90**	**231.40**	

(j) Share Price Performance in comparison to broad-based BSE Sensex

The comparison of monthly closing share price of IndianOil with monthly closing BSE sensex reveals that IndianOil share price increased by 110% whereas BSE sensex has gone up by 89% during the period April 2003 - March 2004.



(k) Registrar & Transfer Agents

Karvy Computershare Private Limited
Karvy House
46, Avenue 4, Street No.1
Banjara Hills
Hyderabad-500 034
Tel. Nos. 040-23312454 / 23320251 / 23320751 / 23320752
Fax Nos. 040-23311968 / 23323049
E-mail Address: mailmanager@karvy.com
Website: www.karvycomputershare.com

Note:

Pursuant to the approval granted by the Securities and Exchange Board of India, the license of the Registrar and Transfer Agents of the Company has been changed from Karvy Consultants Limited to Karvy Computershare Private Limited.

(l) Share Transfer System

The shares of the Company are compulsorily traded in dematerialised form. Shares received in physical form are transferred within a period of 30 days from the date of lodgement subject to documents being valid and complete in all respects. In order to expedite the process of share transfer in line with Corporate Governance requirements, the Company has delegated the power of share transfer to R&T Agent M/s Karvy Computershare Pvt. Ltd. As per SEBI Circular dated 10th February, 2004, the Company has discontinued with effect from 11th February 2004, the practice of sending demat option letter for dematerialisation subsequent to physical transfer.

(m) Distribution of shareholding as on 31.03.2004

Sr.No.	No. of Equity Shares held	Number of Shareholders	% of Shareholders	Amount	% of Amount
1.	1-500	34077	56.59	4356039	0.37
2.	501-1000	7305	12.13	5640258	0.48
3.	1001-2000	18155	30.15	29848446	2.56
4.	2001-3000	255	0.42	633275	0.05
5.	3001-4000	84	0.14	296349	0.03
6.	4001-5000	60	0.10	278161	0.02
7.	5001-10000	94	0.16	684271	0.06
8.	Above 10001	186	0.31	1126275401	96.43
	Total	**60216**	**100.00**	**1168012200**	**100.00**

Categories of Shareowners as on 31.3.2004

Category	No. of Shareholders	% of Shareholders	No.of Shares	% of Shares
President of India	1	0.00	958077855	82.03
Governor of Gujarat	1	0.00	1350000	0.12
Government Company (ONGC Ltd.)	1	0.00	106453095	9.11
Corporate Bodies	1540	2.56	2432644	0.21
FIIs/NRI	335	0.56	12244651	1.05
Banks	26	0.04	1953826	0.17
Indian Financial Institutions	4	0.01	11463375	0.98
Mutual Funds	69	0.11	9168733	0.78
Insurance Companies	16	0.03	23746689	2.03
Public	58221	96.69	40876904	3.50
Clearing Members A/c (NSDL / CDSL)	2	0.00	244428	0.02
Total	**60216**	**100.00**	**1168012200**	**100.00**

(n) Dematerialisation of Shares and Liquidity

The shares of the Company are compulsorily traded in dematerialised form. In order to facilitate the shareholder to dematerialise the shares, the Company has entered into an agreement with NSDL and CDSL. The President of India holds 82.03% of the total equity share capital. Out of the balance 17.97% equity, 91.65% is in dematerialised form as on 31.03.2004.

(o) Plant locations

The addresses of the plant locations are given at the beginning of the Annual Report.

(p) Address for Correspondence

Company Secretary
Indian Oil Corporation Limited
IndianOil Bhavan
G-9, Ali Yavar Jung Marg
Bandra (East)
Mumbai-400 051
Tel.No. 26427363 / 26423272 Extn: 7616 / 7528
Fax No. 26443880
E-mail ID : investors@indianoil.co.in

IndianOil

Certificate

To

The Shareholders of Indian Oil Corporation Limited

We have examined the compliance of conditions of Corporate Governance by Indian Oil Corporation Limited for the year ended March 31, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the certificate of the Registrar and Transfer Agents 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 CHATTERJEE & CO.	For B.K. KHARE & CO.	For SURESH CHANDRA & ASSOCIATES
Chartered Accountants	Chartered Accountants	Chartered Accountants
Sd/-	Sd/-	Sd/-
(S.K. CHATTERJEE)	**(PADMINI KHARE)**	**(S.C. GUPTA)**
Partner	Partner	Partner

Place : Mumbai
Date : 26th July 2004

Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Indian Oil Corporation Limited as at 31st March 2004 and the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date 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.

We conducted our audit in accordance with the auditing standards generally accepted in India, which 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to 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 purposes of our audit;

   b) 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 the books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;

   c) The Branch Auditor's Report have been appropriately dealt with while preparing our report;

   d) The Balance Sheet, Profit & 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 branches;

   e) In our opinion, the Balance Sheet, Profit & 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 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 in conjunction with the significant accounting policies (Schedule 'Q') and Notes on Accounts (Schedule 'R') and other schedules ('S' to 'X'), give the information

IndianOil

required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2004;

ii. In the case of the Profit & 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 flow for the year ended on that date.

SURESH CHANDRA & ASSOCIATES	B.K. KHARE & CO.	CHATTERJEE & CO.
Chartered Accountants	Chartered Accountants	Chartered Accountants
Sd/-	Sd/-	Sd/-
(S.C. GUPTA)	(PADMINI B. KHARE)	(S.K. CHATTERJEE)
Partner	Partner	Partner
M.No. 16534	M.No. 44784	M.No. 3124

Place : New Delhi
Date : June 8, 2004

Annexure to the Auditors' Report

(Referred to in Paragraph 1 of our Report of even date)

Based upon the information and explanations furnished to us and the books and records examined by us in the normal course of our audit, we report that to the best of our knowledge and belief:

i) The Company has generally maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

The Fixed Assets of the Company are physically verified by the Management in a phased program of three-year cycle which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As per the information given by the Management, no material discrepancies were noticed during such verification.

Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

ii) In our opinion, the physical verification of inventory has been conducted at reasonable intervals by the Management.

In our opinion, the procedures of physical verification of stock followed by the Management are by and large reasonable and adequate in relation to the size of the Company and nature of its business. The Company has taken necessary steps for strengthening the procedures of verification/reconciliation.

The Company has maintained proper records of inventory. The material discrepancies noticed on verification between physical stock and book records have been properly dealt with in the books of account.

iii) The Company has not taken/granted any loans secured/unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of the business for the purchase of inventory and fixed assets and sale of goods. We have not observed any major weakness in the internal controls during the course of audit.

v) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakh in respect of any party during the year.

vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rule, 1975 with regard to the deposits accepted from the public.

vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.

viii) We have broadly reviewed the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however, made a detailed examination of these records.

ix) a) According to information and explanations given to us and on the basis of our examination of the books of account, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

According to the records examined by us and information and explanations given to us, no undisputed dues payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2004 for more than six months from the date they became payable.

b) The details of disputed dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited, are given in Annexure to this report.

x) The Company neither has any accumulated losses as on 31st March 2004, nor has it incurred any cash loss during the financial year ended on that date or in the immediately preceding financial year.

xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.

xv) The Company has given guarantees for loans taken by others from banks or financial institutions, aggregating to Rs.350.00 crore where the terms and conditions, according to the information and explanations given to us, and in our opinion, are not prima facie prejudicial to the interest of the Company.

xvi) On the basis of review of utilisation of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company have been utilised for the purposes for which they are obtained.

xvii) On the basis of review of utilisation of funds which is based on overall examination of the balance sheet of the Company, related information as made available to us and as represented to us by the Management, funds raised on short term basis have not been used for long term investment. Similarly no long-term funds have been used to finance short-term assets except long-term borrowings for working capital.

xviii) The Company has not issued any preferential allotment of shares during the year.

xix) The Company has created necessary securities as per the debenture trust deed in respect of debentures issued and outstanding at the year end.

xx) The Company has not raised any money by way of public issue in the recent past.

xxi) As represented to us by the management and based on our examination in the normal course of audit, no material frauds on or by the Company have been noticed or reported during the year.

SURESH CHANDRA & ASSOCIATES	B.K. KHARE & CO.	CHATTERJEE & CO.
Chartered Accountants	Chartered Accountants	Chartered Accountants
Sd/-	Sd/-	Sd/-
(S.C. GUPTA)	(PADMINI B. KHARE)	(S.K. CHATTERJEE)
Partner	Partner	Partner
M.No. 16534	M.No. 44784	M.No. 3124

Place : New Delhi
Date : June 8, 2004

REPORTING AS PER COMPANIES (AUDITOR'S REPORT) ORDER 2003 (DISPUTED CASES)

	Name of the Statute	Forum where dispute is pending	(Rs. in Crore)
1	**Central Excise**	Supreme Court	3.65
		High Court	0.19
		Tribunal	520.31
		Revisionary Authorities	3.03
		Appellate Authorities (Below Tribunal)	105.47
		Sub-Total	**632.65**
2	**Customs**	Tribunal	32.65
		Appellate Authorities (Below Tribunal)	59.01
		Sub-Total	**91.66**
3	**Sales Tax**	Supreme Court	210.29
		High Court	137.10
		Tribunal	251.61
		Appellate Authorities (Below Tribunal)	2915.46
		Sub-Total	**3514.46**
4	**Income Tax**	Tribunal	635.97
		Appellate Authorities (Below Tribunal)	70.72
		Sub-Total	**706.69**
5	**Entry Tax**	High Court	8.91
		Tribunal Trade Tax, Lucknow	128.88
		Joint Commissioner (Appeals) Trade Tax, Lucknow	77.56
		Sub-Total	**215.35**
6	**Local Area Dev. Tax Act 2000**	Sale Tax Tribunal	3.56
		Appellate Authorities (Below Tribunal)	24.05
		Sub-Total	**27.61**
7	**Land Revenue**	High Court	**17.78**
8	**Service Tax**	Appellate Authorities (Below Tribunal)	**0.24**
9	**Local Municipal Tax**	Tribunal	**3.08**
10	**ESI Act**	Employee Insurance Court	0.14
		Appellate Authorities (Below Tribunal)	0.23
		Sub-Total	**0.37**
11	**Local Octroi Act**	High Court	0.30
		TOTAL	**5210.19**

IndianOil

BALANCE SHEET as at 31st March 2004

(Rs. in Crore)

	Schedule		March-04	March-03
SOURCES OF FUNDS:				
1. Shareholders' Funds:				
a) Capital	"A"	**1,168.01**		778.67
b) Reserves and Surplus	"B"	**21,879.40**		18,149.32
			23,047.41	18,927.99
2. Loan Funds:				
a) Secured Loans	"C"	**3,175.21**		4,701.13
b) Unsecured Loans	"D"	**9,003.35**		9,793.96
			12,178.56	14,495.09
3. Deferred Tax Liability (Net)			**4,283.73**	3,873.11
TOTAL			**39,509.70**	**37,296.19**
APPLICATION OF FUNDS:				
1. Fixed Assets & Intangible Assets:				
1.1 Fixed Assets:				
a) Gross Block	"E"	**36,341.36**		34,203.88
b) Less: Depreciation		**14,339.55**		12,584.56
c) Net Block		**22,001.81**		21,619.32
1.2 Intangible Assets:				
a) Gross Block	"E-1"	**46.94**		0.00
b) Less: Amortisation		**2.14**		0.00
c) Net Block		**44.80**		0.00
1.3 Dismantled Capital Stores		**25.27**		10.73
1.4 Capital Work-in-Progress	"F"	**5,261.30**		3,598.42
			27,333.18	25,228.47
2. Investments	"G"		**5,895.43**	5,308.87
3. Advances for Investments	"G-1"		**0.50**	54.21
4. Finance Lease Receivables			**119.46**	141.30
5. Current Assets, Loans and Advances:				
a) Inventories	"H"	**14,951.08**		14,009.38
b) Sundry Debtors	"I"	**3,973.12**		4,007.83
c) Cash and Bank Balances	"J"	**698.07**		946.06
d) Loans and Advances	"K"	**5,613.95**		6,014.82
		25,236.22		24,978.09

(Rs. in Crore)

	Schedule		March-04	March-03
APPLICATION OF FUNDS (Contd.):				
6. Less: Current Liabilities and Provisions	"L"			
a) Current Liabilities		**16,486.00**		16,266.49
b) Provisions		**2,362.38**		2,247.18
		18,848.38		18,513.67
7. Net Current Assets (5-6)			**6,387.84**	6,464.42
8. Miscellaneous Expenditure (to the extent not written off or adjusted)	"L-1"		**73.29**	98.92
TOTAL			**39,509.70**	37,296.19
9. Statement of Significant Accounting Policies	"Q"			
10. Notes on Accounts	"R"			
11. Other Schedules forming part of Accounts	"S" to "X"			

Sd/-
(M. S. Ramachandran)
Chairman

Sd/-
(P. Sugavanam)
Director (Finance)

Sd/-
(R. Narayanan)
Company Secretary

As per our attached Report of even date

SURESH CHANDRA & ASSOCIATES
Chartered Accountants

Sd/-
(S.C. GUPTA)
Partner
M.No. 16534

B.K. KHARE & CO.
Chartered Accountants

Sd/-
(PADMINI B. KHARE)
Partner
M.No. 44784

CHATTERJEE & CO.
Chartered Accountants

Sd/-
(S.K. CHATTERJEE)
Partner
M.No. 3124

Place : New Delhi
Date : June 8, 2004

IndianOil

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2004

(Rs. in Crore)

	Schedule		March-04	March-03
INCOME:				
1. Sale of Products and Crude		131,007.20		120,379.69
Less: Commission and Discounts		804.25		495.98
Sale (Net of Commission & Discounts)		130,202.95		119,883.71
Less: Excise Duty		16,504.55		14,847.16
Sale (Net of Commission, Discount & Excise Duty)			113,698.40	105,036.55
2. Company's use of own Products and Crude			188.64	246.23
3. Net claim from/(surrender to) PPAC/GOI *			194.16	(329.81)
4. Subsidy from Government of India **			2,694.37	3,863.50
5. Increase/(Decrease) in Stocks	"M"		728.72	2,411.31
6. Interest and other Income	"N"		1,670.99	1,749.49
TOTAL INCOME			119,175.28	112,977.27
* Includes Rs.194.16 crore (2003 : Rs.(-)112.80 crore) pertaining to previous years				
** Includes Rs.10.04 crore (2003: Rs.Nil) pertaining to previous years				
EXPENDITURE:				
1. Purchase of Products and Crude for resale			58,064.91	54,785.12
2. Manufacturing, Admn., Selling & Other Expenses	"O"		48,630.50	46,772.57
3. Duties applicable on Products (Net)			518.02	577.75
4. Depreciation and Amortisation on:				
i) Fixed Assets		1,871.65		1,656.28
ii) Intangible Assets		2.14		0.00
			1,873.79	1,656.28
5. Interest Payments on:				
a) Fixed period loans from Banks/Financial Institutions/Others [Includes exchange loss of Rs.0.70 crore (2003: Rs.7.25 crore) considered borrowing cost]		203.25		165.38
b) Bonds		99.25		151.64
c) Short term loans from Banks [Includes exchange loss of Rs.9.32 crore (2003: Rs.18.40 crore) considered borrowing cost]		132.31		393.73
d) Short term loans from Subsidiaries		0.00		10.22
e) Public Deposits		1.26		0.95
f) Others		6.21		91.37
		442.28		813.29
Less: Interest Capitalised		0.00		25.17
			442.28	788.12
TOTAL EXPENDITURE			109,529.50	104,579.84
PROFIT FOR THE YEAR			9,645.78	8,397.43
Income/(Expenses) pertaining to previous years (Net)	"P"		45.06	16.57
PROFIT BEFORE TAX			9,690.84	8,414.00
Provision for Current Tax ***			2,275.40	1,831.06
PROFIT BEFORE DEFERRED TAX			7,415.44	6,582.94
Provision for Deferred Tax			410.62	468.05
PROFIT AFTER TAX			7,004.82	6,114.89
Balance brought forward from last year's account			0.00	0.00
DISPOSABLE PROFIT			7,004.82	6,114.89

*** Includes write-back of excess provision of earlier years of Rs.39.62 crore.

(Rs. in Crore)

	Schedule	March-04	March-03
APPROPRIATIONS:			
Interim Dividend *		**584.01**	389.34
Final Dividend (Proposed)		**1,868.82**	1,868.82
Share of Minority Interest in Dividend			
Corporate Dividend Tax on			
Interim Dividend		**74.83**	0.00
Final Dividend (Proposed)		**239.44**	239.44
Insurance Reserve Account		**10.00**	10.00
Bond Redemption Reserve		**37.73**	(23.77)
General Reserve		**4,189.99**	3,631.06
Balance carried to Balance Sheet		**0.00**	0.00
		7,004.82	6,114.89
* Subject to Deduction of Tax for March 2003			
6. a) **Earning Per Share (Rupees)**	"R"	**59.97**	52.35
(Basic & Diluted)	(Note no.20)		
b) **Face Value Per Share (Rupees)**		**10/-**	10/-
7. Statement of Significant Accounting Policies	"Q"		
8. Notes on Accounts	"R"		
9. Other Schedules forming part of Accounts	"S" to "X"		

Sd/-	Sd/-	Sd/-
(M. S. Ramachandran)	**(P. Sugavanam)**	**(R. Narayanan)**
Chairman	Director (Finance)	Company Secretary

As per our attached Report of even date

SURESH CHANDRA & ASSOCIATES	**B.K. KHARE & CO.**	**CHATTERJEE & CO.**
Chartered Accountants	Chartered Accountants	Chartered Accountants
Sd/-	Sd/-	Sd/-
(S.C. GUPTA)	**(PADMINI B. KHARE)**	**(S.K. CHATTERJEE)**
Partner	Partner	Partner
M.No. 16534	M.No. 44784	M.No. 3124

Place : New Delhi
Date : June 8, 2004

IndianOil

SCHEDULE "A" - CAPITAL

(Rs. in Crore)

		March-04	March-03
Authorised :			
250,00,00,000 Equity Shares of Rs.10 each		**2,500.00**	2,500.00
Issued, Subscribed and Paid up:			
116,80,12,200 (2003: 77,86,74,800) Equity Shares of Rs.10 each	**1,168.01**		778.67
Less: Calls in Arrears (Other than Directors)			
Rs.Nil (2003: Rs.1800)	**0.00**		0.00
		1,168.01	778.67
Out of which:			
1. Shares allotted as fully paid without payment being received in cash:			
a) Pursuant to the Petroleum Companies Amalgamation Order, 1964 : 3,76,49,700 Shares of Rs. 10 each			
b) Pursuant to Gujarat Refinery Project Undertaking (Transfer), (Amendment) Order, 1965 : 1,00,00,000 Shares of Rs. 10 each			
2. Shares allotted as fully paid up Bonus Shares by Capitalisation of General Reserve: 106,62,95,000 (2003: 67,69,57,600) Shares of Rs.10 each			
TOTAL		**1,168.01**	**778.67**

SCHEDULE "B" - RESERVES AND SURPLUS

			(Rs. in Crore)
		March-04	March-03
1. **Capital Reserve:**			
As per last Account		**0.16**	0.16
2. **Share Premium Account:**			
As per last Account	**175.86**		175.86
Less: Calls in Arrears (Other than Directors)	**0.00**		0.00
Rs.Nil (2003: Rs.16200)			
		175.86	175.86
3. **General Reserve:**			
As per last Account	**16,954.82**		13,323.76
Add : Transferred from Profit & Loss Account	**4,189.99**		3,631.06
Less: Transferred for issue of Bonus Shares	**389.34**		0.00
Less: Adjustment in line with AS-26 (Refer Note A)	**117.55**		0.00
		20,637.92	16,954.82
4. **Insurance Reserve:**			
As per last Account	**20.00**		10.00
Add : Transferred from Profit & Loss Account	**10.00**		10.00
		30.00	20.00
5. **Export Profit Reserve:**			
As per last Account		**59.41**	59.41
6. **Capital Grants:**			
As per last Account	**11.99**		12.33
Add: Received during the year	**0.00**		0.57
Less: Amortised during the year	**0.75**		0.91
		11.24	11.99
7. **Bond Redemption Reserve Account:**			
As per last Account	**927.08**		950.85
Add: Transferred from Profit & Loss Account	**37.73**		(23.77)
		964.81	927.08
8. **Profit & Loss Account:**		**0.00**	0.00
As per Annexed Account			
TOTAL		**21,879.40**	18,149.32

Note:

A) Relates to expenditure incurred on Technical know-how fee on production process not charged to revenue as on 1st April 2003.

SCHEDULE "C" - SECURED LOANS

(Rs. In Crore)

	Note		March-04	March-03
1. Bonds:				
a) Non-Convertible Redeemable Bonds - Series - III	A	**723.60**		723.60
b) Non-Convertible Redeemable Bonds - Series - IV	B	**0.00**		300.00
c) Non-Convertible Redeemable Bonds - Series - V	C	**410.80**		410.80
Total of (1)			**1,134.40**	1,434.40
2. Loans and Advances from Banks:	D			
i) Working Capital Demand Loan		**500.00**		2,650.00
Interest accrued and due on above		**0.00**		0.22
Total of (i)		**500.00**		2,650.22
ii) Cash Credit		**1,539.93**		616.25
Interest accrued and due on above		**0.88**		0.26
Total of (ii)		**1,540.81**		616.51
Total of (2)			**2,040.81**	3,266.73
TOTAL			**3,175.21**	4,701.13

Notes:

A. 7236 Bonds of face value of Rs.10,00,000 each, alloted on 21st February 2000, are redeemable at par on 21st February 2007. The Bonds also carry a put/call option at the end of 60 months from the date of allotment, i.e., 21st February 2005, on the exercise of which the Bonds are redeemable at par. The Bonds carry an annual coupon rate of 10.85% payable annually. These are secured by way of legal mortgage over the company's premises at Malabar and Cumballa Hill Division situated at Mumbai. These bonds are also secured by way of charge on immovable properties at Panipat refinery in the state of Haryana ranking interse pari passu with Bonds Series V holders.

B. 3000 Bonds of face value of Rs.10,00,000 each, alloted on 24th May 2000, which carried an annual coupon rate of 10.65% payable annually on 30th September, were redeemed at par on 24th November 2003.

C. 158 Bonds of face value of Rs.2,60,00,000 each alloted on 18th July 2001, are redeemable in 13 equal instalments from the end of 3rd year upto the end of 15th year from the date of allotment. The Bonds carry an annual coupon rate of 10.25% payable annually on 30th September. These are secured by way of legal mortgage over the company's premises no. 301 situated in Bandra Anita Premises Co-op. Housing Society Ltd. at Bandra, Mumbai together with 5 shares of Bandra Anita Premises Co-op. Housing Society Ltd. These bonds are also secured by way of charge on immovable properties at Panipat refinery in the state of Haryana ranking interse pari passu with Bonds Series III holders.

D. Against hypothecation of raw materials, stock-in-trade, sundry debtors, outstanding monies, receivables, claims, contracts, engagements etc.

SCHEDULE "D" - UNSECURED LOANS

(Rs. In Crore)

		March-04	March-03
1. Public Deposits: (including Rs.1.57 crore [2003 : Rs. 2.12 crore] due for payment within one year)		**13.69**	10.17
2. Short Term Loans and Advances:			
i) From Banks & Financial Institutions:			
a) In Foreign Currency US $ 524.05 Million (2003 : US $ 482.23 Million)	**2,290.10**		2,290.84
b) In Rupee	**600.00**		1,250.00
Add: Interest accrued and due	**0.00**		2.89
	600.00		1,252.89
Total (2)(i)	**2,890.10**		3,543.73
ii) Export Packing Credit :			
In Foreign Currency US $ 25 Million (2003 : US $ 50 Million)	**109.25**		237.52
Total (2)		**2,999.35**	3,781.25
3. Other Loans and Advances:			
A) From Banks/Financial Institutions:			
i) In Foreign Currency			
a) Sumitomo Bank, Japan (Club deal): US $ Nil (2003 : US $ 75 Million) - (repaid in March 2004)	**0.00**		356.29
b) Canara Bank: US $ Nil (2003 : US $ 200 Million) (US $ 100 Million repaid in September 2003 and US $ 100 Million repaid in December 2003)	**0.00**		950.10
c) Canara Bank: US $ 200 Million (2003 : US $ Nil) (US $ 100 Million repayable in September 2005 and US $ 100 Million repayable in November 2005)	**874.00**		0.00
d) CitiBank Syndication: US $ 200 Million (2003 : US $ Nil) (repayable in Dec. 2006) (US $ 114.89 Million availed upto March 31, 2004)	**502.05**		0.00
e) Bank of India: US $ 100 Million (2003 : US $ 100 Million) (repayable in September 2004)	**437.00**		475.05
f) Bank of Baroda: US $ 200 Million (2003 : US $ US $ 200 Million) (repayable in September 2004)	**874.00**		950.10

(Rs. in Crore)

		March-04	March-03
g) Leaseplan North America Inc US $ 75.05 million (2003 : US $ Nil) (US $ 7.39 Million availed upto 31.3.2004) (fully guaranteed by Export Import Bank of India and repayable in 20 half yearly installment w.e.f. March 2006)	32.29		0.00
Total of (3) (i)	2,719.34		2,731.54
ii) In Rupee			
a) ICICI Bank Limited (repayable in June 2004)	500.00		500.00
b) ICICI Bank Limited (being prepaid in June 2004)	750.00		750.00
c) ICICI Bank Limited (prepaid in September 2003)	0.00		500.00
d) ICICI Bank Limited (being prepaid in June 2004)	650.00		650.00
e) State Bank of India (repayable in March 2009)	500.00		0.00
Add: Interest accrued and due	0.07		0.00
	500.07		0.00
Total of (3) (ii)	2,400.07		2,400.00
B) From Others:			
a) OIDB (Repayable in 8 equal annual instalments w.e.f. May 2005)	871.00		871.00
Total of (3)		5,990.41	6,002.54
TOTAL		9,003.35	9,793.96

SCHEDULE "E" - FIXED ASSETS

AT COST

	Note	Gross Block as at 01.04.03	Additions during the year (Ref Note No. C)	Transfers from Construction Work-in-Progress	Disposals during the year
Land-Freehold		621.81	17.14	0.00	(0.10)
-Leasehold		287.94	2.63	0.00	0.00
-Right of Way	A	14.31	0.00	0.00	0.00
Buildings, Roads etc.	B	3,320.82	7.57	306.64	(11.94)
Plant and Machinery		29,112.28	349.33	1,701.56	(68.93)
Transport Equipment		274.41	6.51	1.59	(2.42)
Furnitures and Fixtures		159.47	8.15	4.21	(1.43)
Railway Sidings		215.57	6.94	0.00	(0.10)
Drainage, Sewage and Water Supply System		197.27	0.00	1.17	0.00
Total		**34,203.88**	**398.27**	**2,015.17**	**(84.92)**
Previous Year		29,740.61	420.53	4,153.80	(51.14)

Note :

A. Right of way has been classified as Intangible Assets under Schedule E-1.

B. Buildings include Rs.0.01 crore (2003: Rs.0.01 crore) towards value of 1895 (2003 : 1895) Shares in Co-operative Housing Societies towards membership of such societies for purchase of flats.

C. Additions to Fixed Assets include Rs. (-)17.34 crore (2003 : Rs. (-)9.07 crore) on account of exchange fluctuations.

D. The cost of assets are net of MODVAT/CENVAT, wherever applicable.

E. Depreciation and amortisation for the year includes Rs.(-)4.82 crore (2003 : Rs.5.48 crore) pertaining to prior year and Rs. 3.99 crore (2003 : Rs. 5.31 crore) relating to construction period expenses taken to Schedule F-1.

(Rs. in Crore)

Transfers/ Deductions/ Reclassifications	Gross Block as at 31.03.04 (Ref Note No. D)	Depreciation and Amortisation for the year (Ref Note No. E)	Total Depreciation and Amortisation up to 31.03.04	NET DEPRECIATED BLOCK AS AT 31.03.04	AS AT 31.03.03
13.63	652.48	0.00	0.00	652.48	621.81
0.00	290.57	5.32	31.74	258.83	261.51
(14.31)	0.00	0.00	0.00	0.00	14.31
(24.73)	3,598.36	86.89	513.03	3,085.33	2,888.49
(166.87)	30,927.37	1,726.86	13,337.78	17,589.59	17,394.53
3.74	283.83	26.11	188.40	95.43	110.26
(0.40)	170.00	9.37	78.17	91.83	89.81
0.95	223.36	9.36	83.50	139.86	141.54
(3.05)	195.39	6.91	106.93	88.46	97.06
(191.04)	**36,341.36**	**1,870.82**	**14,339.55**	**22,001.81**	**21,619.32**
(59.92)	**34,203.88**	1,667.07	**12,584.56**	**21,619.32**	

Details of Company's share of Jointly Owned Assets included above:

(Rs. in Crore)

Assets Particulars	Name of Joint Owner	Original Cost	Accumulated Depreciation & Amortisation	W.D.V. as at 31.03.04	W.D.V. as at 31.03.03
Land - Freehold	HPC/IBP	1.37	0.00	1.37	1.37
Land - Leasehold	BPC/IBP	0.78	0.13	0.65	0.66
Buildings	HPC	1.14	0.10	1.04	0.94
Plant and Machinery	HPC/BPC/IBP/ GSFC/IPCL/ACC/ CSIR	87.68	11.26	76.42	78.97
Transport Equipment	RAILWAYS	183.05	125.31	57.74	75.32
Railway Sidings	HPC/BPC	27.06	8.04	19.02	12.58
Drainage,Sewage & Water Supply	GSFC	0.99	0.94	0.05	0.05
Total		302.07	145.78	156.29	169.89
Previous year		292.72	122.83	169.89	

SCHEDULE "E-1" - INTANGIBLE ASSETS

AT COST

	Note	Gross Block as at 01.04.03	Additions during the year	Transfers from Construction Work-in-Progress	Disposals During the year
Right of Way	A	0.00	3.56	0.00	0.00
Licenses		0.00	28.61	0.00	0.00
Computer Software		0.00	0.83	0.00	0.00
Total		**0.00**	**33.00**	**0.00**	**0.00**
Previous Year		0.00	0.00	0.00	0.00

Note :

A. Right of way for laying pipelines is a perpetual right of use of land but does not bestow upon the company, the ownership of land and hence, treated as intangible asset. However, no amortisation is provided on the same, being perpetual in nature.

(Rs. in Crore)

Transfers/ Deductions/ Reclassi-fications	Gross Block as at 31.03.04	Amortisation for the year	Total Amortisation up to 31.03.04	NET BLOCK AS AT 31.03.04	NET BLOCK AS AT 31.03.03
13.94	17.50	0.00	0.00	17.50	0.00
0.00	28.61	1.93	1.93	26.68	0.00
0.00	0.83	0.21	0.21	0.62	0.00
13.94	**46.94**	**2.14**	**2.14**	**44.80**	**0.00**
0.00	**0.00**	0.00	**0.00**	**0.00**	

IndianOil

SCHEDULE "F" - CAPITAL WORK-IN-PROGRESS

(Rs. In Crore)

	Note		March-04	March-03
1. Construction Work-in-Progress - Fixed Assets (including unallocated capital expenditure, materials at site)		1,296.80		1,410.21
Less : Provision for Capital Losses		13.89		10.85
			1,282.91	1,399.36
2. Advance for Capital Expenditure			2,484.98	1,167.57
3. Capital Stores	A	418.85		166.39
Less : Provision for Capital Losses		0.25		0.00
			418.60	166.39
4. Capital Goods-in-Transit			180.72	48.25
5. Construction period expenses pending allocation :				
Balance as at 1st April 2003		816.85		564.37
Add : Opening Balance Adjustment		(183.35)		214.13
Add : Net Expenditure during the year (Sch. "F-1")		235.66		514.32
		869.16		1,292.82
Less : Allocated to Assets during the year		220.84		475.97
			648.32	816.85
6. Work-in-Progress - Intangible Assets (including unallocated capital expenditure)			245.77	0.00
TOTAL			5,261.30	3,598.42

Note :

	March-04	March-03
A. Includes Stock lying with contractors	47.11	11.42

SCHEDULE "F-1" - CONSTRUCTION PERIOD EXPENSES (NET) DURING THE YEAR

(Rs. in Crore)

		March-04	March-03
1.	Payments to and Provision for Employees	**36.96**	33.02
2.	Repairs & Maintenance	**1.42**	1.53
3.	Consumption of Stores & Spares	**0.07**	0.11
4.	Power & Fuel	**3.95**	1.52
5.	Rent	**3.89**	3.08
6.	Insurance	**5.05**	2.83
7.	Rates & Taxes	**0.14**	0.42
8.	Travelling Expenses	**5.84**	4.63
9.	Communication Expenses	**1.00**	0.80
10.	Printing & Stationery	**0.33**	0.39
11.	Electricity & Water Charges	**0.48**	0.54
12.	Bank Charges	**0.03**	0.06
13.	Technical Assistance Fees	**3.12**	0.80
14.	Exchange Fluctuation	**(8.60)**	(4.53)
15.	Interest	**152.76**	277.51
16.	Depreciation	**3.99**	5.31
17.	Start up/Trial Run Expenses	**17.39**	54.32
18.	Oil and Gas Activities:		
	- Exploration Cost	**0.00**	31.58
19.	Process Design, Detailed Engineering etc.	**0.00**	35.67
20.	Others	**14.87**	71.82
	Total Expenses	**242.69**	521.41
	Less : Recoveries	**7.03**	7.09
	Net Expenditure during the year	**235.66**	514.32

IndianOil

SCHEDULE "G" - INVESTMENTS

(Rs. in Crore)

		No. and Particulars of Shares	Face Value per Share (Rupees)	March-04	March-03
LONG TERM INVESTMENTS (At Cost):					
1. QUOTED:					
Trade Investments:					
a) In Subsidiary Companies:					
i)	Chennai Petroleum Corporation Limited	7,72,65,200 Equity Shares each fully paid in cash	10/-	**509.33**	509.33
ii)	Bongaigaon Refineries & Petrochemicals Limited	14,87,93,826 Equity Shares each fully paid in cash	10/-	**148.79**	148.79
iii)	IBP Company Limited	1,18,67,262 Equity Shares each fully paid in cash	10/-	**1,840.99**	1,840.99
		Sub-total: (a)		**2,499.11**	2,499.11
b) In Joint Venture Companies					
i)	Petronet LNG Limited (Quoted w.e.f. March 26, 2004)	93,750,000 (2003 : 6295) Equity Shares fully paid in cash	10/-	**98.75**	0.01
		Sub-total (b):		**98.75**	0.01
c) Others:					
i)	Oil and Natural Gas Corporation Limited	13,70,67,381 Equity Shares each fully paid in cash	10/-	**2,225.15**	2,225.15
ii)	GAIL (India) Ltd.	4,08,39,549 Equity Shares each fully paid in cash	10/-	**245.04**	245.04
		Sub-total (c):		**2,470.19**	2,470.19
		TOTAL: 1		**5,068.05**	4,969.31

Aggregate Market Value of securities mentioned at (1) above **Rs. 15502.85 crore** (2003 : Rs.5851.49 crore)

2. UNQUOTED:					
A) Non-Trade Investments:					
i)	In Government - Securities Deposited with various bodies			**0.01**	0.01
ii)	In Consumer Cooperative Societies:				
	Barauni :	500 Equity Shares each fully paid in cash (including 250 bonus fully paid Bonus Shares)	10/-		

(Rs. In Crore)

	No. and [illegible]	Face Value per Share (Rupees)	March-04	March-03
Guwahati :	500 Equity Shares each fully paid in cash	10/-		
Mathura :	200 Equity Shares each fully paid in cash	10/-	0.00	0.00
Haldia :	1663 Equity Shares each fully paid in cash	10/-		
In IndianOil Cooperative Consumer Stores Ltd., Delhi :	375 Equity Shares each fully paid in cash	10/-		
	Sub-total: 2A		**0.01**	0.01
B) Trade Investments:				
a) In Subsidiary Companies				
i) Indian Oil Blending Ltd.	8,000 Equity Shares each fully paid in cash	500/-	**0.40**	0.40
ii) IndianOil Mauritius Ltd.	15,88,920 Equity Shares each fully paid in cash	100/- *	**25.50**	25.50
iii) Lanka IOC (Private) Ltd.	400,000,000 (2003 : 1) Equity Shares fully paid in cash	10/- **	**194.14**	0.00
iv) IndianOil Technologies Ltd.	50,000 (2003 : Nil) Equity Shares fully paid in cash	10/-	**0.05**	0.00
	Sub-total: (a)		**220.09**	25.90
b) In Joint Venture Companies				
i) Avi-Oil Private Ltd.	45,00,000 Equity Shares fully paid in cash	10/-	**4.50**	4.50
ii) Petronet India Ltd.	1,60,00,000 Equity Shares fully paid in cash	10/-	**16.00**	16.00
iii) Indian Oiltanking Ltd.	5,90,00,000 Equity Shares fully paid in cash	10/-	**75.72**	75.72

* In Mauritian Rupees

** In Sri Lankan Rupees

(Rs. in Crore)

		No. and Particulars of Shares	Face Value per Share (Rupees)		March-04	March-03
iv)	Petronet VK Limited	2,59,99,970 Equity Shares fully paid in cash	10/-		**26.00**	26.00
v)	IndianOil Panipat Power Consortium Limited	1,01,64,503 Equity Shares fully paid in cash	10/-	**10.16**		10.16
	Less: Provision for Diminution			**3.79**		0.00
					6.37	10.16
vi)	Lubrizol India Private Ltd.	9,60,000 Equity Shares fully paid in cash	100/-		**118.67**	118.67
vii)	IndianOil Petronas Private Limited	6,00,00,000 Equity Shares fully paid in cash	10/-		**60.00**	60.00
viii)	Petronet CI Limited	10,66,000 Equity Shares fully paid in cash	10/-	**1.07**		1.07
	Less: Provision for Diminution			**1.07**		0.00
					0.00	1.07
ix)	Petronet CTM Limited	26 Equity Shares fully paid in cash	10/-	**0.00**		0.00
	Less: Provision for Diminution			**0.00**		0.00
					0.00	0.00
x)	ONGIO International Private Limited	15,05,000 Equity Shares fully paid in cash	10/-	**1.51**		1.51
	Less: Provision for Diminution			**1.51**		0.00
					0.00	1.51
		Sub-total: (b)			**307.26**	313.63
c)	**In Others**					
i)	International Cooperative Petroleum Association	350 Shares fully paid up and partly paid up common stock of $72.31	$100		0.02	0.02
		Sub-total: 2B			**527.37**	339.55
		Total: 2			**527.38**	339.56
		Total: (1 + 2)			**5,595.43**	5,308.87

SCHEDULE "G-1" - ADVANCES FOR INVESTMENT

(Rs. in Crore)

		March-04	March-03
A. Joint Venture Companies			
a) Petronet LNG Limited		-	27.50
b) IndianOil TCG Petrochem Limited	0.49		0.50
Less: Provision for diminution	0.49		0.50
		-	-
c) Petronet CI Limited	1.87		1.87
Less: Provision for diminution	1.87		-
		-	1.87
		-	**29.37**
B. Subsidiary Companies			
a) IndianOil Mauritius Limited		-	0.17
b) Lanka IOC (Private) Limited		-	24.67
c) IndianOil Technologies Limited		0.50	-
		0.50	24.84
		0.50	54.21

SCHEDULE "H"- INVENTORIES

(Rs. in Crore)

	Note		March-04	March-03
1. In Hand:				
a. Stores, Spares etc.	A	680.80		696.94
Less: Provision for Losses		39.23		34.84
			641.57	662.10
b. Raw Materials	B		2,985.76	3,112.00
c. Finished Products	C		8,760.19	8,063.12
d. Stock in Process			966.44	950.01
e. Barrels and Tins	D		6.42	6.73
Total (1)			13,360.38	12,793.96
2. In Transit:				
a. Stores & Spares			26.40	25.30
b. Raw Materials			1,549.08	1,190.12
c. Finished Products			15.22	0.00
Total (2)			1,590.70	1,215.42
TOTAL			14,951.08	14,009.38
Note: Includes:				
A Stock lying with contractors			6.59	6.79
B. Stock lying with others			85.34	75.26
C. Stock lying with others			182.28	110.85
D. Stock lying with others			1.76	1.49

IndianOil

SCHEDULE "I" - SUNDRY DEBTORS

(Rs. In Crore)

	March-04	March-03
1. Over Six Months:		
a) From Subsidiary Companies		
i) Unsecured, Considered Good	67.41	9.41
b) From Others		
i) Unsecured, Considered Good	38.29	97.37
ii) Unsecured, Considered Doubtful	265.33	235.99
Total (1)	371.03	342.77
2. Other Debts:		
a) From Subsidiary Companies		
i) Unsecured, Considered Good	918.11	1,036.61
b) From Others		
i) Unsecured, Considered Good	2,949.31	2,864.44
ii) Unsecured, Considered Doubtful	0.29	0.00
Total (2)	3,867.71	3,901.05
Total : (1+2)	4,238.74	4,243.82
Less: Provision for Doubtful Debts	265.62	235.99
TOTAL	3,973.12	4,007.83

SCHEDULE "J" - CASH AND BANK BALANCES

(Rs. In Crore)

		March-04	March-03
1. Cash Balances			
a) Cash Balances including imprest	3.18		2.83
b) Cheques in hand	682.78		929.06
		685.96	931.89
2. Bank Balances with Scheduled Banks:			
a) Current Account	11.44		13.61
b) Fixed Deposit Account	0.41		0.37
c) Blocked Account	0.16		0.16
		12.01	14.14
3. Bank Balances with Non-Scheduled Banks:			
a) Current Account			
i) Bhumiputra Commerce Bank, Malaysia [Maximum balance during the year - Rs.0.14 crore (2003 : Rs.0.11 crore)]	0.10		0.03
ii) National Bank of Kuwait, Kuwait [Maximum balance during the year - Rs.Nil (2003 : Rs.0.06 crore)]	0.00		0.00
		0.10	0.03
TOTAL		698.07	946.06

SCHEDULE "K" - LOANS AND ADVANCES

(Rs. in Crore)

	Note		March-04	March-03
1. Advance recoverable in cash or in kind or for value to be received :	A			
a) From Subsidiary Companies				
i) Unsecured, Considered Good		**182.71**		3.71
Total (a)		**182.71**		3.71
b) From Others				
i) Secured, Considered Good		**967.66**		917.24
ii) Unsecured, Considered Good		**552.17**		561.17
iii) Unsecured, Considered Doubtful		**4.43**		11.85
Total (b)		**1,524.26**		1,490.26
Total (1)		**1,706.97**		1,493.97
Less: Provision for Doubtful Advances		**4.43**		11.85
			1,702.54	**1,482.12**
2. Amount recoverable from PPAC (Net): Unsecured, Considered Good			**2,296.16**	2,151.61
3. Amount recoverable from Government of India: Unsecured, Considered Good			**408.44**	1,402.10
4. Claims Recoverable:				
a) From Subsidiary Companies				
i) Unsecured, Considered Good		**0.05**		0.00
b) From Others				
i) Secured, Considered Good		**0.10**		0.00
ii) Unsecured, Considered Good	B	**1,045.44**		855.03
iii) Unsecured, Considered Doubtful		**24.75**		18.13
Total (4)		**1,070.34**		873.16
Less: Provision for Doubtful Claims		**24.75**		18.13
			1,045.59	855.03
5. Balance with Customs, Port Trust and Excise Authorities: Unsecured, Considered Good			**63.91**	88.66

SCHEDULE "K" - LOANS AND ADVANCES (Contd.)

(Rs. in Crore)

	Note		March-04	March-03
6. Materials given on loan				
a) From Subsidiary Companies				
i) Secured, Considered Good		0.00		0.35
Less: Deposits received		0.00		0.30
		0.00		0.05
ii) Unsecured, Considered Good		0.00		0.00
Total (a)		0.00		0.05
b) From Others				
i) Secured, Considered Good		0.00		2.60
Less: Deposits received		0.00		2.60
		0.00		0.00
ii) Unsecured, Considered Good		0.00		0.02
Total (b)		0.00		0.02
Total (6)			0.00	0.07
7. Sundry Deposits (including amount adjustable on receipt of Final bills):				
a) From Subsidiary Companies				
i) Unsecured, Considered Good		0.07		0.00
Total (a)		0.07		0.00
b) From Others				
i) Secured, Considered Good		9.04		9.00
ii) Unsecured, Considered Good		88.20		26.23
iii) Unsecured, Considered Doubtful		0.00		0.01
Total (b)		97.24		35.24
Total (7)		97.31		35.24
Less: Provision for Doubtful Deposits		0.00		0.01
			97.31	35.23
TOTAL			5,613.96	6,014.82

Notes:

A. Includes:

	March-04	March-03
1. Due from Directors	0.13	0.10
Maximum amount during the year	0.18	0.16
2. Due from other Officers	3.35	2.29
Maximum amount during the year	3.79	2.69
B. Includes Customs/Excise Duty Claims which are in the process of being lodged with the Department	96.63	341.43

SCHEDULE "L" - CURRENT LIABILITIES AND PROVISIONS

(Rs. in Crore)

	Note	March-04		March-03
1. Current Liabilities				
a) Sundry Creditors				
i) Total Dues of small scale industrial undertaking(s)	A	38.98		26.23
ii) Total Dues of creditors other than small scale industrial undertaking(s)		7,930.98		8,177.87
Total of (a)		7,969.96		8,204.10
b) Other Liabilities		3,031.21		2,607.01
c) Dues to Subsidiary Companies		598.76		837.74
d) Investor Education and Protection Fund shall be credited by the following amount namely:	B			
- Unpaid Dividend		2.84		3.18
- Unpaid Matured Deposits		1.32		1.52
e) Security Deposits		4,790.67		4,500.39
Less:Investments and Deposits with Banks lodged by outside parties		0.44		0.59
		4,790.23		4,499.80
f) Material taken on loan				
i) From Subsidiary Companies		0.45		0.45
Less: Deposits given		0.39		0.38
Total (I)		0.06		0.07
ii) From Others		0.01		0.00
Less: Deposits given		0.01		0.00
Total (II)		0.00		0.00
Total (f):		0.06		0.07
g) Interest accrued but not due on loans		91.62		113.07
Total Current Liabilities			16,486.00	16,266.49
2. Provisions				
a) Provision for Taxation		5,624.84		3,587.79
Less:Advance payments		5,518.47		3,573.72
		106.37		14.07
b) Proposed Dividend		1,868.82		1,868.82
c) Corporate Dividend Tax		239.44		239.44
d) Provision for Retirement Benefits		147.75		124.85
Total Provisions			2,362.38	2,247.18
TOTAL			18,848.38	18,513.67

Note:

A. Names of Small Scale Industrial Undertakings to whom the Corporation owes a sum, which is outstanding for more than 30 Days, are given in Note no. 24 of Schedule 'R' - Notes to Accounts.

B. No amount is due as on March 31, 2004 for credit to Investor Education & Protection Fund (Fund) and the amount remaining due will be transferred on the respective due dates to the Fund.

SCHEDULE "L-1" - MISCELLANEOUS EXPENDITURE

(Rs. in Crore)

		March-04	March-03
Deferred Revenue Expenditure			
Voluntary Retirement Compensation			
As per last accounts	**98.92**		144.72
Add: Expenditure during the year	**26.47**		1.01
Sub-Total		**125.39**	145.73
Less: Amortised during the year		**52.10**	46.81
TOTAL		**73.29**	98.92

SCHEDULE "M" - DETAILS OF INCREASE/(DECREASE) IN STOCK

(Rs. in Crore)

		March-04	March-03
Closing Stock			
a) Finished Products	**8,775.41**		8,063.12
b) Stock in Process	**966.44**		950.01
		9,741.85	9,013.13
Less:			
Opening Stock			
a) Finished Products	**8,063.12**		6,019.97
b) Opening Balance Adjustment	**0.00**		(0.27)
c) Stock in Process	**950.01**		582.12
		9,013.13	6,601.82
NET INCREASE/ (DECREASE)		**728.72**	2,411.31

SCHEDULE "N" - INTEREST AND OTHER INCOME

(Rs. in Crore)

			March-04	March-03
1.	Interest on:			
	a) Loans and Advances			
	i) From Subsidiary Companies	**2.21**		0.00
	ii) From Others	**45.50**		47.16
		47.71		47.16
	b) Fixed Deposits with Banks	**0.03**		0.04
	c) Short Term Deposits with Banks	**0.15**		0.03
	d) Customers Outstandings			
	i) From Subsidiary Companies	**0.91**		0.00
	ii) From Others	**43.17**		76.40
		44.08		76.40
	e) 6.96% Oil Companies GOI SPL Bonds 2009 *	**0.00**		212.93
	f) Others (Gross)	**0.01**		0.02
			91.98	336.58
2.	Dividend (Gross): ** [Tax deducted at source Rs.Nil (2003 : Rs.52.21 crore)]			
	a) From Subsidiary Companies	**135.99**		27.44
	b) From Other Companies	**410.66**		469.94
			546.65	497.38
3.	Sale of Power and Water		**6.37**	6.77
4.	Profit on sale and disposal of Assets		**7.55**	8.13
5.	Unclaimed/Unspent liabilities written back		**139.83**	109.97
6.	Provision for Doubtful Debts, Advances, Claims and Stores written back		**13.52**	21.14
7.	Provision for loss in cost of investment written back		**0.00**	200.00
8.	Recoveries from Employees		**19.71**	18.34
9.	Retail Outlet Licence Fees		**34.16**	36.16
10.	Collection Charges for Outstation Cheques		**15.15**	15.01
11.	Sale of Scrap		**20.15**	20.04
12.	Financing Charges on Finance Leases		**14.35**	16.36
13.	Amortisation of Capital Grants		**0.75**	0.91
14.	Provision for Leave Encashment written back		**0.00**	97.56
15.	Exchange Fluctuations (Net)		**425.91**	119.70
16.	Commodity Hedging Gain (Net)		**2.34**	0.00
17.	Terminalling Charges		**109.14**	108.15
18.	Recovery towards Inventory Carrying Cost		**84.00**	0.00
19.	Other Miscellaneous Income		**139.43**	137.29
	TOTAL		**1,670.99**	1,749.49

* **Income on Current Trade Investments**

** **Income on Long term Trade Investments**

SCHEDULE "O" - MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. In Crore)

		March-04	March-03
1. Raw Material Consumed:			
Opening Balance	**4,302.12**		3,359.87
Add: Opening Balance Adjustment	**(50.45)**		0.27
Add: Purchases	**39,579.27**		38,593.76
	43,830.94		41,953.90
Less:Closing Stock	**4,534.84**		4,302.12
		39,296.10	37,651.78
2. Consumption:			
a) Stores, Spares and Consumables	**247.98**		202.91
b) Packages & Drum Sheets	**169.64**		163.80
		417.62	366.71
3. Power & Fuel	**2,902.90**		2,644.77
Less: Fuel for own production	**2,552.58**		2,301.96
		350.32	342.81
4. Processing Fees, Blending Fees, Royalty & Other Charges		**47.33**	43.72
5. Octroi, Other Levies and Irrecoverable Taxes		**796.76**	552.05
6. Repairs and Maintenance:			
i) Plant and Machinery	**393.60**		382.84
ii) Buildings	**69.71**		69.32
iii) Others	**36.16**		31.88
		499.47	484.04
7. Freight, Transportation Charges and Demurrage		**3,915.07**	4,029.20
8. Payments to and Provisions for Employees:			
(a) Salaries, Wages, Bonus etc.	**1,085.03**		1,041.68
(b) Contribution to Provident & Other Funds	**119.73**		388.14
(c) Amortisation of Voluntary Retirement Compensation	**52.10**		46.81
(d) Staff Welfare Expenses	**332.42**		266.33
		1,589.28	1,742.96
9. Office Administration, Selling and Other Expenses (Schedule "O-1")		**1,718.55**	1,559.30
TOTAL		**48,630.50**	46,772.57

SCHEDULE "O-1" - OFFICE ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. in Crore)

		Note		March-04	March-03
1.	Rent			**184.11**	170.88
2.	Insurance			**88.69**	82.63
3.	Rates & Taxes			**35.37**	33.44
4.	Donations			**16.15**	13.46
5.	Payment to Auditors:				
	a) Audit Fees		**0.32**		0.32
	b) Tax Audit Fees		**0.05**		0.05
	c) Other Services (for issuing certificates etc.)		**0.11**		0.07
	d) Out of Pocket Expenses		**0.07**		0.05
				0.55	0.49
6.	Travelling & Conveyance			**162.42**	125.89
7.	Communication Expenses			**35.68**	32.77
8.	Printing & Stationery			**16.73**	16.13
9.	Electricity & Water			**94.93**	101.48
10.	Bank Charges			**28.58**	27.66
11.	Bad Debts, Advances & Claims written off			**1.58**	5.97
12.	Loss on Assets sold, lost or written off			**32.19**	84.37
13.	Technical Assistance Fees	A		**12.14**	18.79
14.	Provision for Doubtful Debts, Advances Claims and Obsolescence of Stores			**56.12**	156.04
15.	Provision for Investments/Advance against Investments			**8.23**	0.50
16.	Loss on Sale of Investments			**0.00**	46.72
17.	Security Force Expenses			**46.09**	46.53
18.	Sales Promotion Expenses			**153.33**	107.96
19.	Handling Expenses			**88.53**	69.98
20.	Inventory Carrying Cost			**70.84**	0.00
21.	Expenses on Enabling Facilities			**1.44**	1.94
22.	Terminalling Charges			**217.56**	184.00
23.	Exploration Cost - Survey Expenditure			**95.63**	0.00
24.	Other Expenses			**271.66**	231.67
	TOTAL			**1,718.55**	1,559.30

Note: Includes:

A. Includes Rs.0.94 crore (2003 : Rs.1.04 crore) towards previous year.

SCHEDULE "P" - INCOME/EXPENSES RELATING TO PREVIOUS YEARS

(Rs. In Crore)

	Note	March-04	March-03
Income:			
1. Interest	A	**73.76**	0.00
2. Miscellaneous Income		**2.42**	22.43
3. Sales of Power and Water		**0.00**	0.75
Total Income		**76.18**	23.18
Expenditure:			
1. Purchase of Products and Crude		**0.58**	0.00
2. Raw Material			
a) Opening Stock Adjustment		**50.45**	0.00
b) Consumption		**(46.32)**	0.00
3. Depreciation and Amortisation		**(4.82)**	5.48
4. Consumption			
a) Stores, Spares and Consumables		**2.20**	0.70
5. Technical Fees		**0.43**	0.00
6. Repairs and Maintenance		**3.59**	1.81
7. Interest		**10.46**	0.00
8. Rent		**1.81**	0.00
9. Exchange Fluctuations (Net)		**3.16**	0.00
10. Other Expenses		**9.58**	(1.38)
Total Expenses		**31.12**	6.61
NET INCOME/(EXPENDITURE)		**45.06**	16.57

Note:

A. Includes **Rs.72.54 crore** as interest received under section 244 A of the Income Tax Act, 1961.

SCHEDULE "Q" - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION

1.1 The financial statements are prepared under historical cost convention in accordance with the mandatory accounting standards issued by The Institute of Chartered Accountants of India and the provisions of The Companies Act, 1956.

2. FIXED ASSETS

2.1 Land

2.1.1 Land acquired on perpetual lease as well as on lease for over 99 years is treated as freehold land.

2.1.2 Land acquired on lease for 99 years or less is treated as leasehold land.

2.2 Construction Period Expenses on Projects

2.2.1 Revenue expenses exclusively attributable to projects incurred during construction period are capitalised. However, such expenses in respect of capital facilities being executed along with the production/operations simultaneously are charged to revenue.

2.2.2 Financing cost incurred during the construction period on loans specifically borrowed and utilised for projects is capitalised on quarterly basis.

2.2.3 Financing cost, if any, incurred on General Borrowings used for projects is capitalised at the weighted average cost. The amount of such borrowings is determined on quarterly basis after setting off the amount of internal accruals.

2.3 Depreciation/Amortisation

2.3.1 Cost of leasehold land for 99 years or less is amortised during the lease period.

2.3.2 Depreciation on fixed assets including LPG cylinders and pressure regulators is provided in accordance with the rates as specified in Schedule XIV to the Companies Act, 1956, on straight line method, upto 95% of the cost of the asset. Depreciation is charged pro-rata on quarterly basis on assets, from/upto the quarter of capitalisation/sale, disposal and dismantled during the year.

2.3.3 Assets, other than LPG cylinders and pressure regulators, costing upto Rs.5,000/- are depreciated fully in the year of capitalisation.

2.3.4 Capital expenditure on items like electricity transmission lines, railway sidings, roads, culverts etc. the ownership of which is not with the Corporation are charged off to revenue. Such expenditure incurred during construction period of projects is accounted as unallocated capital expenditure and is charged to revenue in the year of capitalisation of such projects.

3. INTANGIBLE ASSETS

3.1 Costs incurred on technical know-how/license fee relating to production process are charged to revenue in the year of incurrence.

3.2 Costs incurred on technical know-how/license fee relating to process design/plants/facilities are accounted as "Work-in Progress - Intangible Assets" during the construction period of the said plant/facility. At the time of capitalisation of the said plant/facility, such costs are capitalised as Intangible Asset and amortised on a straight line basis over a period of ten years or life of the said plant/facility, whichever is earlier beginning from the quarter in which the said plant/ facilities is capitalised.

3.3 Expenditure incurred on Research & Development, other than on capital account, is charged to revenue.

3.4 Costs incurred on computer software purchased/developed on or after 1st April 2003, resulting in future economic benefits, are capitalised as Intangible Asset and amortised over a period of three years beginning from the quarter in which such software is capitalised. However, where such computer software is still in development stage, costs incurred during the development stage of such software are accounted as as "Work-in Progress - Intangible Assets".

3.5 Cost of Right of Way for laying pipelines is capitalised. However, such Right of Way being perpetual in nature, is not amortised.

4. FOREIGN CURRENCY TRANSLATION

4.1 Transactions in foreign currency are recorded at exchange rates prevailing on the date of transactions.

4.2 Monetary items denominated in foreign currencies (such as cash, receivables, payables etc.) outstanding at the year end, are translated at exchange rates applicable as of that date.

4.3 Non-monetary items denominated in foreign currency, (such as investments, fixed assets etc.) are valued at the exchange rate prevailing on the date of transaction.

4.4 Any gains or losses arising due to exchange differences at the time of translation or settlement are accounted for in the Profit & Loss Account either under the head Foreign Exchange Fluctuation or Interest Cost, as the case may be, except those relating to acquisition of fixed assets which are adjusted in the carrying cost.

5. INVESTMENTS

5.1 All long term investments are valued at cost and provision for diminution in value, thereof is made, wherever such diminution is not temporary.

5.2 All current investments are valued at lower of cost or fair market value.

6. INVENTORIES

6.1 Raw Materials

6.1.1 Crude Oil is valued at cost on 'First In First Out' basis or net realisable value, whichever is lower. Base Oils, Additives and other Raw Materials are valued at weighted average cost or net realisable value, whichever is lower.

6.1.2 Stock-in-Process is valued at raw material cost plus conversion costs as applicable or net realisable value, whichever is lower.

6.2 Stock-in-Trade

6.2.1 Finished Products are valued at cost determined on weighted average basis or net realisable value, whichever is lower.

6.2.2 Cost of Finished Products internally produced is determined based on crude cost reckoned on FIFO basis and processing cost. Cost of lubes and greases is determined based on weighted average cost of inputs and processing cost.

6.2.3 Imported products in transit are valued at CIF cost or net realisable value whichever is lower.

6.3 Stores and Spares

6.3.1 Stores and Spares (including Barrels and Tins) are valued at weighted average cost. Specific provision is made in respect of identified obsolete stores & spares for likely diminution in value. Further, an adhoc provision at the rate of five percent is also made on the balance stores & spares (excluding barrels and tins) towards likely diminution in the value.

6.3.2 Stores & Spares in transit are valued at cost.

7. DEBTORS

In respect of sundry debtors other than specifically dealt with, an adhoc provision is made to recognise the element of uncertainty of realisation.

8. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

8.1 Contingent Liabilities are disclosed in each case above Rs.5 lakh. Show cause notices issued by various Government authorities are not considered as contingent liabilities. However, when the demand notices are raised against such show cause notices after considering Corporation's views, these demands are either paid or treated as liabilities, if accepted by the Corporation and are treated as contingent liability, if disputed by the Corporation.

8.2 Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above Rs. 5 lakh.

9. REVENUE RECOGNITION

9.1 Claims on Petroleum Planning and Analysis Cell (formerly Oil Coordination Committee)/ Government arising on account of erstwhile Administered Pricing Mechanism / notified schemes are booked on acceptance in principle thereof. Such claims and provisions are booked on the basis of available instructions/ clarifications subject to final adjustment as per separate audit.

9.2 Adjustments pertaining to purchase of raw material/finished products, sales and others as admissible under the erstwhile Administered Pricing Mechanism are accounted as "net claim from/(surrender to) Industry Pool Accounts".

9.3 Other claims (including interest on outstandings) are accounted:

a) When there is certainty that the claims are realisable

b) Generally at cost

9.4 Income and expenditure upto Rs.5 lakh in each case pertaining to previous years are accounted for in the current year.

9.5 Pre-paid expenses upto Rs.50,000/- in each case are charged to revenue.

9.6 Expenditure incurred on Voluntary Retirement Schemes is treated as Deferred Revenue Expenditure and is amortised over a period of five years beginning from the year in which expenditure is incurred.

10. RETIREMENT AND EMPLOYEES BENEFITS

10.1 Liability towards gratuity is paid to a fund maintained by LIC and administered through a separate trust set up by the Corporation. Difference between the fund balance and the accrued liability as at the end of the year, determined based on the actuarial valuation by LIC, is charged to Profit & Loss Account.

10.2 a) Provision towards post retirement benefits, other than leave encashment, to employees is made based on the actuarial valuation as at the end of the year.

b) Liability towards leave encashment is paid to a fund maintained by LIC and difference between the fund balance and accrued liability as at the end of the year, determined based on actuarial valuation by LIC, is charged to Profit & Loss Account.

11. GRANTS

11.1 Capital Grants

11.1.1 In case of depreciable assets, the cost of the asset is shown at gross value and grant thereon is treated as Capital Grants which are recognised as income in the Profit & Loss Account over the period and in proportion in which depreciation is charged.

11.2 Revenue Grants

11.2.1 Revenue grants are reckoned as per the respective schemes notified by Govt. of India from time to time, subject to final adjustment as per separate audit.

12. OIL & GAS EXPLORATION ACTIVITIES

12.1 The Corporation is following the "Successful Efforts Method" of accounting for Oil & Gas exploration and production activities as explained below:

a) Survey costs are expensed in the year of incurrence.

b) Cost of undecided exploratory wells is carried as Exploratory Wells in progress. Such Exploratory Wells in progress are either capitalised in the year in which the producing property is created or expensed in the year in which the same is determined to be dry.

12.2 The Corporation's proportionate share in the assets, liabilities, income and expenditure of joint venture operations are accounted as per the participating interest in such joint venture operations.

13 COMMODITY HEDGING

13.1 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. However, in respect of contracts, the pricing period of which extend beyond the balance sheet date, suitable provision for likely loss, if any, is provided.

Sd/-	Sd/-	Sd/-
(M. S. Ramachandran)	**(P. Sugavanam)**	**(R. Narayanan)**
Chairman	Director (Finance)	Company Secretary

Place : New Delhi
Date : June 8, 2004

SCHEDULE "R" - NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2004

1. **Contingent Liabilities:**

   a) Claims against the Corporation not acknowledged as debts **Rs. 5512.32 crore** (2003: Rs. 4377.12 crore). These include:

      i) **Rs. 487.14 crore** (2003 : Rs. 442.67 crore) including **Rs. 69.06 crore** (2003 : Rs. 143.09 crore) claimable from Government of India on payment, if any, being the demands raised by the Central Excise /Customs authorities.

      ii) **Rs. 3729.81 crore** (2003 : Rs. 2637.60 crore) including **Rs. 499.02 crore** (2003 : Rs. 482.10 crore) claimable from Government of India on payment, if any in respect of Sales Tax/ Entry Tax demands.

      iii) **Rs. 594.30 crore** (2003 : Rs. 467.36 crore) including **Rs. 378.84 crore** (2003 : Rs. 252.38 crore) on account of projects for which suits have been filed in the Courts or cases are lying with Arbitrators.

      iv) **Rs. 163.53 crore** (2003 : Rs. 282.93 crore) in respect of Income Tax demands.

      v) **Rs. 104.63 crore** (2003 : Rs. 78.53 crore) relating to projects.

   b) Customs Duty demands of **Rs. 2.36 crore** (2003 : Rs. 2.40 crore) are pending for final disposal due to quantity disputes. Such quantity disputes in similar cases have been decided in favour of the Corporation.

   c) Demands of Excise Duty of **Rs. 48.63 crore** (2003 : Rs. 46.81 crore) on the alleged grounds of non-inclusion of certain elements of price as part of assessable value for the period 1.3.94 to 2.7.96 are pending at various Appellate stages. In a similar case of another Oil Company, a favourable order has been passed by erstwhile CEGAT, Chennai.

   d) Central Excise authorities have raised demands of **Rs. 186.18 crore** (2003 : Rs. 162.50 crore) on the alleged ground of non-payment of Excise Duty collected in respect of sale of imported petroleum products on which customs duty has already been paid. An amendment has been made with retrospective effect in the Finance Act, 2000, that Section 11D of the Central Excise Act applies only to excisable goods. Erstwhile CEGAT, Chennai, has decided similar cases in favour of the Corporation.

   e) Interest/Penalty, if any, on some of the above claims is unascertainable.

   f) Income tax, if any, reimbursable to foreign contractors is unascertainable.

   g) Corporation, along with three other promoters, has issued Corporate Guarantees in favour of banks and financial institutions for short term loans taken by Petronet LNG Limited from such banks and financial institutions. Corporation's share in the guarantees issued is **Rs. 350.00 crore** (2003 : Rs. 350.00 crore), being one fourth share of the total guarantees of **Rs. 1400.00 crore** (2003 : Rs. 1400.00 crore) issued as on 31.3.2004. Petronet LNG Limited has given counter guarantees in favour of the promoters for the above amounts. The short-term loan outstanding in the books of Petronet LNG Limited as on 31st March 2004 is **Rs. 1024.04 crore** plus outstanding interest (2003 : Rs. 1019.50 crore).

   h) Corporation, along with three other promoters, has issued Corporate Guarantees in favour of M/s Mitsui O.S.K. Lines Ltd., Japan, for its 25% share of liability in the event of default by Petronet LNG Ltd. under the Time Charter Party Agreement for LNG tanker vessels. The guarantee will remain in force till the financial closure of Petronet LNG Ltd. However, no liability has arisen against the said guarantee till 31st March 2004.

i) Terminalling charges payable to **Reliance Industries Limited** has been reckoned on provisional basis based on Ministry of Petroleum & Natural Gas' letter no. P-20022/5/99 dated 11.01.2002.

j) Pending finalisation of Crude Oil Sale Agreement in respect of supply from Panna Mukta oil field, crude oil purchases are accounted for on provisional basis.

2. Estimated amount of contracts remaining to be executed on Capital Account in respect of Fixed Assets and not provided for: **Rs. 8740.04 crore** (2003 : Rs. 6695.31 crore).

3. Estimated amount of contracts remaining to be executed on Capital Account in respect of Intangible Assets and not provided for: **Rs. 115.70 crore** (2003 : Rs. Nil).

4. a) Title Deeds for land and residential apartments as also lease and other agreements in respect of certain lands/buildings the book value of which is **Rs. 158.06 crore** (2003 : Rs. 158.59 crore) are pending for execution or renewal and are, therefore, not available for verification.

b) Pending decision of the Government, no liability could be determined and provided for in respect of additional compensation, if any, payable to the land owners and the Government for certain lands acquired.

5. The transactions with other Oil Companies are reconciled on an ongoing basis and are subject to confirmation. Adjustments, if any, arising therefrom are not likely to be material.

6. Bond Redemption Reserve of Rs. 244.41 crore, created in respect of Non-Convertible Redeemable Bonds – Series IV as on 31.3.2003, has been written back during the year in view of the redemption of said Bonds on 24th November 2003.

7. Consequent to change in accounting policy for Oil & Gas Exploration Activities from "Full Cost Method" to "Successful Effort Method",

   a) Survey expenditure of Rs. 47.03 crore, accounted as Capital Work in Progress as on 1st April 2003, has been charged to revenue; and

   b) Survey expenditure of Rs. 48.60 crore incurred during the current year has also been charged to revenue.

8. During the year, Rs. 17.99 crore has been provided towards unavailed LTC facility by employees of the Corporation as on 31st March 2004 which was being charged in the previous years' on payment basis.

9. During the year, Corporation has implemented the Accounting Standard-26 on Intangible Assets issued by The Institute of Chartered Accountants of India and accordingly:

   a) Right of Way for laying of pipelines has been classified as intangible asset and being perpetual in nature, has not been amortised;

   b) Expenditure of Rs. 117.55 crore incurred on Technical know-how fee for production process, which was not charged to revenue as on 31st March 2003, has been adjusted against the Opening General Reserve as on 1st April 2003.

10. During the year, an amount of Rs. 13.42 crore pertaining to previous period has been paid to officers, consequent to finalisation of mini-LTS resulting in revision in various allowances.

11. Subsidy (including freight for far-flung areas) of **Rs. 2694.37 crore** (2003 : Rs. 3863.50 crore) on SKO (PDS) and LPG (packed-domestic) has been reckoned as per the Scheme notified by MOP&NG and reflected separately as income in the Profit & Loss Account.

12. During the year, in line with the scheme formulated by Petroleum Planning and Analysis Cell (PPAC), the Corporation has received Rs. 1853.42 crore (2003 : Rs. Nil) on account of additional discounts on Crude Oil/LPG/SKO purchased from ONGC/GAIL (India) Limited towards share of subsidy under-recovery on LPG (Domestic) and SKO (PDS). Such purchases of Crude Oil/LPG/SKO from ONGC/ GAIL have been accounted net of the discount. In addition, Rs. 12.72 crore (2003 : Rs. Nil) has been

received from IBP as adjustment under the scheme considering IBP Company Limited (a subsidiary company) as an integral part of the Corporation.

13. The Corporation has export obligation to the extent of **Rs. 1549.04 crore** (2003 : Rs.Nil) on account of concessional rate of customs duty availed under EPCG license scheme on import of capital goods.

14. The Board at its meeting held on 31st January 2004 had accorded its approval for merger of Indian Oil Blending Limited (a wholly owned subsidiary of the Corporation) with IndianOil. Necessary effect shall be given once the scheme of amalgamation is finalised/approved by the concerned authorities.

15. The Board at its meeting held on 28th April 2004 had accorded the in-principle approval for the merger of IBP Co. Ltd with IndianOil subject to the approval of Government of India and compliance of Department of Public Enterprises guidelines. The Corporation is taking necessary steps in this regard.

16. In the absence of relevant notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under section 441A of the Companies Act, the same is not determinable and hence, not provided.

17. In compliance of Accounting Standard – 17 on "Segment Reporting" issued by The Institute of Chartered Accountants of India, the required information is given as per Annexure-1 to this schedule.

18. In compliance of Accounting Standard – 18 on "Related Party Disclosures" issued by The Institute of Chartered Accountants of India, the required information is given as per Annexure-2 to this schedule.

19. Disclosure as required under Accounting Standard – 19 on "Leases" issued by The Institute of Chartered Accountants of India is as under:

Finance Leases:

Corporation has entered into Lease Agreement with Indian Railways in respect of BTPN Tank Wagons for a minimum period of 20 years. The lease rentals from the date of formation of rake are @ 16% for the first 10 years and thereafter at the nominal rate of 1% of the cost.

(Rs. In Crore)

	Particulars	**March-04**	March-03
A.	Gross Investments in Finance Lease	**384.46**	384.46
	Less: Unearned Finance Income	**44.67**	59.02
	Less: Finance Income received	**113.64**	99.29
	Less: Minimum Lease payment received	**106.69**	84.85
	Net Investment in Finance Lease as on Date	**119.46**	141.30
B.	Unearned Finance Income	**44.67**	59.02
C.	Present Value of Minimum Lease Payments Receivable		
	Not later than one year	**23.97**	21.84
	Later than one year and not later than five years	**77.32**	97.43
	Later than five years	**18.17**	22.03
	Total	**119.46**	141.30
D.	Break-up of unearned income		
	Not later than one year	**12.13**	14.35
	Later than one year and not later than five years	**24.40**	35.18
	Later than five years	**8.14**	9.49
	Total	**44.67**	59.02

Operating leases:

The Corporation has taken an operating lease pipeline from Koyali to Navagam for a period of 10 years. The future minimum payment dues are:

(Rs. in Crore)

	March-04	March-03
Not later than one year	**0.50**	0.50
Later than one year and not later than five years	**2.00**	2.00
Later than five years	**0.38**	0.87

20. In compliance of Accounting Standard – 20 on "Earning Per Share" issued by The Institute of Chartered Accountants of India, the calculation of Earning Per Share (Basic and Diluted) is as under:

	March-04	March-03
Profit After Tax (Rupees in Crore)	**7004.82**	6114.89
Weighted Average number of equity shares	**1,168,012,200**	778,674,800
Add: Bonus Shares recommended	**-**	389,337,400
Total Weighted Average number of equity shares used for computing Earning Per Share (Basic & Diluted)	**1,168,012,200**	1,168,012,200
Earning Per Share (Basic and Diluted) (Rupees)	**59.97**	52.35
Face value per share (Rupees)	**10/-**	10/-

21. In compliance of Accounting Standard – 22 on "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, Deferred Tax Liability amounting to **Rs. 410.62 crore** (2003: Rs. 468.05 crore) has been provided during the current year. The item-wise details of cumulative Deferred Tax Liability are as under:

(Rs. in Crore)

	As on 31.03.2004	As on 31.03.2003
Deferred Tax Liability:		
i) Depreciation	**4442.14**	4072.67
Total Deferred Tax Liability (A)	**4442.14**	4072.67
Deferred Tax Assets:		
ii) Provision for Retirement Benefits	**0.00**	44.79
iii) Provisions on Inventories, Debtors, Loans and Advances	**110.48**	100.29
iv) 43B Disallowances	**43.90**	50.18
v) Capital Grants	**4.03**	4.30
Total Deferred Tax Assets (B)	**158.41**	199.56
Deferred Tax Liability (Net) (A – B)	**4283.73**	3873.11

22. In compliance of Accounting Standard – 27 on "Financial Reporting of Interest in Joint Ventures" issued by The Institute of Chartered Accountants of India, the required information is given as per Annexure-3 to this schedule.

23. In compliance of amended Clause 32 of the Listing Agreement with the Stock Exchanges, the required information is given as per Annexure-4 to this schedule.

24. The names of Small Scale Industrial Undertakings to whom the Corporation owes a sum together with interest outstanding which is outstanding for more than 30 days are as under:

AEP Company, Ispat Engg., Jaishree Udhyog, Yamuna Glasses & Chemicals, Associated Industries, Tractel Trifor, Brijbasi Udyog – Mathura, Tube Bend – Calcutta, Econo Valves Pvt. Limited, IGP Engg. Ltd., Joseph Leslie Drager Mfg. Pvt. Ltd., Advanced Spectra -Tek Pvt. Ltd., Akson Mechanical Enterprises, Altop Industries, Asian Organic India, Flash Forge Pvt. Ltd., IGP Engineers Ltd., Integrated Fire Protection Pvt. Ltd., Markwell Hose Industries Ltd., Niton Valve Industries Pvt. Ltd., R P Engineering (P) Ltd., Shah Bhogilal Jethalal & Bros, Aditya Forge Ltd., Aero Engineers, Bliss Anand Pvt. Ltd., Commercial Supplying Agency, Fixfit Fastners Mfg. Pvt. Ltd., General Instruments Consortium, Golden Iron & Steel Works, Guru Nanak Engg. Works, MS Fittings, Mutitex Filtration Engg., Niton Valves Industries, Pyro Electricals Inst Goa Pvt. Ltd., EBY Industries, Hawa Ind. Pvt. Ltd., IGP Engg Pvt. Ltd., Teekay Tubes Pvt. Ltd., Baliga Heighting Equipments, CD Engg. & Co., Vasu Chemicals, Econo Valve Pvt. Ltd., Jinwala Engineers, Silvassa Drum & Barrel Mfg, Packing & Jointing, EBY Fastners, Grand Prix Fab, Dee Development Engg. Ltd., Ex Protecta, TVS Electricals, Panchvati Valves, Madras Indl Products, Goodrick Gaskets, Multitex Filtration Engineering Ltd, A.K.M.N.Cylinders Pvt.Ltd, Amar Singh & Sons Pvt. Ltd., Andhra Cylinders (a unit of Envy Cylinders Pvt. Ltd.), Associated Cylinders & Accessories Pvt. Ltd., B.T.P. Structural (India) Pvt. Ltd., Balaji Pressure Vessels Ltd., Chandawat Udyog (Cyls) Ltd., Dessma Engineering (P) Ltd, ECP Industries Ltd., Faradays Engg. Industries Pvt. Ltd., GDR Cylinders Pvt. Ltd, Global Gas Cylinders Ltd., Hyderabad Cylinders Pvt. Ltd, Indian LPG Cylinders, International Cylinders (P) Ltd, J.R. Fabricators Ltd, Jagadamba Engineering Pvt. Ltd., Jesmajo Industrial Fabrications-Karnataka Pvt. Ltd., Kalsan Engg. Industries Pvt. Ltd., Kanyaka Parameshwari Engg. Ltd., Karnataka Pressure Vessels Ltd., Khara Gas Equipments Pvt. Ltd., Konark Cylinders & Containers (P) Ltd., Kurnool Cylinders Pvt. Ltd., Kurnool Cylinders Pvt. Ltd. Unit - II, Lite Containers Pvt. Ltd., M. M. Cylinders Pvt. Ltd., M. Techno Engg. (India) Pvt. Ltd., Mahaveer Cylinders Ltd., Nandi Cylinders Pvt. Ltd., Om Containers, Padavi Engineers & Pressure Vessels Ltd., Pankaj Gas Cylinders Ltd, Prathima Industries Pvt. Ltd., Presvels Pvt. Ltd., R. M. Cylinders Pvt. Ltd., Sahuwala Cylinders Pvt. Ltd., Salem Cylinders Pvt. Ltd., Sanghvi Cylinders Pvt. Ltd, Sanmati Metals Ltd, Sapphire (I) Pvt. Ltd., Saroj Metal Works (P) Ltd., Southern Cylinders Pvt. Ltd., Sri Balaji Cylinders Pvt. Ltd., Sri Shakti Cylinders P.Ltd., Sri Srinivas Cylinders Pvt. Ltd., Sunrays Engineers Pvt. Ltd., Sri Vishnu Cylinders, Super Industries, Supreme Cylinders Ltd., Tirupati Cylinders Ltd., Tirupati LPG Industries Ltd., Verny Containers Pvt. Ltd., Verny Engineers Pvt. Ltd (SKM), Verny Engineers Pvt. Ltd. (Gagillapur), Vidhya Cylinders Pvt. Ltd., Winfab Equipments Pvt. Ltd., Arihant LPG Pvt. Ltd., Ashkin Fabs, Chennai Valves, Cylinvalve Industries, HIM Valves & Regulators Pvt. Ltd., Hyderabad Valves Pvt. Ltd., Indofab Engineers, Intech Engg. & Services Pvt. Ltd., Intel Gas Gadgets (P) Ltd., Jagadamba Engineering Pvt. Ltd., K.S. Tecknosafe Pvt. Ltd., Kabsons Gas Equipment Pvt. Ltd., Konark Cylinders & Containers (P) Ltd., Krishna Die Casting, M.E.M. Industries Pvt. Ltd., Power Fabricators (India) Pvt. Ltd., Prabha Electronics Ltd., Primevalve Industrial Pvt. Ltd., Southern Metal & Alloys (P) Ltd., SPEC Engineering, Trans Valves India Pvt. Ltd., Vidarbha Gas Vessels Pvt. Ltd., Auto & General Castings Pvt. Ltd., Essen Appliances, Hari Engineering Works, Max Valves & Regulators Pvt. Ltd., Pentax Engineering Pvt. Ltd., Salico Trading Corporation, SKN Industries Ltd., Sri Balaji Valves Pvt. Ltd., Dey Enterprises, Indicon Projects Equipment Pvt. Ltd., Shiva Packaging Industries, M/s Blow Packaging Ltd., Blow Plast Industries, Hazarika & Co., Prasana Welding Industries, Modern Lab Furnishers, Xytel India Pvt. Ltd, Aimil Ltd, Joseph Lissile Dragger.

The above information is given to the extent available with the Corporation and relied upon by the auditors.

25. Remuneration paid/payable to Directors:

		(Rs. in Crore)	
		2003-04	2002-03
i)	Salaries & Allowances	**0.66**	0.74
ii)	Contribution to Provident Fund	**0.06**	0.06
iii)	Contribution to Gratuity Fund	**0.01**	0.01
iv)	Other benefits and perquisites	**0.32**	0.16
v)	Sitting Fees to Part-time Directors	**0.09**	0.05
	Total	1.14	1.02

In addition, whole-time Directors are also allowed the use of Corporation's car for private purposes upto 12,000 KMs per annum on a payment of Rs.520 per mensem for car of less than 16 hp or Rs.780 per mensem for car of above 16 hp as specified in the terms of appointment.

26. The Profit & Loss Account includes:

a) Expenditure on Public Relations and Publicity amounting to **Rs. 22.00 crore** (2003 : Rs. 17.71 crore) which is inclusive of **Rs. 5.87 crore** (2003 : Rs. 4.35 crore) on account of Staff and Establishment and **Rs. 16.13 crore** (2003 : Rs.13.36 crore) for payment to others. The ratio of annual expenditure on Public Relations and Publicity to the annual turnover (inclusive of excise duty) is **0.00017:1** (2003 : 0.00015:1).

b) Research and Development expenses **Rs. 52.09 crore** (2003 : Rs. 51.08 crore).

c) Entertainment Expenses **Rs. 0.20 crore** (2003 : Rs. 0.17 crore).

27. Previous year's comparative figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

Sd/-	Sd/-	Sd/-
(M. S. Ramachandran)	**(P. Sugavanam)**	**(R. Narayanan)**
Chairman	Director (Finance)	Company Secretary

Place : New Delhi
Date : June 8, 2004

Annexure-1

Information regarding Primary Segment Reporting as per AS-17 for the year ended March 31, 2004 is as under:

(Rs. in Crore)

	March-04			March-03		
	Petroleum Products	Other Businesses	Total	Petroleum Products	Other Businesses	Total
Revenue						
External Revenue	108,669.18	8,950.11	117,619.29	99,988.20	9,297.57	109,285.77
Inter-segment Revenue	-	-	-	-	-	-
Total Revenue	**108,669.18**	**8,950.11**	**117,619.29**	**99,988.20**	**9,297.57**	**109,285.77**
Result						
Segment Results	9,546.56	(88.90)	9,457.66	8,194.80	4.01	8,198.81
Less: Unallocated Expenses						
Net of unallocated Income	-	-	-	-	-	-
Operating Profit	**9,546.56**	**(88.90)**	**9,457.66**	**8,194.80**	**4.01**	**8,198.81**
Less:						
Interest Expenditure			442.28			788.12
Provision for diminution in Investments			8.23			0.50
Loss on Sale of Investments			-			46.72
Prior year Expenditure			31.12			6.61
Add:						
Interest/Dividend Income			638.63			833.96
Provision for diminution in Investments written back			-			200.00
Prior year Income			76.18			23.18
Profit Before Tax			**9,690.84**			**8,414.00**
Less: Income Tax (including Deferred Tax)			2,686.02			2,299.11
Profit After Tax	-		**7,004.82**	-		**6,114.89**
Other Information						
Segment Assets	52,167.69	521.17	52,688.86	49,524.51	823.35	50,347.86
Corporate Assets			5,669.22			5,462.00
Total Assets			**58,358.08**			**55,809.86**
Segment Liabilities	16,107.45	526.30	16,633.75	15,714.06	677.28	16,391.34
Corporate Liabilities			18,676.92			20,490.53
Total Liabilities			**35,310.67**			**36,881.87**
Capital Expenditure	3,861.84	-	3,861.84	2,840.22	31.58	2,871.80
Depreciation	1,873.79	-	1,873.79	1,656.28	-	1,656.28
Non-cash expenses other than Depreciation (Amortisation of VRS Compensation)			52.10			46.81

Notes:

1. The Company is engaged in the following business segments:
   a) Sale of Petroleum Products
   b) Other Businesses, which comprises Sale of Imported Crude Oil, Sale of Gas and Oil & Gas Exploration Activities jointly undertaken in the form of unincorporated Joint Ventures.

   Segments have been identified and reported taking into account the nature of products and services and differing risks and returns.
2. Segment Revenue comprises of the following:
   i) Turnover (Net of Excise Duties)
   ii) Subsidy from Government of India
   iii) Net claim/(surrender to) PPAC/GOI
   iv) Other income (excluding interest income, dividend income and investment income)
3. There are no geographical segments.

Annexure-2

As required by AS-18, "Related Party Disclosures", are given below:

1. **Relationships:**

A) Join Venture Companies

1) Petronet LNG Ltd.
2) Avi-Oil India Pvt.Ltd.
3) Indian Oiltanking Ltd.
4) Lubrizol India Pvt. Ltd
5) IndianOil Petronas Pvt. Ltd
6) Petronet VK Ltd.
7) Petronet CTM Ltd.
8) Petronet CI Ltd.
9) IndianOil Panipat Power Consortium Limited
10) IndianOil TCG Petrochem Ltd.
11) Petronet India Ltd.
12) ONGIO International Pvt.Ltd.

B) Whole-time Directors

1) Shri M.S.Ramachandran
2) Shri P. Sugavanam
3) Shri A.M. Uplenchwar
4) Shri P.K. Aggarwal
5) Shri N.K. Nayyar (w.e.f. 10.10.2002)
6) Shri N.R. Raje (w.e.f. 01.01.2003)
7) Shri Jaspal Singh (w.e.f 01.04.2003)
8) Dr. N.G. Kannan (w.e.f 01.09.2003)
9) Shri A.K. Mitra (up to 31.08.2003)
10) Shri A.K. Arora (up to 31.03.2003)
11) Dr. A.K. Bhatnagar (up to 31.12.2002)

2. **The following transactions were carried out with the related parties in the ordinary course of business:**

a) Details relating to parties referred to in item no. 1(A) above:

(Rs. in Crore)

	March-04	March-03
i) Sales	**0.36**	0.00
ii) Interest received	**0.01**	0.91
iii) Consultancy Services/Other Income	**2.04**	4.26
iv) Purchase of Products	**133.85**	151.22
v) Purchase of Chemicals/materials	**0.00**	1.71
vi) Handling Expenses	**34.92**	29.36
vii) Freight Expenses	**4.95**	46.87
viii) Reimbursement of Expenses	**0.56**	4.13
ix) Investments made during the year	**71.24**	5.39
x) Provisions made/(written off) during the year	**2.57**	7.99
xi) Outstanding Receivables	**132.52**	44.57
xii) Outstanding Payables	**37.78**	23.27

b) Details relating to parties referred to in item no. 1(B) above:

(Rs. in Crore)

	March-04	March-03
i) Remuneration	**1.05**	0.97
ii) Recovery of Interest & Furniture Hire Charges	**0.01**	0.01
iii) Outstanding loans/advances receivables	**0.13**	0.10
iv) Assets on Hire	**0.14**	0.09

Note:

1) Remuneration includes basic salary, allowances, reimbursements, contribution to P.F. and perquisities (valued as per tax laws)
2) In addition, whole-time Directors are also allowed the use of Corporation's car for private purposes upto 12,000 kms per annum on a payment of Rs.520/- per mensem for car less than 16 hp or Rs. 780/- per mensem for car of above 16 hp as specified in the terms of appointment.

Annexure-3

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

1) **Disclosure of Interest in the following categories of Joint Ventures:**

(a) **Jointly Controlled Operations:- The Corporation has entered into production sharing oil and gas exploration contracts with the Govt. of India and other body corporates. These joint ventures are:**

Name	**Participating Interest of IOC (%)**	
	31.03.2004	**31.03.2003**
IN INDIA		
Under NELP-I Block		
MB-OSN-97/4	30	30
GV-ONN-97/1	30	30
Under NELP-II Block		
MB-DWN-2000/1	15	15
MB-DWN-2000/2	15	15
MB-OSN-2000/1	15	15
MN-OSN-2000/2	20	20
WB-OSN-2000/1	15	15
WB-ONN-2000/1	15	15
GV-ONN-2000/1	15	15
MN-ONN-2000/1	20	20
Under NELP-III Block		
AA-ONN-2001/2	20	20
CR-ON-90/1	35	NA
Others		
BK-CBM-2001/1	20	20
NK-CBM-2001/1	20	20
AAP-ON-94/1	27	27
OUTSIDE INDIA		
FARSI BLOCK, IRAN	40	40
KUWAIT	5	NA

(b) **Jointly Controlled Assets:**
IOC's share in jointly controlled/owned assets have been shown in Schedule-E "Fixed Assets"

(c) **Jointly Controlled Entities:**

	Name	**Country of Incorporation**	**Ownership Interest of IOC(%) 31.03.2004**	**31.03.2003**
(i)	Indian Oiltanking Ltd.	India	50	50
(ii)	Lubrizol India Pvt.Ltd.	India	50	50
(iii)	Petronet VK Ltd.	India	26	26
(iv)	Petronet CI Ltd.	India	26	26
(v)	Petronet CTM Ltd.	India	26	26
(vi)	IndianOil Petronas Pvt. Ltd.	India	50	50
(vii)	IndianOil Panipat Power Consortium Ltd.	India	50	50
(viii	ONGIC International Pvt. Ltd.	India	50	50
(ix)	Avi-Oil India Pvt.Ltd.	India	25	25
(x)	Petronet India Ltd.	India	16	16
(xi)	Petronet LNG Ltd.	India	12.5	12.5
(xii)	IndianOil TCG Petrochem Ltd.	India	50	50

2) IOC's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities:

(Rs. in Crore)

		31.03.2004	31.03.2003
(i)	Assets		
	- Long Term Assets	**587.91**	528.40
	- Current Assets	**203.33**	124.54
(ii)	Liabilities		
	- Current Liabilities and Provisions	**73.85**	47.84
	- Other Liabilities	**335.26**	309.45
(iii)	Income	**307.02**	278.30
(iv)	Expenses	**271.59**	242.93
(v)	Contingent Liabilities	**18.58**	27.80
(vi)	Capital Commitments	**53.42**	98.69

3) IOC's share in aggregate of contingent liabilities and capital commitments of Jointly Controlled Operations and Assets:

(Rs. in Crore)

	31.03.2004	31.03.2003
(a) Jointly Controlled Operations		
(i) Contingent Liabilities	-	10.26
(ii) Capital Commitments	**47.20**	53.22
(b) Jointly Controlled Assets		
(i) Contingent Liabilities	-	-
(ii) Capital Commitments	-	-

Annexure-4

Disclosures as required by Clause 32 of Listing Agreement

(Rs. in Crore)

	Amount as on		**Maximum Amount outstanding during the year ended**	
	31.03.2004	**31.03.2003**	**31.03.2004**	**31.03.2003**
I. Loans and Advances in the nature of loans:				
A) To Subsidiary Companies				
(i) Indian Oil Blending Limited	-	-	-	-
(ii) Chennai Petroleum Corporation Limited	-	-	-	-
(iii) Bongaigoan Refinery & Petrochemicals Limited	-	-	-	-
(iv) IBP Company Limited	-	-	-	-
(v) IndianOil Mauritius Limited	18.10	-	18.10	-
(vi) Lanka IOC Pvt. Limited	161.77	-	161.77	-
B) To Firms/Companies in which directors are interested	-	-	-	-
C) Where there is no repayment schedule or repayment beyond seven year or no interest or interest below section 372A of Companies Act	-	-	-	-
II. Investment by the loanee (as detailed above) in the shares of IOC and its subsidiaries	-	-	-	-

IndianOil

SCHEDULE "S" - LICENCED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

(Fig. In Lakh)

		UNIT		Licenced Capacity (Refer Note A)		Installed Capacity (Refer Note B)		Actual Production	
				March-04	March-03	March-04	March-03	March-04	March-03
i)	Crude Processing	MTs		390.00	390.00	413.50	381.50	354.66	332.79
								(Refer Note D)	
ii)	Lubricating Oil	MTs	Note C	0.60	0.60	0.60	0.60	0.33	0.26
			Note E	3.34	3.34	2.26	2.26	1.33	1.20
iii)	Wax/Bitumen/Asphalt Lube Oil Drums	Nos.		15.58	15.58	15.00	15.00	3.91	5.09
iv)	Oxygen Plant	Cu.M.		Not specified	Not specified	0.84	0.84	0.00	0.00
v)	Propylene Recovery Unit	MTs		0.54	0.54	0.48	0.48	0.19	0.25
vi)	MTBE Unit	MTs		0.48	0.48	0.37	0.37	0.03	0.06
vii)	Butene Plant	MTs		0.17	0.17	0.17	0.17	0.00	0.00

Note:

A. i) Licenced Capacity of Refinery is not specified for Assam Oil Division.

ii) Capacity for projects under construction not considered.

B. As certified by the Management and relied upon by the Auditors.

C. Per year operating in single shift.

D. Represents finished petroleum products.

E. Per year operating in two shifts.

SCHEDULE "T" - FINISHED PRODUCTS - QUANTITY AND VALUE PARTICULARS

		Opening Stock		Purchases		Sales		Closing Stock	
		Quantity (MTs in lakh)	Value (Rs. in crore)	Quantity (MTs in lakh)	Value (Rs. in crore)	Quantity (MTs in lakh)	Value (Rs. in crore)	Quantity (MTs in lakh)	Value (Rs. in crore)
A.									
1 Petroleum Products:	MTs								
Year ended 31.03.04		43.18	7848.65	304.05	48626.81	639.23	119716.98	49.26	8554.39
Year ended 31.03.03		46.19	5772.64	299.00	45285.57	620.49	109111.55	43.18	7848.65
2 Lubricants & Greases:	MTs								
Year ended 31.03.04		0.52	214.47	0.05	248.92	3.89	2100.69	0.52	213.09
Year ended 31.03.03		0.61	247.06	0.11	144.12	3.39	1911.76	0.52	214.47
3 Crude Oil:	MTs								
Year ended 31.03.04		0.00	0.00	370.95	8935.89	370.95	8935.89	0.00	0.00
Year ended 31.03.03		0.00	0.00	304.10	9292.11	304.10	9292.11	0.00	0.00
4 Base Oil & Additives:	MTs								
Year ended 31.03.04		0.00	0.00	1.02	242.41	1.02	243.91	0.00	0.00
Year ended 31.03.03		0.00	0.00	0.37	63.32	0.37	64.27	0.00	0.00
SUB TOTAL(A):	MTs								
Year ended 31.03.04		43.70	8063.12	676.07	58054.03	1015.09	130997.47	49.78	8767.48
Year ended 31.03.03		46.80	6019.70	603.58	54785.12	928.35	120379.69	43.70	8063.12
B.									
1 Gas:	MBTUs								
Year ended 31.03.04		0.00	0.00	12.63	10.88	5.35	9.73	7.28	7.93
Year ended 31.03.03		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRAND TOTAL(A+B):									
Year ended 31.03.04			8063.12		58064.91		131007.20		8775.41
Year ended 31.03.03			6019.70		54785.12		120379.69		8063.12

SCHEDULE "U" - CONSUMPTION PARTICULARS OF RAW MATERIALS, STEEL COILS/SHEETS/STORES/ SPARE PARTS AND COMPONENTS

	Imported		Indigenous		Quantity	Total
	Value Rupees (in crore)	% to total consumption	VALUE Rupees (in crore)	% to total consumption	MTs (in lakh)	Rupees (in crore)
March-04						
Crude Oil	**30,052.11**	**78**	**8,466.92**	**22**	**376.60**	**38519.03**
Base Oil	**39.10**	**6**	**668.63**	**94**	**3.47**	**707.73**
Ethanol	**0.00**	**0**	**190.77**	**100**	**0.33**	**190.77**
Additives	**27.59**	**11**	**217.51**	**89**	**0.34**	**245.10**
Packing Materials Consumed	**0.00**	**0**	**151.49**	**100**	**0.00**	**151.49**
Steel Coils/Sheets/ Stores/Components and Spare Parts	**101.32**	**34**	**200.63**	**66**	**0.07**	**301.95**
March-03						
Crude Oil	27,461.04	74	9,674.88	26	352.87	37135.92
Base Oil	72.55	13	485.25	87	3.42	557.80
Ethanol	0.00	0	14.09	100	0.01	14.09
Additives	30.29	13	209.25	87	0.37	239.54
Packing Materials Consumed	0.00	0	148.59	100	0.00	148.59
Steel Coils/Sheets/ Stores/Components and Spare Parts	133.84	42	181.33	58	0.07	315.17

Note:

1. Additives are not considered as raw materials in refineries.
2. Consumption excludes value adjustments if any, shown under items pertaining to the prior period.
3. Indigenous Base Oil includes Rs. 366.53 crore (2003 : Rs. 295.57 crore) which is internally produced.

SCHEDULE "V" - EXPENDITURE IN FOREIGN CURRENCY FOR ROYALTY, KNOWHOW, PROFESSIONAL & CONSULTATION FEES, INTEREST & OTHER MATTERS

(Rs. in Crore)

		Note	March-04	March-03
1.	Royalty		**12.93**	55.96
2.	Professional, Consultation Fees and Technical Service Fees		**14.86**	17.05
3.	Interest		**91.08**	123.58
4.	Purchase of Products		**2328.47**	2135.33
5	Commodity Hedging		**0.19**	0.00
6	Others	A	**393.88**	355.33
	TOTAL		**2841.41**	2687.25

Note:

A. Includes **Rs. 313.17 crore** (2003 : Rs. 302.11 crore) on account of crude purchases from Indian Companies, payments of which were made in foreign currency.

B. Expenditure in Foreign Currency has been considered on accrual basis.

IndianOil

SCHEDULE "W" - EARNINGS IN FOREIGN EXCHANGE

(Rs. in Crore)

	Note	March-04	March-03
1. Export of Crude Oil and Petroleum Products	A	3632.83	2625.64
2. Interest		0.00	0.03
3. Income from Consultancy Services		0.68	0.51
4. Management Contract Fees		0.00	0.00
5. Income from Royalty		0.82	0.00
6. Commodity Hedging		2.53	0.00
7. Others		0.40	0.00
TOTAL		3637.26	2626.18

Note:

A. Includes Rs. 2082.18 crore (2003 : Rs. 1951.11 crore) received in Indian Currency out of the repatriable funds of Foreign Customers and other Export Sales through canalising agencies.

B. Earnings in Foreign Currency has been considered on accrual basis.

SCHEDULE "X" - CIF VALUE OF IMPORTS

(Rs. in Crore)

	Note	March-04	March-03
1. Crude Oil	A	**35833.14**	34723.32
2. Base Oil		**4.42**	54.33
3. Additives		**15.19**	20.10
4. Capital Goods		**210.74**	101.02
5. Revenue Stores, Component, Spare and Chemicals		**106.19**	80.86
TOTAL		**36169.68**	34979.63

Note:

A. i) Includes FOB value of Imports made by the Corporation on behalf of Other Oil Companies **Rs. 9036.75 crore** (2003 : Rs. 9292.11 crore)

IndianOil

INDIAN OIL CORPORATION LIMITED

SCHEDULE "Y" - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 11388 State Code 11

Balance Sheet Date 31 03 2004

II. Capital Raised during the year (Amount in Rs. Crore)

PUBLIC ISSUE	RIGHTS ISSUE
NIL	NIL
BONUS ISSUE	**PRIVATE PLACEMENT**
389.34	NIL

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Crore)

Total Liabilities	Total Assets
39509.70	39509.70

Sources of Funds

Paid up Capital	Reserves & Surplus
1168.01	21879.40
Secured Loans	**Unsecured Loans**
3175.21	9003.35
Deferred Tax Liability	
4283.73	

Application of Funds

Fixed Assets (Incl. Dismantled Capital Stores & CWIP)	Investments
27333.18	5595.93
Finance Lease Receivables	**Net Current Assets**
119.46	6387.84
Misc. Expenditure	**Accumulated Losses**
73.29	NIL

IV. Performance of Company (Amount in Rs. Crore)

Turnover	113698.40
Total Expenditure	109484.44
Profit Before Tax	+ 9690.84
Profit After Tax	+ 7004.82
Earnings per share in Rs. (Basic and Diluted)	59.97
Dividend Rate %	210

v. Generic Names of Three Principal Products/Services of Company (As per Monetary terms)

Item Code No. (ITC Code) 27 10

Product Description Bulk Petroleum Products

Item Code No. (ITC Code) 27 09

Product Description Crude Oil

Item Code No. (ITC Code) 2710 90

Product Description Lubricants

IndianOil

Statements as per SEBI Requirements

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2004

(Rs. in Crore)

		2003-04		2002-03
A Cash Flow from Operating Activities				
1 Profit Before Tax		**9690.84**		8414.00
2 Adjustments for:				
Depreciation	**1868.97**		1661.76	
Loss/(Profit) on sale of Assets (Net)	**24.64**		1.04	
Amortisation of Capital Grants	**-0.75**		-0.91	
Amortisation of Voluntary Retirement Compensation	**52.10**		46.81	
Loss on sale of Investments	**0.00**		46.72	
Provision for Loss in cost of Investment written back	**0.00**		-200.00	
Provision for Doubtful Debts, Advances, Claims and Obsolescence of Stores	**42.60**		134.90	
Provision for Loss on Investments	**8.23**		0.50	
Interest Income on Investments	**0.00**		-212.93	
Dividend Income on Investments	**-546.65**		-497.38	
Interest Expenditure	**442.28**		762.47	
		1891.42		1742.98
B Operating Profit before Working Capital Changes (1+2)		**11582.26**		10156.98
C i) Change in Working Capital: (Excluding Cash & Bank Balances)				
Trade & Other Receivables	**406.94**		-1655.89	
Inventories	**-946.09**		-3561.44	
Trade and Other Payables	**264.20**		1370.26	
Change in Working Capital	**-274.95**		-3847.07	
ii) Unamortised Expenditure on Retirement Benefits	**-26.47**		-1.01	
		-301.42		-3848.08
D Cash Generated from Operations (B+C)		**11280.84**		6308.90
E Less : Taxes paid		**2183.10**		1605.74
F Net Cash Flow from Operating Activities (D-E)		**9097.74**		4703.16

(Rs. in Crore)

			2003-04		2002-03
G	**Cash Flow from Investing Activities:**				
	Sale/Transfer of Assets	121.55		66.69	
	Sale / Maturity of Investments	0.00		5229.28	
	Interest Income on Investments	0.00		212.93	
	Dividend Income on Investments	546.65		497.38	
	Purchase of Assets	-431.27		-420.53	
	Finance Lease Receivable	21.84		19.83	
	Acquisition of Controlling interest in IBP Company Ltd.	0.00		-680.44	
	Acquisition of Controlling interest in IndianOil Technologies Ltd.	-0.55			
	Acquisition of Controlling interest in Lanka IOC Pvt. Ltd.	-169.47		-24.67	
	Investment/Advance for Investments in Joint Venture Companies	-71.24		-5.88	
	Expenditure on Construction Work in Progress	-3662.78		-2279.51	
	Net Cash used in Investing Activities		-3645.27		2615.08
H	**Net Cash Flow From Financing Activities:**				
	Proceeds from Calls In Arrear/Issue of Shares including Premium	0.00		0.01	
	Receipt of Grant for Capital Projects	0.00		0.57	
	Proceeds from Long-Term Borrowings	-308.71		149.28	
	Proceeds from/(Repayments of) Short-Term Borrowings	-2007.82		-4724.17	
	Interest paid	-616.49		-1216.45	
	Dividend\Dividend Tax paid	-2767.44		-1244.14	
	Net Cash Generated/(Used) from Financing Activities		-5700.46		-7034.90
I	**Net Change in Cash & Cash Equivalents (F+G+H)**		-247.99		283.34
J	Cash & Cash Equivalents as at end of the Financial Year		698.07		946.06
K	Less: Cash & Cash Equivalents as at the beginning of Financial Year		946.06		662.72
	NET CHANGE IN CASH & CASH EQUIVALENTS (J-K)		-247.99		283.34

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2004 (Contd.)

Notes:

(Rs. in Crore)

	2003-04	2002-03
1. Cash and Cash Equivalents include:		
Cash and Bank Balances		
As per Balance Sheet	**698.07**	946.06
Unrealised (gain)/loss on foreign exchange	**0.00**	0.00
Total Cash and Cash Equivalents	**698.07**	946.06

2. The previous year's figures have been regrouped wherever necessary for uniformity in presentation.

Sd/-
(M. S. Ramachandran)
Chairman

Sd/-
(P. Sugavanam)
Director (Finance)

Sd/-
(R. Narayanan)
Company Secretary

As per our attached Report of even date

SURESH CHANDRA & ASSOCIATES
Chartered Accountants

Sd/-
(S.C. GUPTA)
Partner
M.No. 16534

B.K. KHARE & CO.
Chartered Accountants

Sd/-
(PADMINI B. KHARE)
Partner
M.No. 44784

CHATTERJEE & CO.
Chartered Accountants

Sd/-
(S.K. CHATTERJEE)
Partner
M.No. 3124

Place : New Delhi
Date : June 8, 2004

Statement Pursuant to Section 212(1)(e)

STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956

	Indian Oil Blending Limited	Chennai Petroleum Corporation Limited	Bongaigaon Refinery & Petro-chemicals Limited	IBP Company Limited	IndianOil Mauritius Limited	Lanka IOC Private Limited	IndianOil Technologies Ltd.
1. The extent of holding Company's interest in the subsidiary at the end of the financial year 31.3.2004 :							
- No. of Shares	8,000	77,265,200	148,793,826	11,867,262	1,588,920	400,000,000	50,000
- Paid up value of Shares (Rs.Crores)	0.40	77.27	148.79	11.87	25.50	194.14	0.05
- Percentage of Holding Company's interest in the total share capital of the subsidiary	100%	51.88%	74.46%	53.58%	100%	100%	100%
(Shares in the Subsidiary Company were registered in the name of the Company and their nominees as indicated)							
2. The net aggregate amount of the profit of the subsidiary company not dealt with in the Company's accounts so far as it concerns the members of the holding Company:	Rs./Crore	Rs./Crore	Rs./Crore	Rs./Crore	Rs./Crore	Rs./Crore	Rs./Crore
- For the financial year ended 31.3.2004	0.57	207.55	186.00	103.14	(0.80)	28.83	(0.01)
- For all the previous financial years of the subsidiary (After adjusting for Deferred Tax Liability as on 1.4.2001)	69.55	27.86	(139.02)	10.53	(3.34)	3.75	-
3. The net aggregate amount of the profit of the subsidiary Company so far as its profits are dealt with in the holding Company's accounts:							
- For the financial year ended 31.3.2004	0.12	27.06	80.34	28.49	-	-	-
- For all the previous financial years of the subsidiary	2.33	34.77	-	11.87	-	-	-

Sd/-
(M. S. Ramachandran)
Chairman

Sd/-
(P. Sugavanam)
Director (Finance)

Sd/-
(R. Narayanan)
Company Secretary

Place : New Delhi
Date : June 8, 2004

Schedule of Fixed Assets (Township, etc.)

SCHEDULE OF FIXED ASSETS (TOWNSHIP) FOR THE YEAR ENDED 31.3.2004

(Rs. in Crore)

Particulars	Gross Block as on 01.04.2003 (At cost)	Additions during the Year (At Cost)	Transfers from Cml. W.I.P (At Cost)	Transfers Deduction Reclass. (At Cost)	Gross Block as on 31.3.2004 (At Cost)	Depcn./ Amorts. provided during the year	Total Dep. Amorts. up to 31.3.2004	Net Depreciated Block As on 31.3.2004	Net Depreciated Block As on 31.3.2003
Land Freehold	12.22	1.09	0.00	0.00	13.31	0.00	0.00	13.31	12.22
Land-leasehold	6.70	0.00	0.00	0.00	6.70	0.08	0.96	5.74	5.82
Bldgs, Roads etc	253.98	1.86	2.53	-0.63	257.74	3.71	43.68	214.06	213.84
Plant & Mach.	28.66	0.32	0.14	-0.13	28.99	1.33	10.56	18.43	19.11
Fur. & Fix.	4.60	0.80	0.00	-0.11	5.29	0.34	2.86	2.43	2.04
Drainage, Sewage & Water Supply Sys.	25.28	0.00	0.09	0.00	25.37	0.94	12.53	12.84	13.69
Equipment & Appliances	17.65	3.84	0.03	-0.48	21.04	2.54	8.19	12.85	11.90
Vehicles	2.03	0.09	0.00	-0.01	2.11	0.19	1.80	0.31	0.41
Grand Total	351.12	8.00	2.79	-1.36	360.55	9.13	80.58	279.97	279.03
Previous Year	331.00	1.44	19.29	-0.61	351.12	7.16	72.09	279.03	

Income and Expenditure Account (Township, etc.)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2004 ON PROVISION OF TOWNSHIP, EDUCATION, MEDICAL AND OTHER FACILITIES

(Rs. in Crore)

	March-04	March-03
Income:		
1. Recovery of House Rent	**4.86**	4.68
2. Recovery of Utilities - Power and Water	**2.61**	1.56
3. Recovery of Transport Charges	**0.08**	0.06
4. Other Recoveries	**3.01**	4.21
5. Excess of Expenditure over Income	**142.26**	139.67
TOTAL	**152.82**	150.18
Expenditure:		
1. Salaries, Wages and PF & Gratuity Contribution	**45.10**	47.18
2. Consumable Stores and Medicines	**7.42**	6.29
3. Repairs and Maintenance	**26.71**	24.07
4. Interest	**15.21**	15.01
5. Depreciation	**9.12**	7.16
6. Miscellaneous Expenses: Taxes, License Fees, Insurance etc.	**7.71**	6.95
7. Utilities - Power and Gas	**29.24**	32.72
8. Rent	**0.18**	0.17
9. Subsidies for Social & Cultural Activities	**7.94**	6.63
10. Bus Hire Charges	**1.00**	0.92
11. Club and Recreation	**0.06**	0.02
12. Others	**3.13**	3.06
TOTAL	**152.82**	150.18

IndianOil

Annexure-III

Statement showing the particulars of employees who are in receipt of remuneration of not less than Rs. 24,00,000/- per annum during the financial year 2003-04 or not less than Rs. 2,00,000/- per month during part of the financial year 2003-04.

Name of the Employee	Designation	Age	Last Employment	Designation in Last Employment	Date of Joining	Qualification	Experience	Remun. Gross Rs.
ACHARY G S	PS	60	INCOME TAX	STENO TYPIST	12/09/1967	SSLC	38	314416.00
AGARWAL J C	DY. GENL. MGR.(E)	60	NIL	NIL	27/11/1969	B.E. (CIVIL)	34	1011240.00
AHLUWALIA P S	EXEe DIR. (LUBES)	60	NIL	NIL	01/07/1968	B.SC.,BSC. (ENGG-MECH). M.B.A.	35	1294922.00
AWTE S	F'MAN (F)	56	SHROFF & CO. BOMBAY	KHALAASI	23/06/1972	IX STD	37	2012646.00
AYYER NATARAJAN R	DM(AVN)	60	NIL	NIL	26/04/1965	SSLC	38	1434784.00
BADE . H	SR. ATT-II	53	NIL	NIL	18/11/1968	IX STD	35	3469255.00
BANGI M A	Sr. LPM (S)	60	DATAMATICS CORPN	JR EXECUTIVE	09/02/1970	B.A.	36	439895.00
BARAI G P	F'MAN (F)	59	OKHA GRAM PANCHYAT, OKHA	SANITARY MUKADA	04/12/1964	VIII STD	41	639536.00
BHAN B L	SR. DEPOT MGR-E	60	NIL	NIL	24/08/1964	B.A.	40	1013693.00
CHAKRAPANI K	SO (LPG)	53	NIL	NIL	21/03/1972	SSLC	31	1651722.00
CHANDEL M D	Sr. OPE-FSG	53	IOC	CASUAL LABOUR	01/04/1979	X STD	30	1915181.00
CHOWDHURY JAGAT LAL	SR. OPERATOR-FSG	59	ASSAM OIL COMPANY LTD	WORKED AS "CASUAL LABOUR"	28/04/1967	NIL	41	338819.38
DAS RABI LAL	CHARGEMAN (AVN)	59	INDIAN ARMY	L/NK/SECURITY	27/10/1976	PASSED CLASS VIII	39	247579.00
DESAI D D	DM (AVN)	56	NIL	NIL	02/08/1966	SSC	37	4084922.00
DESHPANDEY Y D	SR. FIN MGR.	60	NIL	NIL	15/12/1969	B.SC.,M.SC.	34	750198.00
GEORGA M K	AM (S)	32	NIL	NIL	01/07/1996	B.TECH. (AGRI),PGDIM	6	204882.00
GOEL SHIV KUMAR	AM (ENGG)	55	NIL	NIL	04/03/1984	D E E(IAF)	20	1931741.00
GOHEL M C	SROPR SGII	54	NIL	NIL	14/08/1968	II STD	35	3189203.00
GORAWARA S	MANAGER (MC)	60	NIL	NIL	09/02/1970	B.COM.	34	593233.00
GUGNANI J M	EXE. DIR. (SALES)	57	NIL	NIL	25/01/1969	M.A., DIP MKTG	34	1122362.00
HARIHAR U	AM. (FIN.)	43	ASSOCIATED TEXTILE INDUSTRY	STENOGRAPHER	01/04/1981	B.COM.	23	3245763.00
JAIN S C	MANAGER (S&D)	60	NIL	NIL	09/08/1965	B.A.	39	1174119.00
KALAGAONKAR P J	SR. AVN. MGR.	60	NIL	NIL	20/10/1967	G C D	35	1523130.00
KALE D B	OO-II	60	NIL	NIL	12/07/1960	SSC	42	887649.00
KALE S K	SR. ATTN. (O)	52	NIL	NIL	08/04/1981	VIII TH STD	25	522962.00
KUDESIA SUDHIR CHANDRA	CH. OPS. MGR.	60	NIL	NIL	26/07/1967	M.SC.	37	1396618.00
KUMAR NARENDRA	SR. MGR. (OPS.)	60	NIL	NIL	18/03/1969	SSC. DME(NATION), AMIE(3YRS)	35	1420166.00
KUMBHAR S A	AO-GR II	42	SHRI M S D'MELLO ADVOCATE	CLERK-TYPIST	20/01/1983	B.A.	22	2053844.00
MALI R P	SR. S&EP MGR.	57	NIL	NIL	05/05/1971	B.SC.	32	2428007.00
MENON V P V	DM (FIN.)	60	H N P CO. PVT LTD	STENOGRAPHER	06/09/1965	SSLC	39	1451126.00
MITRA S K	DGM (LAW)	59	BURMAH OIL CO/ NEW IND ASSURANC	ACCTS CLERK/ ASST INSPECTOR	15/09/1965	B.COM., LLB	42	858265.18
NARASIMHAN B R	DY. GENL. MGR. (AVN.)	60	NIL	NIL	09/02/1966	B.SC.	38	927157.00
NIGAM R P	CT-DM	49	NIL	NIL	19/03/1978	B.SC.,M.SC.,M.BA.	25	1544545.00
NIKALJE P	SR. OPE-FSG	55	IOC, AURANGABAD	CASUAL LABOUR	01/02/1980	NON MATRIC	26	1986523.00
PADMANABHAN R	DY. MGR. (TML.)	60	NIL	NIL	23/02/1964	B.COM.	40	928756.00
PANDEY C P	DY. MGR. (FIN.)	57	NIL	NIL	19/11/1965	INTER	39	1158112.00
PATEL A S	TT Driver	60	NIL	NIL	11/02/1966	X STD	37	474226.00
PILLAI S S	AO-GR II	60	NIL	NIL	14/10/1968	SSLC	34	382455.00
RAMACHANDRAN	AO-GR II	60	I O C	CLERK TEMP	02/02/1970	SSLC	37	305855.00

Name of the Employee	Designation	Age	Last Employment	Designation in Last Employment	Date of Joining	Qualification	Experience	Remun. Gross Rs.
RAMESH MOHAN	FOREMAN	60	IOC	CASUAL LABOUR	12/04/1963	NIL	42	486176.00
RATHOD M B	SR. OPR. SGII	55	NIL	NIL	26/07/1967	IV STD	36	2411011.00
SAKUNDE G B	SR. FM.-TT	54	NIL	NIL	07/04/1969	IV STD	34	2758572.00
SARMA V S S	CH. LUBES MGR.	47	NIL	NIL	02/05/1980	B.TECH.(MECH.),M. TECH. (M/C TOOLS)	23	527477.00
SATYANARAYAN K	DM (FIN.)	56	COVENTRY SPRING & EGG.CO	STENO-TYPIST	19/08/1966	M.COM., LLB.	38	3799376.00
SHAH M S	SR. OPE-FSG	47	SUB DIVISION PHONES, PORBAND	CASUAL WORKER	12/06/1981	X STD	24	1696240.00
SHAHANI S T	CAM	60	NIL	NIL	02/03/1966	B.SC.	37	2565524.00
SHAIKH M N	DM (TERM.)	60	NIL	NIL	16/02/1962	Intercom	41	1417366.00
SHARMA G C	DY. MGR. (PLANT)	60	NIL	NIL	01/03/1966	B.A.	38	736714.00
SHINDE B M	SR. TTD	55	NIL	NIL	01/01/1969	IV STD	34	2747609.00
SINGH L	SR. OPR. SGII	59	NIL	NIL	31/10/1963	SSC	39	686353.00
SINGH RAM SWARATH	JUNIOR CHARGEMAN-SG	59	NIL	NIL	14/02/1964	UPTO MIDDLE SCHOOL(OWN STATEMENT)	39	286356.25
SINGHAL SUDHA	MGR. (INFO. SYS.)	47	NIL	NIL	24/01/1963	B.A. (HONS.), M.A.	21	2526403.00
THAKUR G M	F'MAN (AVN.)	56	BURMAH SHELL, AHMEDABAD	CASUAL LABOUR	23/05/1968	UPTO IX	39	1668679.00
THANKARAJAN D	APTM	56	NIL	NIL	24/06/1966	SSC	37	2044452.00
TIWARI MAHATAM	SR. TML. MGR.	60	NIL	NIL	02/02/1963	B.COM.	41	1235470.00
UNNITHAN K G	AO-GR II	60	IOC,GUJ.REFINERY	CLERK TYPIST	02/09/1968	SSLC	38	500128.00
UPADHYAY S R	BUSSINESS MGR-C	58	NIL	NIL	01/12/1967	H S C	37	2072851.00
VAIDHYANATHAN L A	DM (LPOPS)	55	SECRETARY, FORWARD MARKET I	STENOGRAPHER	11/01/1972	B.A.	34	4585582.00
VELUKUTTY P D	OO-II	56	WESTERN MINERAL	CASUAL LABOUR	17/10/1974	SSLC	30	2179553.00
VERMA S K	F'MAN (F)	56	IOC, INDORE	CASUAL LABOUR	01/11/1967	VII STD	37	2047715.00
VIJAYAKUMAR V	SR. MGR. (CONSUMER SALES)	48	NIL	NIL	18/06/1980	B.Com., MBA.	23	2893860.00
YATHENDRABABU Y	DEP. MGR.	49	NIL	NIL	19/05/1975	B.SC.	28	500837.00
YOGINDER KUMAR	SR. APTM	60	NIL	NIL	14/08/1964	P U C,B.COM.	40	794765.00

Consolidated Accounts
2003-2004

INDIAN OIL CORPORATION LIMITED

(Group Companies)

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF INDIAN OIL CORPORATION LTD., ITS SUBSIDIARIES AND ITS JOINT VENTURES

We have examined the attached Consolidated Balance Sheet of Indian Oil Corporation Limited, its subsidiaries and its joint ventures as at 31st March 2004 and the Consolidated Profit and Loss Account annexed thereto for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Indian Oil Corporation Limited's Management and our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with the auditing standards generally accepted in India which requires that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiary companies and joint ventures, whose financial statement reflect total assets of Rs. 9227.17 crore (net) as on March 31, 2004 and total revenue of Rs. 23586.03 crore for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amount included in respect of the subsidiaries and joint ventures, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 27, "Financial Reporting of Interests in Joint Ventures', issued by The Institute of Chartered Accountants of India and on the basis of separate audited financial statements of Indian Oil Corporation Limited, its subsidiaries and its joint ventures included in the consolidated financial statements.

Subject to the uncertainty expressed regarding two joint venture companies (Petronet India Limited and Petronet VK Limited) being able to continue as going concern and the non confirmation of balances in Sundry Debtors, Advances, Creditors, Deposits and stock with third parties in case of a subsidiary (Bongaigaon Refinery and Petrochemicals Limited), on the basis of the information and explanations given to us and on the consideration of separate audit reports on individual financial statements of Indian Oil Corporation Limited, its aforesaid subsidiaries and joint ventures, in our opinion the 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 Indian Oil Corporation Limited, its subsidiaries and its interests in joint ventures as at 31st March 2004;

b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Indian Oil Corporation Limited, its subsidiaries and its interests in joint ventures for the year then ended; and

c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Indian Oil Corporation Limited, its subsidiaries and its interests in joint ventures for the year then ended.

SURESH CHANDRA & ASSOCIATES	B.K. KHARE & CO.	CHATTERJEE & CO.
Chartered Accountants	Chartered Accountants	Chartered Accountants
Sd/-	Sd/-	Sd/-
(S.C. GUPTA)	(PADMINI B. KHARE)	(S.K. CHATTERJEE)
Partner	Partner	Partner
M.No. 16534	M.No. 44784	M.No. 3124

Place : New Delhi
Date : June 8, 2004

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

BALANCE SHEET as at 31st March 2004

(Rs. In Crore)

	Schedule		March-04	March-03
SOURCES OF FUNDS:				
1. Shareholders' Funds:				
a) Capital	"A"	1,166.01		778.67
b) Share Application Money		0.00		17.12
b) Reserves and Surplus	"B"	22,785.56		18,618.98
			23,951.57	19,414.77
2. Loan Funds:				
a) Secured Loans	"C"	4,441.74		5,167.05
b) Unsecured Loans	"D"	10,504.32		11,775.73
			14,946.06	16,942.78
3. Deferred Tax Liability (Net) (Rs.17.32 crore {2003: Rs.15.47 crore} towards share of jointly controlled entities)			4,816.44	4,299.19
4. Minority Interest			1,293.98	1,016.46
TOTAL			45,008.05	41,673.20
APPLICATION OF FUNDS:				
1. Fixed Assets & Intangible Assets:				
1.1 Fixed Assets:				
a) Gross Block	"E"	42,690.21		38,732.66
b) Less: Depreciation		16,473.26		14,496.96
c) Net Block		26,216.95		24,235.70
1.2 Intangible Assets:				
a) Gross Block	"E-1"	67.20		0.00
b) Less: Amortisation		2.48		0.00
c) Net Block		64.72		0.00
1.3 Dismantled Capital Stores (Rs.2.18 crore {2003 : Rs.0.68 crore} towards share of jointly controlled entities)		28.43		12.29
1.4 Capital Work-in-Progress	"F"	6,456.32		5,278.91
			32,766.42	29,526.90
2. Goodwill on Acquisition			1,791.34	1,639.32
3. Investments	"G"		2,701.71	2,586.36
4. Advances for Investments (Rs.6.88 crore {2003 : Rs.6.70 crore} towards share of jointly controlled entities)			6.88	36.24
5. Finance Lease Receivables			129.06	152.79
6. Current Assets, Loans and Advances:				
a) Inventories	"H"	17,165.14		16,005.13
b) Sundry Debtors	"I"	3,274.30		3,300.20
c) Cash and Bank Balances	"J"	1,485.45		1,491.19
d) Other Current Assets - Interest accrued on Investments/Bank Deposits (Rs.0.12 crore {2003 : Rs.0.15 crore} towards share of jointly controlled entities)		1.93		2.96
e) Loans and Advances	"K"	5,955.01		6,531.58
		27,881.83		27,331.06

03.04

Indian Oil Corporation Limited Consolidated Financial Statements

BALANCE SHEET as at 31st March 2004

(Rs. in Crore)

	Schedule	March-04		March-03
APPLICATION OF FUNDS (Contd.):				
7. Less: Current Liabilities and Provisions	"L"			
a) Current Liabilities		17,834.22		17,293.47
b) Provisions		2,502.98		2,422.54
		20,337.20		19,716.01
8. Net Current Assets (6-7)			7,524.56	7,615.05
9. Miscellaneous Expenditure (to the extent not written off or adjusted)	"L-1"		86.09	116.50
10. Deferred Tax Asset (Rs.Nil {2003 : Rs.0.04 crore} towards share of jointly controlled entities)			0.00	0.04
TOTAL			45,008.05	41,673.20
11. Notes on Accounts	"Q"			

Sd/-	Sd/-	Sd/-
(M. S. Ramachandran)	**(P. Sugavanam)**	**(R. Narayanan)**
Chairman	Director (Finance)	Company Secretary

As per our attached Report of even date

SURESH CHANDRA & ASSOCIATES	**B.K. KHARE & CO.**	**CHATTERJEE & CO.**
Chartered Accountants	Chartered Accountants	Chartered Accountants
Sd/-	Sd/-	Sd/-
(S.C. GUPTA)	**(PADMINI B. KHARE)**	**(S.K. CHATTERJEE)**
Partner	Partner	Partner
M.No. 16534	M.No. 44784	M.No. 3124

Place : New Delhi
Date : June 8, 2004

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2004

(Rs. in Crore)

	Schedule		March-04	March-03
INCOME:				
1. Sale of Products and Crude		131,794.66		120,496.16
Less: Commission and Discounts		825.22		520.16
Sale (Net of Commission & Discounts)		130,969.44		119,976.00
Less: Excise Duty		17,923.21		15,962.80
Sale (Net of Commission, Discount & Excise Duty)			113,046.23	104,013.20
2. Company's use of own Products and Crude			214.34	249.61
3. Net claim from/(surrender to) PPAC/GOI			206.23	(338.07)
4. Subsidy From Government of India			2,809.92	4,036.47
5. Increase/(Decrease) in Stocks	"M"		831.03	2,762.82
6. Interest and other Income	"N"		1,992.33	2,020.39
TOTAL INCOME			119,100.08	112,744.42
EXPENDITURE:				
1. Purchase of Products and Crude for resale			44,932.02	43,401.75
2. Manufacturing, Admn., Selling & Other Expenses	"O"		60,068.39	56,568.64
3. Duties applicable on Products (Net)			533.80	648.77
4. Depreciation and Amortisation on:				
i) Fixed Assets		2,093.33		1,865.39
ii) Intangible Assets		2.48		0.00
			2,095.81	1,865.39
5. Interest Payments on:				
a) Fixed period loans from Banks/Financial Institutions/Others		251.82		289.15
b) Bonds		99.25		151.64
c) Short term loans from Banks		156.89		398.13
d) Public Deposits		4.39		9.03
e) Others		13.24		105.84
		525.59		953.79
Less: Interest Capitalised		0.11		25.41
			525.48	928.38
6. Deferred Revenue Expenditure written off:			0.99	0.98
TOTAL EXPENDITURE			108,156.49	103,413.91
PROFIT FOR THE YEAR			10,943.59	9,330.51
Income/(Expenses) pertaining to previous years (Net)	"P"		16.88	11.72
PROFIT BEFORE TAX			10,960.47	9,342.23
Provision for Current Tax			2,605.82	2,063.92
PROFIT BEFORE DEFERRED TAX			8,354.65	7,278.31
Provision for Deferred Tax			517.34	615.99
PROFIT AFTER TAX			7,837.31	6,662.32
Add: Transfer from Burma Current A/c			(0.06)	0.06
Less: Share of Minority Interest			345.63	83.32
PROFIT FOR THE GROUP			7,491.62	6,579.06
Balance brought forward from last year's account			1.45	0.34
DISPOSABLE PROFIT			7,493.07	6,579.40

Note:

Total Income includes Rs.305.33 crore (2003 : Rs.280.31 crore) share of jointly controlled entities.

Total Expenditure includes Rs.271.59 crore (2003 : Rs.246.66 crore) share of jointly controlled entities.

Indian Oil Corporation Limited Consolidated Financial Statements

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2004

(Rs. in Crore)

	Schedule	March-04	March-03
APPROPRIATIONS:			
Interim Dividend *		**590.00**	401.82
Final Dividend (Proposed)		**1,870.02**	1,870.74
Share of Minority Interest in Dividend		**24.06**	0.00
Corporate Dividend Tax on			
Interim Dividend		**85.35**	0.00
Final Dividend (Proposed)		**269.04**	257.26
Insurance Reserve Account		**10.00**	10.00
Bond Redemption Reserve		**37.73**	(23.77)
Devaluation Exchange Difference Reserve		**(0.06)**	0.06
General Reserve		**4,605.05**	4,061.84
Balance carried to Balance Sheet		**1.88**	1.45
		7,493.07	6,579.40
* Subject to Deduction of Tax for March 2003			
7. a) **Earning Per Share (Rupees) (Basic & Diluted)**	"Q" (Note no.22)	**64.14**	56.33
b) **Face Value Per Share (Rupees)**		**10/-**	10/-
8. Notes on Accounts	"Q"		

Sd/-	Sd/-	Sd/-
(M. S. Ramachandran)	**(P. Sugavanam)**	**(R. Narayanan)**
Chairman	Director (Finance)	Company Secretary

As per our attached Report of even date

SURESH CHANDRA & ASSOCIATES	**B.K. KHARE & CO.**	**CHATTERJEE & CO.**
Chartered Accountants	Chartered Accountants	Chartered Accountants
Sd/-	Sd/-	Sd/-
(S.C. GUPTA)	**(PADMINI B. KHARE)**	**(S.K. CHATTERJEE)**
Partner	Partner	Partner
M.No. 16534	M.No. 44784	M.No. 3124

Place : New Delhi
Date : June 8, 2004

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "A" - CAPITAL

(Rs. In Crore)

		March-04	March-03
Authorised:			
250,00,00,000 Equity Shares of Rs.10 each		2,500.00	2,500.00
Issued, Subscribed and Paid up:			
116,80,12,200 (2003: 77,86,74,800) Equity Shares of Rs.10 each	1,168.01		778.67
Less: Calls in Arrears (Other than Directors) Rs.Nil (2003: Rs.1800)	0.00		0.00
		1,168.01	778.67
Out of which:			
1. Shares allotted as fully paid without payment being received in cash:			
a) Pursuant to the Petroleum Companies Amalgamation Order, 1964: 3,76,49,700 Shares of Rs. 10 each			
b) Pursuant to Gujarat Refinery Project Undertaking (Transfer), (Amendment) Order 1965 : 1,00,00,000 Shares of Rs. 10 each			
2. Shares allotted as fully paid up Bonus Shares by Capitalisation of General Reserve: 106,62,95,000 (2003: 67,69,57,600) Shares of Rs.10 each			
TOTAL		1,168.01	778.67

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "B" - RESERVES AND SURPLUS

(Rs. In Crore)

		March-04	March-03
1. Capital Reserve:			
As per last Account	0.16		0.16
Add : Share of jointly controlled companies	0.03		0.03
On Acquisition	407.90		407.90
		408.09	408.09
2. Share Premium Account:			
As per last Account	175.86		175.86
Add : Share of jointly controlled companies	14.43		0.00
Less: Calls in Arrears (Other than Directors)	0.00		0.00
Rs.Nil (2003: Rs.16200)			
		190.29	175.86
3. General Reserve:			
As per last Account	17,018.70		12,963.79
Add : Transferred from Profit and Loss Account	4,605.06		4,061.84
Less: Transferred for issue of Bonus Shares	389.34		0.00
Less: Deferred Tax Liability	0.00		11.57
Less: Adjustment in line with AS-26 (Refer Note A)	117.55		0.00
(Rs.(-) 2.24 crore {1900: Rs.(-) 3.02 crore} towards share of jointly controlled entities)		21,116.86	17,014.06
4. Insurance Reserve:			
As per last Account	20.00		10.00
Add : Transferred from Profit and Loss Account	10.00		10.00
		30.00	20.00
5. Export Profit Reserve:			
As per last Account		59.41	59.41
6. Capital Grants:			
As per last Account	11.99		12.33
Add: Received during the year	0.00		0.57
Less: Amortised during the year	0.75		0.91
		11.24	11.99
7. Bond Redemption Reserve Account:			
As per last Account	927.08		950.85
Add: Transferred from Profit and Loss Account	37.73		(23.77)
		964.81	927.08
8. Profit and Loss Account:		1.88	1.45
9. Devaluation Exchange Difference Reserve	1.04		0.98
Add : Transferred from Profit and Loss Account	(0.06)		0.06
		0.98	1.04
TOTAL		22,783.66	18,618.98

Note:

A) Relates to expenditure incurred on technical know-how fee on production process not charged to revenue as on 1st April 2003.

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "C" - SECURED LOANS

(Rs. in Crore)

	Note		March-04	March-03
1. Bonds				
a) Non-Convertible Redeemable Bonds - Series - III	A	723.60		723.60
b) Non-Convertible Redeemable Bonds - Series - IV	B	0.00		300.00
c) Non-Convertible Redeemable Bonds - Series - V	C	410.80		410.80
Total of (1)			1,134.40	1,434.40
2. Loans and Advances from Banks :	D			
i) Working Capital Demand Loan		612.99		2,830.46
Interest accrued and due on above		0.00		0.22
Total of (i)		612.99		2,830.68
ii) Term Loan		994.54		285.00
Interest accrued and due on above		0.00		0.00
Total of (ii)		994.54		285.00
iii) Cash Credit		1,581.89		616.71
Interest accrued and due on above		0.88		0.26
Total of (iii)		1,582.77		616.97
iv) Foreign Currency Loans		117.04		0.00
Total of (2)			3,307.34	3,732.65
TOTAL			4,441.74	5,167.05

Notes:

A. 7236 Bonds of face value of Rs.10,00,000 each, alloted on 21st February 2000, are redeemable at par on 21st February 2007. The Bonds also carry a put/call option at the end of 60 months from the date of allotment, i.e., 21st February 2005, on the exercise of which the Bonds are redeemable at par. The Bonds carry an annual coupon rate of 10.85% payable annually. These are secured by way of legal mortgage over the company's premises at Malabar and Cumballa Hill Division situated at Mumbai. These bonds are also secured by way of charge on immovable properties at Panipat Refinery in the state of Haryana ranking interse pari passu with Bonds Series V holders.

B. 3000 Bonds of face value of Rs.10,00,000 each, alloted on 24th May 2000, which carried an annual coupon rate of 10.65% payable annually on 30th September, were redeemed at par on 24th November 2003.

C. 158 Bonds of face value of Rs.2,60,00,000 each alloted on 18th July 2001, are redeemable in 13 equal instalments from the end of 3rd year upto the end of 15th year from the date of allotment. The Bonds carry an annual coupon rate of 10.25% payable annually on 30th September. These are secured by way of legal mortgage over the company's premises no. 301 situated in Bandra Anita Premises Co-op. Housing Society Ltd. at Bandra, Mumbai together with 5 shares of Bandra Anita Premises Co-op. Housing Society Ltd. These bonds are also secured by way of charge on immovable properties at Panipat Refinery in the state of Haryana ranking interse pari passu with Bonds Series III holders.

D. Against hypothecation of raw materials, stock-in-trade, sundry debtors, outstanding monies, receivables, claims, contracts, engagements etc.

E. Includes Rs.279.84 crore (2003 : Rs. 290.63 crore) share of jointly controlled entities.

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "D" - UNSECURED LOANS

(Rs. in Crore)

		March-04	March-03
1. Public Deposits:		**16.90**	78.89
2. Short Term Loans and Advances :			
i) From Banks & Financial Institutions:			
a) In Foreign Currency	**2,465.32**		2,290.84
b) In Rupee	**757.61**		1,483.95
Add: Interest accrued and due	**0.00**		2.89
	757.61		1,486.84
Total (2)(i)	**3,222.93**		3,777.68
ii) Export Packing Credit:			
In Foreign Currency	**109.25**		237.52
iii) From Others (OIDB):	**0.00**		0.07
Total (2)		**3,332.18**	4,015.27
3. Other Loans and Advances:			
A) From Banks/Financial Institutions:			
i) In Foreign Currency			
a) Sumitomo Bank, Japan (Club deal): US $ Nil (2003 : US $ 75 Million) - (repaid in March 2004)	**0.00**		356.29
b) Canara Bank: US $ Nil (2003 : US $ 200 Million) (US $ 100 Million repaid in September 2003 and US $ 100 Million repaid in December 2003)	**0.00**		950.10
c) Canara Bank: US $ 200 Million (2003 : US $ Nil) (US $ 100 Million repayable in September 2005 and US $ 100 Million repayable in November 2005)	**874.00**		0.00
d) CitiBank Syndication: US $ 200 Million (2003 : US $ Nil) (repayable in Dec. 2006) (US $ 114.89 Million availed upto 31.3.2004)	**502.05**		0.00
e) Bank of India: US $ 100 Million (2003 : US $ 100 Million) (repayable in September 2004)	**437.00**		475.05

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "D" - UNSECURED LOANS (Contd.)

(Rs. In Crore)

		March-04	March-03
f) Bank of Baroda: US $ 200 Million (2003 : US $ 200 Million) (repayable in September 2004)	874.00		950.10
g) Leaseplan North America Inc US $ 75.05 million (2003 : US $ Nil) (US $ 7.39 Million availed upto 31.3.2004) (fully guaranteed by Export Import Bank of India and repayable in 20 half yearly instalment w.e.f. March 2006)	32.29		0.00
Total (3) (i)	2,719.34		2,731.54
ii) In Rupee			
a) ICICI Bank Limited (repayable in June 2004)	500.00		500.00
b) ICICI Bank Limited (being prepaid in June 2004)	750.00		750.00
c) ICICI Bank Limited (prepaid in September 2003)	0.00		500.00
d) ICICI Bank Limited (being prepaid in June 2004)	650.00		650.00
e) State Bank of India (repayable in March 2009)	500.00		0.00
Add: Interest accrued and due	0.07		0.00
	500.07		0.00
f) Others	0.99		1.28
Total (3) (ii)	2,401.06		2,401.28
B) From Others:			
a) OIDB (Repayable in 8 equal annual instalments w.e.f. May'05)	2,034.84		2,548.75
Total (3)		7,155.24	7,681.57
TOTAL		10,804.32	11,775.73

Note:

Includes Rs.38.10 crore (2003 : Rs.3.35 crore) share of jointly controlled entities.

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "E" - FIXED ASSETS

(Rs. In Crore)

	Gross Block as at 1-Apr-03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Total Depreciation and Amortisation up to 31-Mar-04	Net Depreciated Block As at 31-Mar-04	As at 31-Mar-03
Land - Freehold	690.36	86.15	0.00	(0.10)	6.06	782.47	0.00	0.00	782.47	690.34
- Leasehold	339.89	3.92	0.00	0.00	(0.57)	343.24	6.07	36.13	307.11	309.69
- Right of Way	22.61	0.00	(0.17)	(0.31)	(22.13)	0.00	0.00	0.00	0.00	22.58
Buildings, Roads etc.	3,833.93	116.91	320.48	(14.52)	(27.65)	4,229.15	100.75	617.14	3,612.01	3,310.79
Plant and Machinery	32,914.89	1,991.23	1,710.14	(75.03)	(170.19)	36,371.04	1,834.20	15,316.21	21,054.83	19,419.72
Transport Equipments	296.70	9.65	1.28	(2.74)	3.55	308.44	26.16	201.31	107.13	121.09
Furnitures and Fixtures	191.37	12.21	4.06	(1.68)	1.09	207.05	11.70	100.14	106.91	103.38
Railway Sidings	240.89	8.94	0.00	(0.10)	0.91	248.64	10.63	93.24	155.40	158.39
Drainage, Sewage and Water Supply System	202.02	0.09	1.17	0.00	(3.10)	200.18	6.98	109.09	91.09	99.72
Total	38,732.66	2,227.10	2,036.96	(94.48)	(212.03)	42,690.21	2,098.49	16,473.26	26,216.95	24,235.70
Previous Year	33,966.11	729.44	4,154.67	(56.26)	(61.30)	38,732.66	1,877.56	14,496.96	24,235.70	

Note :Net Fixed Assets includes Rs.326.71 crore (2003: Rs.332.09 crore) share of jointly controlled entities

SCHEDULE "E-1" - INTANGIBLE ASSETS

(Rs. In Crore)

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Total Amortisation up to 31-Mar-04	Net Block As at 31-Mar-04	As at 31-Mar-03
Right of Way	0.00	3.56	0.00	0.00	21.74	25.30	0.03	0.03	25.27	0.00
Licenses	0.00	37.48	3.59	0.00	0.00	41.07	2.24	2.24	38.83	0.00
Computer Software	0.00	0.83	0.00	0.00	0.00	0.83	0.21	0.21	0.62	0.00
Total	0.00	41.87	3.59	0.00	21.74	67.20	2.48	2.48	64.72	0.00
Previous Year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Note: Net Fixed Assets includes Rs.7.47 crore (2003: Rs.Nil) share of jointly controlled entities

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "F" - CAPITAL WORK-IN-PROGRESS

(Rs. In Crore)

				March-04	March-03
1.	Construction Work-in-Progress - Fixed Assets (including unallocated capital expenditure, materials at site)	2,282.83			2,808.72
	Less : Provision for Capital Losses	16.16			15.20
				2,266.67	2,793.52
2.	Advance for Capital Expenditure	2,507.74			1,219.61
	Less : Provision for Doubtful Advance	0.43			0.43
				2,507.31	1,219.18
3.	Capital Stores	516.44			279.77
	Less : Provision for Capital Losses	2.28			1.30
				514.16	278.47
4.	Capital Goods-in-Transit			213.67	147.71
5.	Construction period expenses pending allocation :				
	Balance as at 1st April, 2003	840.03			585.29
	Add : Opening Balance Adjustment	(186.03)			214.13
	Add : Net Expenditure during the year (Sch. "F-1")	416.58			606.27
		1,070.58			1,405.69
	Less : Allocated to Assets during the year	392.65			565.66
				677.93	840.03
6.	Work-in-Progress - Intangible Assets (including unallocated capital expenditure)			276.58	0.00
	TOTAL			6,456.32	5,278.91

Note:

Includes Rs. 221.15 crore (2003 : Rs. 171.32 crore) share of jointly controlled entities

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "F-1" - CONSTRUCTION PERIOD EXPENSES (NET) DURING THE YEAR

(Rs. in Crore)

	March-04	March-03
1. Payments to and Provision for Employees	45.34	39.36
2. Repairs & Maintenance	1.80	1.75
3. Consumption of Stores & Spares	0.07	0.11
4. Power & Fuel	16.52	3.43
5. Rent	5.21	4.39
6. Insurance	5.06	2.83
7. Rates & Taxes	0.18	0.44
8. Travelling Expenses	7.14	6.11
9. Communication Expenses	1.08	0.90
10. Printing & Stationery	0.35	0.42
11. Electricity & Water Charges	0.48	0.54
12. Bank Charges	0.03	0.07
13. Technical Assistance Fees	3.17	0.81
14. Exchange Fluctuation	(8.60)	(4.24)
15. Interest	275.79	352.52
16. Depreciation	4.13	5.31
17. Start up/Trial Run Expenses	17.39	54.32
18. Oil and Gas Activities:		
- Exploration Cost	0.00	31.58
19. Process Design, Detailed Engineering etc.	0.00	35.67
20. Others	66.64	79.58
Total Expenses	441.78	615.90
Less : Recoveries	25.20	9.63
Net Expenditure during the year	**416.58**	**606.27**

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "G" - INVESTMENTS

(Rs. in Crore)

		March-04	March-03
I. LONG TERM INVESTMENTS:			
1. Quoted			
Trade Investments:		**2,470.19**	2,470.19
2. UNQUOTED:			
a) Non-Trade Investments:			
i) 6.96% Oil Companies GOI SPL Bonds 2009		**56.00**	56.00
ii) In Government - Securities		**0.01**	0.01
iii) Others		**4.21**	25.25
iv) In Consumer Cooperative Societies		**0.01**	0.01
sub-total (a)		**60.23**	81.27
b) Trade Investments:			
i) In Joint Venture Companies		**171.26**	11.83
ii) In Others		**0.03**	11.07
sub-total (b)		**171.29**	22.90
sub-total (2)		**231.52**	104.17
sub-total (I)		**2,701.71**	2,574.36
II. CURRENT INVESTMENTS (UNQUOTED):			
i) 6.96% Oil Companies GOI SPL Bonds 2009	**0.00**		12.00
Less: Provision for Diminution	**0.00**		0.00
		0.00	12.00
Total: (I + II)		**2,701.71**	2,586.36

Note

Includes Rs. 13.12 crore (2003 : Rs. 11.79 crore) share of jointly controlled entities

SCHEDULE "H"- INVENTORIES

(Rs. in Crore)

		March-04	March-03
1. In Hand:			
a. Stores, Spares etc.	**871.19**		843.99
Less: Provision for Losses	**57.81**		50.08
		813.38	793.91
b. Raw Materials		**3,651.86**	3,572.17
c. Finished Products		**9,772.98**	9,021.47
d. Stock in Process		**1,135.43**	1,070.54
e. Work-in-Progress - Construction Contracts		**4.57**	0.00
f. Barrels and Tins		**6.49**	6.84
Total (1)		**15,384.71**	14,464.93
2. In Transit:			
a. Stores & Spares		**32.98**	30.41
b. Raw Materials		**1,711.88**	1,488.85
c. Finished Products		**35.57**	20.94
Total (2)		**1,780.43**	1,540.20
TOTAL		**17,165.14**	16,005.13

Note:

Includes Rs. 59.62 crore (2003 : Rs. 41.54 crore) share of jointly controlled entities

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "I" - SUNDRY DEBTORS

(Rs. in Crore)

	March-04	March-03
1. **Over Six Months:**		
a) **From Others**		
i) Unsecured, Considered Good	51.11	111.79
ii) Unsecured, Considered Doubtful	274.67	246.48
Total (1)	325.78	358.27
2. **Other Debts:**		
a) **From Others**		
i) Secured, Considered Good	8.16	7.27
ii) Unsecured, Considered Good	3,215.03	3,181.14
iii) Unsecured, Considered Doubtful	0.29	0.00
Total (2)	3,223.48	3,188.41
Total (1+2)	3,549.26	3,546.68
Less: Provision for Doubtful Debts	274.96	246.48
TOTAL	3,274.30	3,300.20

Note : Includes Rs. 56.83 crore (2003 : Rs. 34.06 crore) share of jointly controlled entities.

SCHEDULE "J" - CASH AND BANK BALANCES

(Rs. in Crore)

		March-04	March-03
1. Cash Balances			
a) Cash Balances, including imprest	18.38		19.47
b) Cheques in hand	718.26		956.88
		736.64	976.35
2. Bank Balances with Scheduled Banks:			
a) Current Account	140.25		214.15
b) Fixed Deposit Account	[illegible]		272.47
c) Call Deposit Account	0.75		27.08
d) Blocked Account	[illegible]		0.23
		727.90	513.93
3. Bank Balances with Non-Scheduled Banks:			
a) Current Account			
i) Bhumiputra Commerce Bank, Malaysia [Maximum balance during the year - Rs. 0.14 crore (2003: Rs. 0.11 crore)]	0.10		0.03
ii) National Bank of Kuwait, Kuwait [Maximum balance during the year - Rs.Nil (2003: Rs. 0.06 crore)]	0.00		0.00
iii) Myanmar Economic Bank Branch (5), Rangoon [Maximum balance during the year - Rs. 0.88 crore (2003: Rs. 0.88 crore)]	0.81		0.88
		0.91	0.91
TOTAL		1,465.45	1,491.19

Note:
Includes Rs. 65.09 crore (2003 : Rs. 26.24 crore) share of jointly controlled entities

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "K" - LOANS AND ADVANCES

(Rs. in Crore)

			March-04	March-03
1.	Advance recoverable in cash or in kind or for value to be received:			
	a) From Others			
	i) Secured, Considered Good	1,100.11		1,056.80
	ii) Unsecured, Considered Good	661.72		631.11
	iii) Unsecured, Considered Doubtful	6.93		13.61
	Total (1)	1,768.76		1,701.52
	Less: Provision for Doubtful Advances	6.93		13.61
			1,761.83	1,687.91
2.	Amount recoverable from PPAC (Net): Unsecured, Considered Good		2,403.93	2,258.14
3.	Amount recoverable from Government of India: Unsecured, Considered Good		408.44	1,402.10
4.	Claims Recoverable:			
	a) From Others			
	i) Secured, Considered Good	0.10		0.00
	ii) Unsecured, Considered Good	1,106.37		963.39
	iii) Unsecured, Considered Doubtful	26.41		19.50
	Total (4)	1,132.88		982.89
	Less: Provision for Doubtful Claims	26.41		19.50
			1,106.47	963.39
5.	Balance with Customs, Port Trust and Excise Authorities: Unsecured, Considered Good		150.52	155.47
6.	Advance Tax (net)		16.78	9.31
7.	Materials given on loan			
	a) From Others			
	i) Secured, Considered Good	0.05		2.63
	Less: Deposits received	0.00		2.60
		0.05		0.03
	ii) Unsecured, Considered Good	0.20		1.35
	Total (7)		0.25	1.38
8.	Sundry Deposits (including amount adjustable on receipt of Final bills):			
	a) From Others			
	i) Secured, Considered Good	9.06		9.07
	ii) Unsecured, Considered Good	97.73		44.81
	iii) Unsecured, Considered Doubtful	0.01		0.02
	Total (8)	106.80		53.90
	Less: Provision for Doubtful Deposits	0.01		0.02
			106.79	53.88
	TOTAL		5,955.01	6,531.58

Notes:

Includes Rs. 19.98 crore (2003 : Rs. 20.01 crore) share of jointly controlled entities.

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "L" - CURRENT LIABILITIES AND PROVISIONS

(Rs. in Crore)

		March-04	March-03
1. Current Liabilities			
a) Sundry Creditors			
i) Total Dues of small scale industrial undertaking(s)	41.39		29.45
ii) Total Dues of creditors other than small scale industrial undertaking(s)	9,249.16		9,495.64
Total (a)	9,290.55		9,525.09
b) Other Liabilities	3,308.41		2,785.38
c) Investor Education and Protection Fund shall be credited by the following amount namely:			
- Unpaid Dividend	6.29		5.90
- Unpaid Matured Deposits	1.46		1.62
d) Security Deposits	4,894.28		4,576.42
Less:Investments and Deposits with Banks lodged by outside parties	0.44		0.59
	4,893.84		4,575.83
e) Material taken on loan			
i) From Others	241.81		259.88
Less: Deposits given	0.22		0.29
Total (e)	241.59		259.59
f) Interest accrued but not due on loans	92.18		140.06
Total Current Liabilities		17,834.32	17,293.47
2. Provisions			
a) Provision for Taxation	5,285.30		3,926.92
Less: Advance payments	5,144.74		3,839.56
	140.56		87.36
b) Proposed Dividend	1,870.02		1,870.74
c) Corporate Dividend Tax	269.04		257.26
d) Provision for Retirement Benefits	223.34		207.18
Total Provisions		2,502.96	2,422.54
TOTAL		20,337.28	19,716.01

Note:
Includes Rs. 73.85 crore (2003 : Rs. 47.02 crore) share of jointly controlled entities.

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "L-1" - MISCELLANEOUS EXPENDITURE

(Rs. in Crore)

	March-04		March-03
Deferred Revenue Expenditure			
As per last accounts	116.50		177.91
Add: Expenditure during the year	32.41		8.70
Sub-Total		148.91	186.61
Less: Amortised during the year		80.82	70.11
TOTAL		68.09	116.50

Note:
Includes Rs. 6.40 crore (2003 : Rs. 5.78 crore) share of jointly controlled entities.

SCHEDULE "M" - DETAILS OF INCREASE/(DECREASE) IN STOCK

(Rs. in Crore)

	March-04		March-03
Closing Stock			
a) Finished Products	[illegible]		9,042.41
b) Stock in Process	1,136.43		1,070.54
		[illegible]	10,112.95
Less:			
Opening Stock			
a) Finished Products	9,042.41		6,682.54
b) Opening Balance Adjustment	0.00		(0.27)
c) Stock in Process	1,070.54		667.86
		10,112.95	7,350.13
NET INCREASE/ (DECREASE)		[illegible]	2,762.82

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "N" - INTEREST AND OTHER INCOME

(Rs. *in* Crore)

		March-04	March-03
1.	Interest on:		
	a) Loans and Advances		
	i) From Others	59.02	59.37
	b) Fixed Deposits with Banks	1.13	1.55
	c) Short Term Deposits with Banks	33.02	25.51
	d) Customers Outstandings		
	i) From Others	49.98	82.89
	e) 6.96% Oil Companies GOI SPL Bonds 2009	3.98	217.66
	f) Others (Gross)	2.25	2.61
		144.38	389.59
2.	Dividend (Gross)	488.22	497.85
3.	Profit on sale of Investments	0.50	0.00
4.	Sale of Power and Water	14.63	13.87
5.	Profit on Sale and Disposal of Assets	8.22	10.09
6.	Unclaimed/Unspent liabilities written back	145.38	111.10
7.	Provision for Doubtful Debts, Advances, Claims and Stores written back	18.55	25.55
8.	Provision for Loss in Cost of Investment written back	0.00	200.00
9.	Recoveries from Employees	22.09	20.27
10.	Retail Outlet Licence Fees	41.12	41.86
11.	Collection Charges for Outstation Cheques	15.15	15.01
12.	Sale of Scrap	25.17	22.86
13.	Financing Charges on Finance Leases	14.35	16.36
14.	Amortisation of Capital Grants	0.75	0.91
15.	Provision for Leave Encashment written back	0.00	97.56
16.	Exchange Fluctuations (Net)	394.00	117.35
17.	Commodity Hedging Gain (Net)	2.34	0.00
18.	Terminalling Charges	49.71	71.41
19.	Recovery towards Inventory Carrying Cost	84.00	0.00
20.	Other Miscellaneous Income	543.96	368.75
	TOTAL	1,992.33	2,020.39

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "O" - MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. in Crore)

		March-04	March-03
1. Raw Materials Consumed:			
Opening Balance	**5,061.02**		3,826.43
Add: Opening Balance Adjustment	**(50.45)**		0.27
Add: Purchases	**49,890.49**		47,750.13
	54,901.06		51,576.83
Less: Closing Stock	**5,363.74**		5,061.02
		49,537.32	46,515.81
2. Consumption:			
a) Stores, Spares and Consumables	**312.80**		259.03
b) Packages & Drum Sheets	**173.61**		168.00
		486.41	427.03
3. Power & Fuel	**3,605.74**		3,291.38
Less: Fuel for own production	**3,205.31**		2,901.23
		400.43	390.15
4. Processing Fees, Blending Fees, Royalty & Other Charges		**31.76**	28.99
5. Octroi, Other Levies and Irrecoverable Taxes		**1,041.79**	613.63
6. Repairs and Maintenance:			
i) Plant and Machinery	**409.41**		398.01
ii) Buildings	**141.58**		117.66
iii) Others	**44.20**		40.16
		595.19	555.83
7. Freight, Transportation Charges and Demurrage		**4,018.65**	4,214.58
8. Payments to and Provisions for Employees:			
(a) Salaries, Wages, Bonus etc.	**1,343.83**		1,264.07
(b) Contribution to Provident & Other Funds	**172.10**		420.47
(c) Voluntary Retirement Compensation	**0.00**		0.05
(d) Amortisation of Voluntary Retirement Compensation	**59.68**		50.17
(e) Staff Welfare Expenses	**396.31**		310.22
		1,971.92	2,044.98
9. Office Administration, Selling and Other Expenses (Schedule "O-1")		**1,984.92**	1,777.64
TOTAL		**60,068.39**	56,568.64

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "O-1" - OFFICE ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. in Crore)

			March-04	March-03
1.	Rent		**231.36**	206.38
2.	Insurance		**110.54**	103.57
3.	Rates & Taxes		**44.39**	43.52
4.	Donations		**17.13**	13.69
5.	Payment to Auditors:			
	a) Audit Fees	**0.49**		0.52
	b) Tax Audit Fees	**0.07**		0.07
	c) Other Services (for issuing certificates etc.)	**0.15**		0.15
	d) Out of Pocket Expenses	**0.14**		0.15
			0.85	0.89
6.	Travelling & Conveyance		**196.39**	154.42
7.	Communication Expenses		**42.75**	39.64
8.	Printing & Stationery		**20.95**	20.01
9.	Electricity & Water		**100.46**	107.65
10.	Bank Charges		**34.77**	33.32
11.	Bad Debts, Advances & Claims written off		**2.87**	28.59
12.	Loss on Assets sold, lost or written off		**38.16**	86.18
13.	Technical Assistance Fees		**12.14**	18.79
14.	Exchange Fluctuation (Net)		**0.06**	0.10
15.	Provision for Doubtful Debts, Advances Claims and Obsolescence of Stores		**63.89**	170.07
16.	Provision for Investments/Advance against Investments		**8.70**	0.50
17.	Loss on Sale of Investments		**0.12**	46.72
18.	Security Force Expenses		**59.62**	58.46
19.	Sales Promotion Expenses		**170.28**	130.00
20.	Handling Expenses		**111.98**	83.87
21.	Inventory Carrying Cost		**72.00**	0.00
22.	Expenses on Enabling Facilities		**1.44**	1.94
23.	Terminalling Charges		**169.20**	142.62
24.	Exploration Cost - Survey Expenditure		**95.63**	0.00
25.	Other Expenses		**379.24**	286.71
	TOTAL		**1,984.92**	1,777.64

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "P" - INCOME/EXPENSES RELATING TO PREVIOUS YEARS

(Rs. in Crore)

	March-04	March-03
Income:		
1. Net claim from/(surrender to) Industry Pool Accounts	**(0.44)**	0.00
2. Interest	**73.76**	0.00
3. Miscellaneous Income	**3.32**	23.96
4. Sales of Power and Water	**0.00**	0.75
5. Sales of Products	**0.00**	(0.18)
6. Increase / (Decrease) in Stock	**0.00**	0.00
Total Income	**76.64**	24.53
Expenditure:		
1. Purchase of Products and Crude	**0.58**	0.00
2. Raw Material		
a) Opening Stock Adjustment	**50.45**	0.00
b) Consumption	**(45.97)**	0.00
3. Depreciation and Amortisation	**0.80**	6.77
4. Consumption		
a) Stores, Spares and Consumables	**2.28**	1.81
5. Technical Fees	**0.43**	0.00
6. Repairs and Maintenance	**3.59**	2.50
7. Interest	**11.78**	0.93
8. Rent	**1.81**	0.00
9. Exchange Fluctuations (Net)	**3.16**	0.00
10. Other Expenses	**30.85**	0.80
Total Expenses	**59.76**	12.81
NET INCOME/(EXPENDITURE)	**16.88**	11.72

Indian Oil Corporation Limited Consolidated Financial Statements

SCHEDULE "Q" - NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2004

1. PRINCIPLES OF CONSOLIDATION

1.1 The consolidated financial statements relate to Indian Oil Corporation Limited (Parent Company), its subsidiaries and Joint Venture companies. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating the intra-group balances, intra-group transactions and unrealised profits or losses in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.

b) 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 unrealised profits or losses in accordance with Accounting Standard (AS-27) on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

c) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements.

d) The excess/shortfall of cost to the Parent Company of its investment in the respective Subsidiary Companies and Joint Venture Companies is recognised in the financial statements as goodwill/capital reserve respectively as per the equity method of valuation.

1.2 The Consolidated Financial Statements includes the results of the following entities:

Sl. No.	Name of Company	Country of Incorporation	Relation	Ownership Interest
1.	Indian Oil Blending Ltd. (IOBL)	India	Subsidiary	100%
2.	IndianOil Technologies Ltd.	India	Subsidiary	100%
3.	Chennai Petroleum Corporation Ltd. (CPCL)	India	Subsidiary	51.88%
4.	Bongaigaon Refinery and Petrochemicals Ltd. (BRPL)	India	Subsidiary	74.46%
5.	IBP Co Ltd. (IBP)	India	Subsidiary	53.58%
6.	IndianOil Mauritius Ltd. (IOML)	Mauritius	Subsidiary	100%
7.	Lanka IOC (Private) Ltd. (LIOC)	Sri Lanka	Subsidiary	100%
8.	Indian Oiltanking Ltd. (IOTL)	India	Joint Venture	50%
9.	Lubrizol India Pvt. Ltd.	India	Joint Venture	50%
10.	Petronet VK Ltd.	India	Joint Venture	26%
11.	Avi-Oil India Pvt. Ltd.	India	Joint Venture	25%
12.	Petronet India Ltd.	India	Joint Venture	16%
13	Petronet LNG Ltd.	India	Joint Venture	12.5%
14.	IndianOil Petronas Pvt.Ltd.	India	Joint Venture	50%

Indian Oil Corporation Limited Consolidated Financial Statements

Note: Investment in the Joint Venture Companies M/s. IndianOil TCG Petrochem Ltd., Petronet CTM Ltd., Petronet CI Ltd., IndianOil Panipat Power Consortium Ltd. and ONGIO International Pvt. Ltd. has not been incorporated in the preparation of Consolidated Financial Statements as the Management has decided to exit from these Joint Ventures.

1.3 Other Significant Accounting Policies

These are set out in the Statement of Significant Accounting Policies of the financial statements of the Parent Company and its Subsidiaries.

2. For certain items, Corporation and its Subsidiaries and Joint Ventures have followed different accounting policies. However impact of the same is not material.

3. Financial statements of IOML and LIOC are drawn in Mauritius Rupees and Sri Lankan Rupees respectively. They have been translated to Indian Rupees for the purpose of Consolidated Financial Statements.

4. **Contingent Liabilities:**

a) Claims not acknowledged as debts **Rs. 5940.82 crore** (2003: Rs. 4760.22 crore). These include:

i) **Rs. 4449.28 crore** (2003: Rs. 3289.19 crore) being the demands raised by the Central Excise/ Customs/Sales tax authorities.

ii) **Rs. 610.44 crore** (2003: Rs. 513.73 crore) for which suits have been filed in the Courts or cases are lying with Arbitrators.

iii) **Rs. 251.82 crore** (2003: Rs. 366.42 crore) in respect of Income Tax demands.

b) Customs Duty demands of **Rs. 2.36 crore** (2003: Rs. 2.40 crore out of Rs.163.76 crore) are pending for final disposal due to quantity disputes. Such quantity disputes in similar cases have been decided in favour of the Corporation.

c) Demands of Excise Duty of **Rs. 48.63 crore** (2003: Rs.46.81 crore) on the alleged grounds of non-inclusion of certain elements of price as part of assessable value for the period 1.3.94 to 2.7.96 are pending at various Appellate stages. In a similar case of another Oil Company, a favourable order has been passed by erstwhile CEGAT.

d) Central Excise Authorities have raised demands of **Rs. 186.18 crore** (2003: Rs. 162.50 crore) on the alleged ground of non-payment of Excise Duty collected in respect of sale of imported petroleum products on which Customs Duty has already been paid. An amendment has been made with retrospective effect in the Finance Act, 2000, that Section 11D of the Central Excise Act applies only to excisable goods. Erstwhile CEGAT, Chennai, has decided similar cases in favour of the Corporation.

e) Interest/Penalty, if any, on some of the above claims is unascertainable.

f) Income tax, if any, reimbursable to foreign contractors is unascertainable.

g) Corporation, along with three other promoters, has issued Corporate Guarantees in favour of banks and financial institutions for short-term loans taken by Petronet LNG Limited from such banks and financial institutions. Corporation's share in the guarantees issued is **Rs. 350.00 crore** (2003: Rs. 350.00 crore), being one fourth share of the total guarantees of **Rs. 1400.00 crore** (2003: Rs. 1400.00 crore) issued as on 31.3.2004. Petronet LNG Limited has given counter guarantees in favour of the promoters for the above amounts. The Short Term Loan outstanding in the books of Petronet LNG Limited as on 31st March 2004 is **Rs. 1024.04 crore** (2003: Rs. 1019.50 crore).

h) Corporation, along with three other promoters has issued Corporate Guarantees in favour of M/s Mitsui O.S.K. Lines Ltd., Japan, for its 25% share of liability in the event of default by Petronet LNG Ltd. under the Time Charter Party Agreement for LNG tanker vessels. The guarantee will remain in force till the financial closure of Petronet LNG Ltd. However, no liability has arisen against the said guarantee till 31st March 2004.

i) Amount of terminalling charges payable to Reliance Industries Limited has been reckoned on provisional basis based on Ministry of Petroleum & Natural Gas' letter no. P-20022/5/99 dated 11.01.2002.

j) Pending finalisation of Crude Oil Sale Agreement in respect of supply from Panna Mukta Oil Field, the crude oil purchases are accounted for on provisional basis.

5. Estimated amount of contracts remaining to be executed on Capital Account in respect of Fixed Assets and not provided for **Rs. 9117.76 crore** (2003: Rs. 7929.76 crore).

6. Estimated amount of contracts remaining to be executed on Capital Account in respect of Intangible Assets and not provided for **Rs. 115.70 crore** (2003: Rs. Nil).

7. The Corporation has numerous transactions with other Oil Companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustments, if any, arising therefrom are not likely to be material.

8. Bond Redemption Reserve of Rs. 244.41 crore created in respect of Non-Convertible Redeemable Bonds – Series IV as on 31.3.2003, has been written back during the year in view of the redemption of said Bonds on 24th November, 2003.

9. Consequent to change in Accounting Policy for Oil & Gas Exploration Activities from "Full Cost Method" to "Successful Effort Method":

   a) Survey expenditure of Rs. 47.03 crore, accounted as Capital Work in Progress as on 31st March 2003, has been charged to revenue; and

   b) Survey expenditure of Rs. 48.60 crore incurred during the current year has also been charged to revenue.

10. During the year, Corporation has implemented the Accounting Standard-26 on Intangible Assets issued by The Institute of Chartered Accountants of India and accordingly:

    a) Right of Way for laying of pipelines has been classified as Intangible Asset and being perpetual in nature, has not been amortised;

    b) Expenditure of Rs. 117.55 crore incurred on technical know-how fee for production process, which was not charged to revenue as on 1st April 2003, has been adjusted against the Opening General Reserve as on 1st April 2003.

11. Subsidy (including freight for far-flung areas) of **Rs. 2809.92 crore** (2003: Rs. 4036.47 crore) on SKO (PDS) and LPG (Packed-Domestic) has been reckoned as per the Scheme notified by MOP&NG and reflected separately as income in the Profit and Loss Account.

12. During the year, in line with the scheme formulated by Petroleum Planning and Analysis Cell (PPAC), the Corporation has received Rs. 1853.42 crore (2003: Rs. Nil) on account of additional discounts on Crude Oil/LPG/SKO purchased from ONGC/GAIL (India) Limited towards share of subsidy under-recovery on LPG (Domestic) and SKO (PDS). Such purchases of Crude Oil/LPG/SKO from ONGC/ GAIL have been accounted net of the discount. In addition, Rs. 12.72 crore (2003: Rs. Nil) has been

received from IBP as adjustment under the scheme considering IBP Company Limited (a Subsidiary Company) as an integral part of the Corporation.

13. The Corporation and its Subsidiaries have export obligation to the extent of **Rs. 1575.28 crore** (2003: Rs. Nil) on account of concessional rate of customs duty availed under EPCG license scheme on import of capital goods.

14. The Board at its meeting held on 31st January 2004 had accorded its approval for merger of IndianOil Blending Limited (a wholly owned subsidiary of the Corporation) with IndianOil. Necessary effect shall be given once the scheme of amalgamation is finalised/approved by the concerned authorities.

15. The Board at its meeting held on 28th April 2004 had accorded the in-principle approval for the merger of IBP Co. Ltd with IndianOil subject to the approval of Government of India and compliance of Department of Public Enterprises guidelines. The Corporation is taking necessary steps in this regard. Under these circumstances, the goodwill on consolidation amounting to Rs. 1605.03 crores has not been amortised.

16. In the absence of relevant notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under Section 441A of the Companies Act, the same is not determinable and hence not provided.

17. In respect of Subsidiaries and Joint Venture Companies, the following additional notes to accounts are disclosed:

Chennai Petroleum Corporation Ltd.

(i) As per the terms of Memorandum of Settlement (MoS) approved by the Government of India for the withdrawal by the Corporation from the joint venture AROCHEM, with SPIC Ltd., the amount due to the Corporation as on 31st March 2004 stood at Rs. 14.42 crore. As SPIC Ltd. has expressed it's keenness to implement its projects and clear the dues to the Corporation, the Corporation is confident of recovering the investment made in the project.

(ii) The Superannuation scheme of the Corporation was modified w.e.f. 01.11.2003. The liability of the Corporation as on 31.10.2003 was discharged with a resultant charge of Rs. 15.91 crore to the P & L A/c.

Lanka IOC (Private) Ltd.

(i) Goodwill amounting to Rs. 168.16 crore has arisen due to the excess of purchase consideration paid to the Government of Sri Lanka and Ceylon Petroleum Corporation over the net assets value representing applicable shares allotted in the acquisition of 100 retail outlets and 1/3rd share in the Ceylon Petroleum Storage Terminals Limited (CPSTL). The management of the Company is to undertake a revaluation of the assets acquired through the 100 retails outlets and the 1/3rd share in CPSTL. The value of goodwill may change if the carrying amount of assets is adjusted consequent to the outcome of the revaluation. The goodwill will be amortised on a straight line bases over 20 years commencing from January 2004, based on the Petroleum Products Licence granted to the Company by the Minister of Power and Energy, Government of Sri Lanka.

(ii) In terms of the agreement entered into with the Board of Investment of Sri Lanka of the Greater Colombo Economic Commission Law No.4 of 1978, the Company is exempt from income tax for a period of 10 years commencing from 14.02.2003. However, the current year tax charge consists of tax on interest income.

Indian Oil Corporation Limited Consolidated Financial Statements

Bongaigaon Refinery and Petrochemicals Ltd.

(i) The Kerosene Treating Unit (KTU) of the Company under the Refinery segment has been retired from active service with effect from 21st June 2003. Accordingly a provision of Rs. 0.71 crore (net book value) has been made in the account.

(ii) Production in Petrochemicals and PSF units suspended since October 2001 has been restarted under an alliance agreement with M/s. Reliance Industries Limited from 26th December 2003. However, Reformer Unit of Xylenes Plant continue to run to produce MS.

Petronet India Limited

(i) The promoters/shareholders at their meeting on March 12, 2004 as noted in the Board of Directors meeting on March 20, 2004 have unanimously opined that continuation of the company is not viable and options for realisation of investments in JVC/subsidiaries needs to be explored.

(ii) The book values of certain unquoted long-term investments (including share application money) are lower than its cost. Considering the strategic and long-term nature of the aforesaid investments and business plans/projections of the investee companies in the opinion of the management the decline in the book value of the aforesaid investments is of temporary nature and requires no provisioning.

Petronet VK Limited

(i) The Company's main pipeline from Sikka to Kandla connects with the Kandla-Bhatinda Pipeline (KBPL) of IndianOil. IndianOil have advised the Company to plan its affairs in regard to transportation of product, in view of their programme for conversion of Kandla-Panipat section of their KBPL from product services to crude oil service, which is anticipated to be completed by 2004-05. The extension of pipeline from Kandla to Sidhpur which was earlier planned has not been found feasible. Further, the company is in consultation with the users of the pipeline and considering the options for connecting this pipeline with HPCL's proposed Mundra-Delhi product pipeline.

(ii) Quantities of petroleum products to be transported through company's pipeline for the year 2004-05 are under negotiation with the pipeline users.

(iii) In the earlier years, company had recognised revenue for transportation of petroleum products @Rs. 159 PMT based on the provisional tariff approved by Oil Co-ordination Committee. Petroleum Planning and Analysis Cell(PPAC) has conveyed the pipeline margins for VKPL for the period 30.05.2000 to 29.05.2001 and 30.05.2001 to 31.02.2002 at Rs. 101.41 PMT and Rs. 87.84 PMT respectively. Company has represented to MOP & NG to reconsider the pipeline margins of pre-APM period conveyed by PPAC and Company is hopeful of favourable decision.

However, the difference in rates based on the above aggregating Rs. 59.08 crore for the aforesaid period has been provided for during the financial year as payable to the pipeline users.

18. In compliance of Accounting Standard-17 on "Segment Reporting" issued by The Institute of Chartered Accountants of India the required information is given as per Annexure-1 to this schedule.

19. In compliance of Accounting Standard-18 on "Related Party Disclosures" issued by The Institute of Chartered Accountants of India the required information is given as per Annexure-2 to this schedule.

20. In compliance of Accounting Standard-27 on "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India, the required information is given as per Annexure-3 to this schedule.

Indian Oil Corporation Limited Consolidated Financial Statements

21. Disclosure as required under Accounting Standard-19 on "Leases" issued by The Institute of Chartered Accountants of India is as follows:

Finance Leases:

Corporation has entered into Lease Agreement with Indian Railways in respect of BTPN Tank Wagons for a minimum period of 20 years. The lease rentals from the date of formation of rake are @ 16% for the first 10 years and thereafter at the nominal rate of 1% of the cost.

(Rs. In Crore)

	Particulars	March-04	March-03
A.	Gross Investments in Finance Lease	**416.96**	416.96
	Less: Unearned Finance Income	**48.15**	63.67
	Less: Finance Income Received	**123.54**	108.02
	Less: Minimum Lease payment received	**116.21**	92.48
	Net Investment in Finance Lease as on Date	**129.06**	152.79
B.	Unearned finance Income	**48.15**	63.67
C.	Present Value of Minimum Lease Payments Receivable		
	Not Later than one year	**26.06**	23.73
	Later than one year and not later than five years	**83.31**	104.90
	Later than Five years	**19.69**	24.16
	Total	**129.06**	152.79
D.	Break-up of un-earned income		
	Not later than one year	**13.10**	15.52
	Later than one year and not later than five years	**26.25**	37.79
	Later than Five years	**8.80**	10.36
	Total	**48.15**	63.67

Operating leases:

The Corporation has taken an operating lease Pipeline from Koyali to Navagam for a period of 10 years. The future minimum payment dues are:

(Rs. In Crore)

	March-04	March-03
Not later than one year	**0.50**	0.50
Later than one year and not later than five years	**2.00**	2.00
Later than five years	**0.38**	0.87

22. In compliance of Accounting Standard-20 on "Earning Per Share" issued by Institute of Chartered Accountants of India, the calculation of Earning Per Share (Basic and Diluted) is as under:

	March-04	March-03
Profit After Tax for the Group (Rs. in Crore)	**7491.62**	6579.06
Weighted Average number of equity shares	**1,168,012,200**	778,674,800
Add: Bonus Shares recommended		389,337,400
Total Weighted Average number of equity shares used for computing Earning Per Share (Basic & Diluted)	**1,168,012,200**	1,168,012,200
Earning Per Share (Basic and Diluted) (Rupees)	**64.14**	56.33
Face value per share (Rupees)	**10/-**	10/-

Indian Oil Corporation Limited Consolidated Financial Statements

23. In compliance of Accounting Standard-22 on "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, the item wise details of deferred tax liability(net) are as under:

(Rs. in Crore)

	As on 31.03.2004	As on 31.03.2003
Deferred Tax Liability		
i) Depreciation	**5018.09**	4533.75
ii) Interest		31.98
iii) Others	**1.87**	2.06
Total Deferred Tax Liability(A)		
Deferred Tax Assets:	**5019.96**	4567.79
i) Compensation under voluntary retirement scheme	**4.79**	7.19
ii) Provision for doubtful advances /claims / materials	**117.01**	106.40
iii) Provision for Retirement Benefits	**9.12**	63.93
iv) Carry forward losses	**-**	21.67
v) Unabsorbed Depreciation	**-**	-
vi) Others	**72.60**	69.45
Total Deferred Tax Assets (B)	**203.52**	268.64
Deferred Tax Liability (Net) (A-B)	**4816.44**	4299.15

24. Previous year's comparative figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

Sd/-	Sd/-	Sd/-
(M. S. Ramachandran)	**(P. Sugavanam)**	**(R. Narayanan)**
Chairman	Director (Finance)	Company Secretary

Place : New Delhi
Date : June 8, 2004

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

Annexure-1

INFORMATION REGARDING PRIMARY SEGMENT REPORTING AS PER AS-17 FOR THE YEAR ENDED 31ST MARCH 2004 IS AS UNDER:

(Rs. in Crore)

	March-04			March-03		
	Petroleum Products	Other businesses	Total	Petroleum Products	Other businesses	Total
Revenue						
External Revenue	108,365.85	9,075.76	117,441.61	99,196.16	9,448.39	108,644.55
Inter-segment Revenue	28.92	103.80	132.72	38.94	41.46	80.40
Total Revenue	108,394.77	9,179.36	117,574.33	99,235.10	9,489.85	108,724.95
Result						
Segment Results	10,991.94	(127.15)	10,864.79	9,260.50	(41.83)	9,218.67
Less: Unallocated Expenses net of unallocated Income	-	-	-	-	-	-
Operating Profit	10,991.94	(127.15)	10,864.79	9,260.50	(41.83)	9,218.67
Less:						
Interest Expenditure			525.48			928.38
Provision for diminution in Investments			8.70			0.50
Loss on Sale of Investments			0.12			46.72
Prior year Expenditure			59.76			12.81
Add:						
Interest/Dividend Income			612.60			887.44
Provision for diminution in Investments written back			-			200.00
Profit on sale of investments			0.50			-
Prior year Income			76.64			24.53
Profit Before Tax			10,960.47			9,342.23
Less: Income Tax (including deferred tax)			3,123.16			2,679.91
Profit After Tax			7,837.31			6,662.32
Other Information						
Segment Assets	59,909.32	831.21	60,740.53	55,940.61	1,060.83	57,001.44
Corporate Assets			2,819.46			2,748.45
Total Assets			63,559.99			59,749.89
Segment Liabilities	17,463.87	593.79	18,057.66	16,768.37	732.28	17,500.65
Corporate Liabilities			22,042.12			23,457.33
Total Liabilities			40,099.78			40,957.98
Capital Expenditure	5,216.49	1.81	5,218.30	4,142.23	4.24	4,146.47
Depreciation & Amortisation	2.093.16	2.65	2,095.81	1,852.31	13.08	1,865.39
Non-cash expenses other than Depreciation (Deferred Revenue Expenditure written off)			60.82			70.11

Notes:

1. The activities of the Company and its subsidiaries comprise :
   a) Sale of Petroleum Products
   b) Other business primarily comprising of sale of Imported Crude Oil, Sale of Gas, Oil & Gas Exploration activities, Petrochemicals, Polyster Staple Fibre Chemicals and engineering.
2. Segment Revenue comprises of the following:
   i) Turnover (Net of Excise Duty)
   ii) Subsidy From Government of India
   iii) Net claim/(surrender to) PPAC/GOI
   iv) Other income (excluding interest income, dividend income and investment income)
3. There are no geographical segments.

Indian Oil Corporation Limited Consolidated Financial Statements

Annexure-2

As required by AS-18, "Related Party Disclosures" are given below:

1. **Relationships:**
   - **A) Joint Venture Companies**
     1) Avi-Oil India Pvt. Ltd
     2) Indian Oiltanking Ltd
     3) Lubrizol India Pvt. Ltd
     4) IndianOil Petronas Pvt. Ltd
     5) Petronet VK Ltd
     6) Petronet CTM Ltd
     7) Petronet CI Ltd
     8) IndianOil Panipat Power Consortium Limited
     9) IndianOil TCG Petrochem Ltd
     10) Petronet India Ltd
     11) Petronet LNG Ltd
     12) ONGIO International Pvt. Ltd
     13) Indian Additives Limited
     14) National Aromatics & Petrochemicals Corp. Ltd.
   - **B) Whole-time Directors**
     1) Shri M.S.Ramachandran
     2) Shri P. Sugavanam
     3) Shri A.M. Uplenchwar
     4) Shri P.K. Aggarwal
     5) Shri N.K. Nayyar (w.e.f. 10.10.2002)
     6) Shri N.R. Raje (w.e.f. 01.01.2003)
     7) Shri Jaspal Singh (w.e.f. 01.04.2003)
     8) Dr. N.G. Kannan (w.e.f. 01.09.2003)
     9) Shri A.K. Mitra (up to 31.08.2003)
     10) Shri A.K. Arora (up to 31.03.2003)
     11) Dr.A.K. Bhatnagar (up to 31.12.2002)
     12) Shri S.V. Narasimhan
     13) Shri K. Narayanan (up to 31.01.2004)
     14) Shri R. Sankaran (w.e.f. 01.01.03)
     15) Shri N.C. Sridharan (w.e.f.05.03.04)
     16) Shri Arun Jyoti (from 19.2.2002)
     17) Shri A.K. Sinha
     18) Shri R.S. Guha (up to 31.12.2003)
     19) Shri B.K. Gogoi
     20) Shri R.M.Hazarika
     21) Shri R.N. Das
     22) Shri R.D. Shira
     23) Shri J.L. Raina (up to 30.11.2003)

2. **The following transactions were carried out with the related parties in the ordinary course of business:**
   - **a) Details relating to parties referred to in Item No. 1(A) above:**

(Rs. in Crore)

	March-04	March-03
i) Sales	**2.50**	8.55
ii) Sale of Land	**0.00**	0.25
iii) Interest Received	**0.01**	0.91
iv) Consultancy Services/Other Income	**31.61**	4.26
v) Purchase of Products	**133.85**	151.22
vi) Purchase of Chemicals / Materials	**0.00**	1.71

Indian Oil Corporation Limited Consolidated Financial Statements

(Rs. in Crore)

	March-04	March-03
vii) Handling Expenses	**34.92**	29.36
viii) Operating and Maintenance Expenses	**0.00**	0.00
ix) Freight Expenses	**4.95**	46.87
x) Reimbursement of Expenses	**3.71**	4.13
xi) Investments made during the year	**71.24**	5.39
xii) Provisions made during the year	**2.57**	7.99
xi) Outstanding Receivables	**165.00**	47.78
xii) Outstanding Payables	**40.82**	23.27

b) Details relating to parties referred to in Item No. 1(B) above:

(Rs. in Crore)

	March-04	March-03
i) Remuneration	**2.06**	2.12
ii) Recovery of Interest & Furniture Hire Charges	**0.01**	0.01
iii) Outstanding loans/advances receivables	**0.16**	0.16
iv) Assets on Hire	**0.17**	0.13

Note:

1. In case of Joint Venture Companies constituted/acquired during the year, transactions w.e.f. date of constitution/acquisition are disclosed.
2. In case of Joint Venture Companies which have been closed/divested during the year, transactions upto the date of closure/disinvestment only are disclosed.
3. No disclosure is required for Subsidiary Companies (such as BRPL, CPCL, ONGIO, IBP) which can be treated as state controlled enterprises (i.e. ownership by Central/State Govt., directly or indirectly, of more than 50% of voting rights, shall be treated as state controlled enterprise).
4. Remuneration includes basic salary, allowances, reimbursements, contribution to P.F. and perquisities (valued as per tax laws).
5. In addition, whole-time Directors are also allowed the use of the Corporation's car for private purposes up to 12,000 kms per annum on a payment of Rs.520/- per mensem for car less than 16 hp or Rs. 780/- per mensem for car of above 16 hp as specified in the terms of appointment.

Indian Oil Corporation Limited Consolidated Financial Statements

Annexure-3

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

1) **Disclosure of Interest in the following categories of Joint Ventures:**

(a) **Jointly Controlled Operations:- The Corporation has entered into production sharing oil and gas exploration contracts with the Govt. of India and other body corporates. These Joint Ventures are:**

Name	**Participating Interest of IOC (%)** 31.03.2004	31.03.2003
IN INDIA		
Under NELP-I Block		
MB-OSN-97/4	30	30
GV-ONN-97/1	30	30
Under NELP-II Block		
MB-DWN-2000/1	15	15
MB-DWN-2000/2	15	15
MB-OSN-2000/1	15	15
MN-OSN-2000/2	20	20
WB-OSN-2000/1	15	15
WB-ONN-2000/1	15	15
GV-ONN-2000/1	15	15
MN-ONN-2000/1	20	20
Under NELP-III Block		
AA-ONN-2001/2	20	20
CR-ON-90/1	35	NA
Others		
BK-CBM-2001/1	20	20
NK-CBM-2001/1	20	20
AAP-ON-94/1	27	27
OUTSIDE INDIA		
FARSI BLOCK, IRAN	40	40
KUWAIT	5	NA

(b) **Jointly Controlled Assets:**

(Rs. In Crore)

Particulars of Assets	Name of Joint Owner	31.03.2004			31.03.2003		
		Original Cost	Accumulated Depreciation & Amortisation	W.D.V.	Original Cost	Accumulated Depreciation & Amortisation	W.D.V.
Land-Freehold	HPC/IBP	1.37	-	1.37	1.37	-	1.37
Land-Leasehold	BPC/IBP	0.78	0.13	0.65	0.78	0.12	0.66
Buildings	HPC	1.14	0.10	1.04	1.05	0.11	0.94
Plant and Machinery	HPC/BPC/IBP/GSFC/ IPCL/ACC/CSIR	87.68	11.26	76.42	87.17	8.20	78.97
Transport Equipment	RAILWAYS	183.05	125.31	57.74	182.35	107.03	75.32
Railway Sidings	HPC/BPC	27.06	8.04	19.02	19.01	6.43	12.58
Drainage,Sewage and Water Supply	GSFC	0.99	0.94	0.05	0.99	0.94	0.05
		302.07	**146.78**	**156.29**	**292.72**	**122.83**	**169.89**

Indian Oil Corporation Limited Consolidated Financial Statements

(c) Jointly Controlled Entities:

	Name	Country of Incorporation	Ownership Interest of IOC(%) 31.03.2004	31.03.2003
(i)	Indian Oiltanking Ltd.	India	50	50
(ii)	Lubrizol India Pvt.Ltd.	India	50	50
(iii)	Petronet VK Ltd.	India	26	26
(iv)	Petronet CI Ltd.	India	26	26
(v)	Petronet CTM Ltd.	India	26	26
(vi)	IndianOil Petronas Pvt. Ltd.	India	50	50
(vii)	IndianOil Panipat Power Consortium Ltd.	India	50	50
(viii)	ONGIO International Pvt. Ltd.	India	50	50
(ix)	Avi-Oil India Pvt.Ltd.	India	25	25
(x)	Petronet India Ltd.	India	16	16
(xi)	Petronet LNG Ltd.	India	12.5	12.5
(xii)	IndianOil TCG Petrochem Ltd.	India	50	50

2) IOC's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities:

(Rs. in Crore)

		31.03.2004	31.03.2003
(i)	Assets		
	- Long Term Assets	**587.91**	528.40
	- Current Assets	**203.33**	124.54
(ii)	Liabilities		
	- Current Liabilities and Provisions	**73.85**	47.84
	- Other Liabilities	**335.26**	309.45
(iii)	Income	**307.02**	278.30
(iv)	Expenses	**271.59**	242.93
(v)	Contingent Liabilities	**18.58**	27.80
(vi)	Capital Commitments	**53.42**	98.69

3) IOC's share in aggregate of Contingent Liabilities and Capital Commitments of Jointly Controlled Operations and Assets:

(Rs. in Crore)

		31.03.2004	31.03.2003
(a)	Jointly Controlled Operations		
	(i) Contingent Liabilities	-	10.26
	(ii) Capital Commitments	**47.20**	53.22
(b)	Jointly Controlled Assets		
	(i) Contingent Liabilities	-	-
	(ii) Capital Commitments	-	-

Indian Oil Corporation Limited Consolidated Financial Statements

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2004

(Rs. in Crore)

		2003-04		2002-03
A. Cash Flow from Operating Activities				
1 Profit Before Tax		**10,960.47**		9,342.23
2 Adjustments for:				
Depreciation	**2,096.61**		1,872.16	
Loss/(Profit) on sale of Assets (Net)	**29.94**		0.89	
Amortisation of Capital Grants	**(0.76)**		(0.91)	
Amortisation of Goodwill	**2.01**			
Amortisation of Voluntary Retirement Compensation	**60.82**		70.11	
Profit on sale of Investments (Net)	**(0.60)**		-	
Provision for Loss in cost of Investment written back	**-**		(200.00)	
Loss on Sale on Investments	**0.12**		46.72	
Unrealised (Gain)/Loss on Foreign Exchange	**-**		-	
Provision for Doubtful Debts, Advances, Claims and Obsolescence of Stores	**45.34**		144.52	
Provision for Loss on investments	**8.70**		0.50	
Interest Income on Investments	**(3.98)**		(217.66)	
Dividend Income on Investments	**(468.22)**		(497.85)	
Interest Expenditure	**525.48**		902.73	
		2,295.57		2,121.21
B. Operating Profit before Working Capital Changes (1+2)		**13,256.04**		11,463.44
C. i) Change in Working Capital: (Excluding Cash & Bank Balances)				
Trade & Other Receivables	**605.37**		(1,479.23)	
Trade & Other Receivables on Consolidation of JV	**-**		(45.55)	
Inventories	**(1,167.74)**		(4,258.85)	
Inventories on Consolidation of JV	**-**		(43.60)	
Trade and Other Payables	**604.50**		1,453.80	
Trade and Other Payables on Consolidation of JV	**-**		61.51	
Change in Working Capital	**42.13**		(4,311.92)	
ii) Unamortised Expenditure on Retirement Benefits	**(32.41)**		(8.70)	
iii) Unamortised Misc. Expenditure on Consolidation of JV	**-**		(6.31)	
		9.72		(4,326.93)
D. Cash Generated from Operations (B+C)		**13,265.76**		7,136.51
E. Less : Taxes paid		**2,560.09**		1,733.45
F. Net Cash Flow from Operating Activities (D-E)		**10,705.67**		5,403.06

IndianOil

Indian Oil Corporation Limited Consolidated Financial Statements

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2004 (Contd.)

(Rs. in Crore)

		2003-04		2002-03
G. Cash Flow from Investing Activities:				
Sale of Assets	**132.00**		70.47	
Sale / Maturity of Investments	**0.38**		5,231.85	
Interest Income on Investments	**3.98**		217.66	
Dividend Income on Investments	**411.71**		497.85	
Purchase of Assets	**(2,268.97)**		(729.43)	
Goodwill on Purchase of Business	**(154.03)**		(435.94)	
Adjustment for Finance Lease Receivable	**23.73**		21.55	
Investments on Consolidation of JVs	**-**		(15.60)	
Acquisition of Controlling Interest in IBP Company Limited			(680.44)	
Investment/Advance for Investments (Net of JV Adjustments)	**(74.27)**		(2.89)	
Expenditure on Construction Work in Progress	**(3,079.77)**		(3,176.39)	
Net Cash used in Investing Activities		**(5,005.24)**		998.69
H. Net Cash Flow From Financing Activities:				
Proceeds from Calls In Arrear/Issue of Shares including Premium	**-**		0.01	
Receipt of Grant for Capital Projects	**-**		0.57	
Long-Term Borrowings on Consolidation of JV	**-**		0.77	
Short-Term Borrowings on Consolidation of JV	**-**		214.98	
Proceeds from Long-Term Borrowings	**(888.32)**		654.44	
Proceeds from/(Repayments of) Short-Term Borrowings	**(1,108.40)**		(4,166.31)	
Interest paid	**(849.15)**		(1,405.26)	
Change in Minority Interest			120.24	
Dividend\Dividend Tax paid	**(2,880.30)**		(1,289.02)	
Net Cash Generated/(Used) from Financing Activities:		**(5,726.17)**		(5,869.58)
I. Net Change in Cash & Cash Equivalents (F+G+H)		**(25.74)**		532.17

Indian Oil Corporation Limited Consolidated Financial Statements

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH 2004 (Contd.)

(Rs. in Crore)

		2003-04	2002-03
J.	Cash & Cash Equivalents as at end of the Financial Year	**1,465.45**	1,491.19
K.	Cash & Cash Equivalents on Consolidation of JV	**-**	25.06
L.	Less: Cash & Cash Equivalents as at the beginning of Financial Year	**1,491.19**	984.08
	NET CHANGE IN CASH & CASH EQUIVALENTS (J+K-I)	**(25.74)**	532.17

Notes:

(Rs. in Crore)

		2003-04	2002-03
1.	Cash and Cash Equivalents include:		
	Cash and Bank Balances		
	As per Balance Sheet	**1465.45**	1491.19
	Unrealised (Gain)/Loss on foreign exchange	**0.00**	0.00
	Total Cash and Cash Equivalents	**1465.45**	1491.19

2. The previous year's figures have been regrouped wherever necessary.

Sd/-
(M. S. Ramachandran)
Chairman

Sd/-
(P. Sugavanam)
Director (Finance)

Sd/-
(R. Narayanan)
Company Secretary

As per our attached Report of even date

SURESH CHANDRA & ASSOCIATES
Chartered Accountants
Sd/-
(S.C. GUPTA)
Partner
M.No. 16534

B.K. KHARE & CO.
Chartered Accountants
Sd/-
(PADMINI B. KHARE)
Partner
M.No. 44784

CHATTERJEE & CO.
Chartered Accountants
Sd/-
(S.K. CHATTERJEE)
Partner
M.No. 3124

Place : New Delhi
Date : June 8, 2004

ANNUAL REPORT
2003-2004

INDIAN OIL BLENDING LIMITED
(A Wholly Owned Subsidiary of Indian Oil Corporation Limited)

Board of Directors

Shri S.K. Swaminathan	Director (w.e.f. 01.10.2003) and designated Director-in-Charge (w.e.f. 01.12.2003)
Shri J.L. Raina	Chairman and Managing Director (up to 30.11.2003)
Shri S.S. Soni	Finance Director
Shri A.K. Mehta	Director
Shri B.R. Choudhury	Director (w.e.f. 25.11.2003)
Shri P.S. Ahluwalia	Director (up to 30.09.2003)
Shri P.K. Biswas	Director (up to 25.11.2003)
Shri Raju Ranganathan	Company Secretary

BANKERS

ICICI Bank
Mumbai and Kolkata

STATUTORY AUDITORS

M/s. N.B. Shetty & Co.,
Chartered Accountants,
14/2, Western India House,
Sir P.M. Road,
Fort, Mumbai – 400 001

REGISTERED OFFICE

Pir Pau, Trombay,
Mumbai – 400 074

HEAD OFFICE

254-C, Dr. Annie Besant Road,
Prabhadevi,
Mumbai – 400 025

PLANTS

Mumbai, Vashi (Navi Mumbai) and Kolkata

Directors' Report

To
The Shareholders,
Indian Oil Blending Limited

On behalf of the Board of Directors, it is my privilege to present the 41st Annual Report on the working of the Company for the financial year ended 31st March, 2004 along with the Audited Statement of Accounts and Auditors' Report thereon.

PHYSICAL/FISCAL PERFORMANCE

	2003-04	2002-03	% Growth
Production (TMT) *	223	233	- 4
Capacity Utilisation (%)	94	98	- 4
Blending Fee Income (Rs. in Lakh)	2957	2920	+ 1
Total Earnings (Rs. in Lakh)	3911	3788	+ 3
Profit Before Tax (Rs. in Lakh)	30	9	+ 233
Profit After Tax (Rs. in Lakh)	57	114	- 50

* Includes Base Oil direct dispatches to customers 66 TMT (2002-03 : 77 TMT).

Your Company could retain the volume both in respect of finished lubricants as well as greases by producing a little over previous year's volume. However, the sizeable drop in production during current year, as per table above, is on account of lower despatch of base oil to customers. During the current year, IOBL received lower indent of finished lubricants by approx. 10 TMT vis-à-vis previous year. This, to an extent, is attributable to shifting of indents for finished lubricants to Asaoti, Silvassa and Taloja plants of IOCL and to a great extent have affected capacity utilisation of IOBL Plants.

The last blending fee revision, which took place in 2001-02, saw massive lowering of process oil fees from Rs. 945/KL to Rs. 200/KL. Since last revision in blending fee, there has been substantial increase in the manpower cost, which contributes nearly 81% of IOBL's operating cost. The mismatch between blending fees for lubricants & greases and actual cost of production to IOBL coupled with lower capacity utilisation put a dent in IOBL's profitability during current year. The pre-tax profit of Rs. 30 lakh (2002-03 : Rs. 9 lakh) has come as a result of one-time compensation of Rs. 4 crore (2002-03 : Rs. 2.82 crore) received from the Holding Company. The company has continued effective monitoring of controllable cost through enforcement of various measures and has been able to contain its controllable cost well within the budget. The lube blending plant at Mumbai, which switched to single shift operation during April 02 in the context of declining indent, have reverted back to two-shift operation effective January 04 with limited activities in the 2nd shift to facilitate augmented blending, shipment debottlenecking and tanker handling for improved productivity.

DIVIDEND AND APPROPRIATION OF PROFIT

Your Directors have recommended a dividend of 30% for the year 2003-2004, which was the rate last year as well. This is the 37th consecutive year of dividend declaration by your Company. Cumulative dividend paid upto last year is Rs. 308.89 lakh as against the original equity capital of Rs. 40 lakh.

The disposable profit of Rs. 57.60 lakh has been appropriated as under:

	(Rs. in Lakh)
Dividend	12.00
Dividend Tax	1.54
Transfer to General Reserve	44.00
Retained Profit	0.06
TOTAL	57.60

EARNINGS PER SHARE AND BOOK VALUE

The Earning Per Share and the Book Value per equity share (Face Value of Rs. 500 each) were as under:

(Rupees)

	2003-2004	2002-2003
Earning Per Share	714	1424
Book Value	95164	94987

The significant reduction in earnings per share during current year is due to fall in profit after tax (PAT). The book value per share has gone up due to increase in the shareholders' fund during the current year.

CONTRIBUTION TO EXCHEQUER

Your Company has made a contribution of Rs.34 lakh (2002-03 : Rs. 36 lakh) to the exchequer during the year, out of which Rs. 2 lakh (2002-03: Rs.1 lakh) was made to the Central Exchequer in the form of Income Tax (MAT).

PROJECTS

Your Company accords very high priority to timely implementation of projects within specific time targets. The equipment in laboratory are also continuously upgraded to give speedy and qualitative customer services. The projects are undertaken keeping in view the operational necessity, quality improvement, safety, security and environmental protection.

Major Projects Completed

- Product Holding Tank at Vashi Grease Plant
- Revamping of Steam System at Mumbai Lube Plant
- Purchase of 1 no. Forklift and 1 no. 100 KVA DG Set for Vashi Grease Plant
- Purchase of Lab Equipment for blending/testing of very small volume greases at Vashi Grease Plant
- 2 nos. Additive Storage Tanks at Kolkata Lube Plant
- 2 nos. 50 KL Pumps for Auto Barrel Filling Machine at Kolkata Lube Plant

Major Ongoing Projects

- Auto Batch Blending of balance 4 nos. blending tanks at Mumbai Lube Plant
- Installation of Auto Gauging System at Kolkata Plant
- Supply, Fabrication and Erection of Chimney at Vashi Grease Plant

Besides the above-mentioned ongoing projects, various other small projects are also in progress, which will improve plant operation and customer satisfaction.

FUTURE OUTLOOK

Indian Oil Corporation Limited, the Holding Company, has proposed to merge your company with it. The merger has been proposed from the point of view of optimal utilisation of IOBL's plant capacity, tax benefits, improved synergies (in procurement of raw materials, production and distribution) and cost effective integrated operations. The Board of Holding Company and IOBL have separately accorded in-principle approval to the merger. Both the Companies being Government Companies, the approval for merger would be finally accorded by the Department of Company Affairs, Government of India. Your Company has also approved the Scheme of Amalgamation encompassing the entire procedure of amalgamation including transfer of rights, liabilities, properties, assets, licenses as well as HR issues relating to manpower, PF, Gratuity etc., for submission to Department of Company Affairs, Govt. of India for further directions in the matter. The Dept. of Company Affairs would thereafter direct both IndianOil and IOBL to convene the meeting of their respective shareholders to approve the scheme of amalgamation.

However, even in the wake of proposed merger, there has been no change in the commitment of your Company to maintain high standards of performance, productivity and quality with a focus on embracing new ideas and learning. The ensuing year will see even greater competition in the lube/grease market. The Company with the inherent strengths, which, inter-alia, includes the available infrastructure and R&D support by the Holding Company is fully geared to meet the blending requirements of the holding Company to enable them to meet the future challenges with superior quality of lubricants.

In furtherance of its mission to create modern technology base for self-reliance, growth and development of business, the Philips Auto Batch Blending System, revived at Mumbai Plant recently, has been planned for revival at Kolkata Plant also in the next year. As a part of revenue earning measure, the Company is under continuous look out for blending on behalf of a third party in view of available excess capacity. In this direction, effort is on for getting business from M/s. IBP Co. Ltd., a subsidiary of IndianOil and in the process of similar merger like IOBL.

QUALITY ASSURANCE AND PRODUCT DEVELOPMENT

All the three plants of the Company have retained ISO-14001 towards Environment Management System and QS 9000 accreditation for Quality Management Systems during the year after Surveillance Audit by the agency. IOBL is a fully integrated ISO certified company with its Head Office having been accredited with ISO-9001-2000 in March 2003.

In addition to above, all the plants are in the process of obtaining NABL (National Accreditation Board for Testing & Calibration Laboratories) accreditation for their laboratories.

All the plant laboratories are equipped with most modern automated equipment to maintain high quality standards of lubricants and greases. The Company is fully geared in a rapidly changing environment using its enhanced strength, which includes strong R&D support, various ISO and QS accreditations and available infrastructure.

ECOLOGY/ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

In pursuit of its commitment to environment protection and preservation of ecological balance, regular testing of storm water drain samples and exhaust gas samples are analysed and report sent to the concerned State Pollution Control Board. The results of analysis were always found to be within the prescribed parameters.

As a part of continuous process towards minimising pollution level, Oil Water Separator is already installed at Mumbai and Kolkata plants which are being continuously monitored for improvement. As already stated, the Company has sustained ISO-14001 Environment Management System accreditation for all three plants during the year. IOBL bagged "Greentech Environment Excellence Silver Award" for the year 2002-03 in Petroleum Sector from Greentech Foundation, New Delhi during the year.

Safety continues to be accorded high priority. The operating practices are continuously upgraded and the Company strictly follows the directives issued by the Oil Industry Safety Directorate (OISD).

Tree plantation in our plants is above prescribed norms of ecology preservation.

Report on Energy Conservation, Technology Absorption and Foreign Exchange Earnings/Outgo

Accelerated growth took place in the field of new technology adoption during last few years, which include automation, e-banking, e-auction of once used containers & scrap materials, Information Technology, computerisation etc. With the implementation of ERP (SAP) at Kolkata and Vashi Plant during current year, all three plants of IOBL are now on SAP. This has put IOBL firmly on road to IT transformation and a technologically advanced Company.

In accordance with the Companies (Disclosures of Particulars in the report of Board of Directors) Rules 1988, a detailed report on energy conservation, technology absorption and foreign exchange earnings/outgo is provided in the Annexure-1.

HUMAN RESOURCES

IOBL's greatest strength is the reservoir of skilled and highly competent team of employees with a strong commitment and ambition for growth. Human Resource Development is key to organisational excellence and in line with this philosophy high priority has been accorded for creation of conducive environment for growth and excellence besides self-improvement of all the employees.

At the end of the year, the employees' strength in IOBL stood at 464 (2003 : 491) comprising of 82 officers (2003 : 90) and 382 workmen (2003 : 401). The Company continues to provide encouragement to developmental activities, quality circles, suggestion scheme etc.

Industrial relations in the Company continued to be cordial and harmonious during the year. IndianOil Day was celebrated on 1st September 2003 and Long Service Awards were distributed.

In line with the existing policies of the Holding Company, IOBL continues to provide comprehensive welfare facilities to all members of the IOBL family. Similar support is also provided to approx. 160 retired employees who are covered under the Post Retirement Medical Attendance Scheme (PRMAS).

WORKERS' PARTICIPATION IN MANAGEMENT

In line with the commitment to the concept of Workers' Participation in the Management, the Company has encouraged Workers' Participation in the Management through establishment of various committees like canteen committee, safety committee, workers' committee, sports committee, hygiene committee etc. which have been functioning productively and satisfactorily.

The Management and Employees manage efficiently the activities of the Provident Fund Trust of IOBL jointly.

WELFARE OF WEAKER SECTIONS

Your Company continues to follow the Presidential Directives regarding the recruitment / promotion of Scheduled Castes/ Scheduled Tribes and other backward classes, ex-servicemen and the physically challenged. A liaison officer looks after the employment and welfare of Schedule Castes/Scheduled Tribes.

Statistical information in the prescribed proforma (VIIA &VIIB) relating to representation of Scheduled Castes/Scheduled Tribes is given in Annexure II.

HINDI IMPLEMENTATION

As a part of national obligation, efforts were intensified for the progressive use and development of Hindi in official work at all its locations in accordance with the Provisions of Official Languages Act (OLA) 1963. Hindi training programmes/ workshops, competitions were conducted. Necessary software support was also extended to encourage the use of Hindi for official work. Quarterly meetings of Hindi implementation committee were held to review the progress made during the year.

PARTICULARS OF EMPLOYEES

The information about particulars of employees u/s 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees (Amendment) Rules, 1999 for the current year has been given in Annexure- III.

ENTERTAINMENT EXPENSES

The entertainment expenses for the year 2003-04 were Rs. 23600/- (Rs. 12800/- in '02-03).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under the new Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

i) that in the preparation of the annual accounts for the financial year ended 31st March 2004, the applicable accounting standards had been followed and there were no material departures;

ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

iii) that the Directors had 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) that the Directors had prepared the accounts for the financial year ended 31st March 2004 on a 'going concern' basis.

BOARD OF DIRECTORS

Shri P.S. Ahluwalia ceased to be Director of the Company with effect from 30.09.2003 upon his superannuating from service and Shri S.K. Swaminathan was appointed Director in his place effective 1st October 2003.

Shri P.K. Biswas ceased to be Director of the Company with effect from 25.11.2003 and Shri B.R. Choudhury was appointed Director in his place.

Shri J.L. Raina, Chairman and Managing Director of the Company, superannuated on 30.11.2003 and Shri S.K. Swaminathan was designated as Director-in-charge of the Company with effect from 1st December 2003.

The following Directors are liable to retire at the conclusion of the next Annual General Meeting and are eligible for re-appointment :

- Shri S.K. Swaminathan
- Shri S.S. Soni
- Shri B.R. Choudhury
- Shri A.K.Mehta

ACKNOWLEDGEMENTS

The Board of Directors wishes to place on record its deep sense of appreciation and gratitude for excellent contributions and leadership provided by Shri J.L. Raina during his tenure as CMD for the progress of IOBL and steering the Board effectively. The Board also places on record its sincere appreciation to the Company's valued internal and external customers and Bankers for their support and confidence reposed on the company. The Board also wishes to place on record their appreciation for the total dedication and whole-hearted efforts made by the employees of the Company as well as of its Holding Company at all levels. The Directors are confident that their sustained efforts will help to achieve better results in the future.

The Board of Directors gratefully acknowledges the valuable guidance and support received from Government and Indian Oil Corporation Ltd., the Holding Company.

The Board places on record its deep appreciation for the significant contribution and excellent guidance rendered by Shri P.S. Ahluwalia and Shri P.K. Biswas during their tenure on the Board of the company.

For and on behalf of
INDIAN OIL BLENDING LIMITED

Sd/-
(S.K. SWAMINATHAN)
DIRECTOR-IN-CHARGE

Mumbai,
Dated : 9th July 2004

ANNEXURE-I

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

- Various recommendations of PCRA, arising out of their Electrical Energy and Thermal Audit of the plants, are under implementation.
- Revamping of Steam System at Mumbai Plant has been completed during the year, which will result into substantial improvements, conservation and optimal utilisation of thermal energy, resulting in savings of LDO.
- Energy saving devices for high mast towers have been installed at Mumbai Plant. During previous year, it was installed for room air conditioners.
- Installation of Capacitor Bank at Vashi Plant.

b) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- The benefit of substantial energy savings are accruing to the Company annually with the installation of energy saving devices for Air conditioners/high mast towers, capacitor banks etc. and also due to revamping of steam system.
- By implementing recommendations of PCRA, there are optimum utilisation of energy and elimination of wasteful practices resulting in substantial savings.

c) Total energy consumption and energy consumption per unit of production.

- Details at Form "A" annexed.

II. TECHNOLOGY ABSORPTION

d) Efforts made in technology absorption:

- Details at Form "B" annexed.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

e) Activities relating to exports/initiatives taken to increase exports; development of new export markets for products and services; export plans:

- As all products processed by the Company are marketed by its Holding Company, Indian Oil Corporation Ltd., the Company does not have any sales (including exports) activities.

f) Total foreign exchange used and earned:

- During the year, no foreign exchange was earned. However, there is a foreign exchange outgo of Rs. 4.36 lakh towards revenue and capital expenditure.

FORM "A"
(See Rule - 2)

Form for disclosure of particulars with respect to Conservation of Energy

A. POWER & FUEL CONSUMPTION

	2003-2004	2002-2003
1. ELECTRICITY		
a) Purchased :		
Unit (KW)	**31,97,920**	30,10,342
Rate / Unit (Rupees)	**5.30**	5.41
Total amount (Rs. in Lakh)	**169.61**	162.83
b) Own Generation		
i) Through Diesel Generators		
Unit (KW)	**47,632**	42,570
Unit/Ltr. of diesel oil	**2.85**	3.08
Cost/Unit	*	*
ii) Through Steam Turbine/ Generator	-	-
2. COAL	-	-
3. FURNACE OIL/LDO		
Quantity (KL)	**836.02**	782.38
Total amount (Rs. in Lakh)	*	*
Average rate (Rs./KL)	*	*
4. OTHER /INTERNAL GENERATION	-	-

* Fuel Oils are received from the Holding Company, IOCL, on stock transfer basis.

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCTS	**2003-2004**	**2002-2003**
Electricity (KW/Ton)	**14.63**	13.11
FO LDO (Ltr/Ton)	**3.74**	3.36
Coal (Specify Qty)	-	-
Others (Specify)	-	-

FORM "B"
(See Rule - 2)

Form for disclosure of particulars with respect to Technology Absorption, Research & Development

RESEARCH & DEVELOPMENT (R&D)

The R&D work pertaining to lube oils and greases is fully carried out by the R&D Centre at Faridabad by the Holding Company – Indian Oil Corporation Ltd.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

With a view to improve product quality and productivity, IOBL has been making efforts to absorb new technology. Major steps taken in this direction are as under:

1. **Upgradation of Information Technology**

   IOBL has been making remarkable achievements in the IT sector during past couple of years, which have put the Company a solid growth path.

   - Started e-Banking for total fund management amongst all the units at Mumbai and Kolkata using on-line electronic transaction processing system (OLTP).
   - As a part of on-going ERP implementation across the Holding Company under Project Manthan, IOBL' Kolkata and Vashi Plants have gone live on the latest, state-of-the-art SAP R/3. IOBL's Mumbai Plant had already implemented SAP during 2003.
   - Online payment and accounting system (Integrated Business Solutions or IBS) was implemented at its HO during previous year in line with the same prevailing at its Holding Company. It covers the entire gamut of Financial Accounting starting from online voucher preparation to generation of Balance Sheet.
   - The latest payroll package, developed on Oracle platform by the Holding Company has been implemented at HO during the previous year in replacement of IOBL's existing package in a bid to modernise and streamline the activities and centralise the payroll activity at HO.
   - In its endeavour to embrace e-commerce more and more, IOBL adopted the system of e-auction for disposal of surplus/scrap materials including barrels and containers through M/s. MSTC by entering into corporate contract in Nov'03 for all its plants.

2. **Upgradation of Communication Facilities**

   - Lotus Notes Mailing System has been implemented during the year at all plants and at HO, which will result into significant saving in communication expenses besides faster communication/data transmission with the Holding Company and outside world and usage of other groupware packages already developed.
   - IOBL's website, having independent domain name and e-mail facility, is continuously upgraded for latest business information.
   - IOBL plant at Kolkata and Head Office are connected with IP telephones and the system has been hooked with the Holding Company's network. This has resulted into huge saving in communication expenses besides the flexibility of exchange of database through this medium.

3. **Future Plans for Technology Adoption**

   - Installation of Auto Batch Blending System at Kolkata Plant is under implementation.
   - Auto Gauging System for Base Oil tanks and Additive tanks at Kolkata Plant has been planned for the fiscal year 2004-2005.

ANNEXURE-II

SC/ST/OBC REPORT-I

Annual Statement showing the representation of SCs, STs and OBCs as on 1st January 2004 and number of appointments made during the preceding calendar year

	Representation of SCs/STs/OBCs (as on 01/01/2004)				Number of appointments made during the calendar year 2003									
					By direct recruitment				By promotion			By deputation/ absorption		
Group	Total No. of employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A	85	9	2	2	-	-	-	-	-	-	-	-	-	-
B	109	14	8	-	-	-	-	-	-	-	-	-	-	-
C	266	63	25	-	-	-	-	-	8	-	-	-	-	-
D (Excluding sweeper)	10	1	2	-	-	-	-	-	28	5	6	-	-	-
D (Excluding sweeper)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**470**	**87**	**37**	**2**	-	-	-	-	**36**	**5**	**6**	-	-	-

SC/ST/OBC REPORT-II

Annual statement showing the representation of SCs, STs and OBCs in various Group A services as on 1st January 2004 and number of appointments made in their service in various grades in the preceding calender year

	Representation of SCs/STs/OBCs (as on 01/01/2004)				Number of appointments made during the calendar year 2003									
					By direct recruitment				By Promotion			By deputation/ absorption		
Pay Scale (in Rupees)	Total No. of employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
12000-17500	20	4	-	1	-	-	-	-	1	-	-	-	-	-
13750-18700	27	1	1	1	-	-	-	-	6	-	-	-	-	-
16000-20800	14	2	1	-	-	-	-	-	2	-	-	-	-	-
17500-22300	7	-	-	-	-	-	-	-	3	-	-	-	-	-
18500-23900	10	1	-	-	-	-	-	-	4	1	-	-	-	-
19000-24750	5	1	-	-	-	-	-	-	2	1	-	-	-	-
19500-25800	1	-	-	-	-	-	-	-	-	-	-	-	-	-
20500-26500	1	-	-	-	-	-	-	-	-	-	-	-	-	-
23750-28550	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**85**	**9**	**2**	**2**	-	-	-	-	**18**	**2**	-	-	-	-

ANNEXURE-III

Statement showing the particulars of employees who are/were in receipt of remuneration of not less than Rs. 24,00,000/- per annum during the Financial Year 2003-04 or not less than Rs. 2,00,000/- per month during part of the year

Sl No.	Name	Emp No	Age	Last Employment	Date of commencement of employment in IOCL/ IOBL	Designation	Qualification	Experience (Years)	L/Enc	Gra	Sal Ear	Ex-gratia	Misc (oth)	Total Earning (Gross) (Rs)	E/Month
1	S. Balashankar	70258	57	-	21.02. 1974	CITM	M.Sc (Instrumentation)	30	244350	350000	529604	1617546	333877	2725377	272538

Auditors' Report

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Indian Oil Blending Limited, as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date 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.

We conducted our audit in accordance with 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. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also included 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.

1. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order, as far as applicable to the Company.

2. Further to our comments in the Annexure referred to in paragraph (1) above,

   a) 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.

   b) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as it appears from our examination of these books.

   c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.

   d) In our opinion, the Balance Sheet and the Profit & Loss Account, dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   e) On the basis of the written representations received from the directors of the company as on 31.3.2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Statement of Accounting Policies (Schedule "L"), Notes on the Accounts (Schedule "M") and other Schedules ("N" to "R") 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 the affairs of the Company as on 31st March 2004, and

      ii) In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.

For N. B. Shetty & Co.
Chartered Accountants

Sd/-
(Devdas. V. Bhat)
Partner

Place : Mumbai
Dated : 21st May 2004

Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 1 of our Report to the members of Indian Oil Blending Limited on the accounts for the year ended 31st March 2004, we report that:

1) a) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.

b) We are informed that major portion of the fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of fixed assets is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.

c) Fixed Assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

2) a) The company does not hold any stock of Raw Materials and Finished Goods, except stock of consumables and maintenance stores & spares.

b) The procedures for physical verification of stock of consumables and maintenance stores & spares by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

c) The Company has maintained proper records of stock of consumables and maintenance stores & spares. No material discrepancies were noticed between physical stock of consumables and maintenance stores & spares and the book stock.

3) a) The Company has not granted or taken any loans, secured or unsecured to or from any companies, firms or other parties covered under the register maintained under Section 301 of the Companies Act, 1956.

b) As the company has not granted or taken any loans, covered under the register maintained under Section 301 of the Companies Act, 1956, clause 3 (b), (c), (d) of the CARO, 2003 are not applicable to the Company.

4) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of equipments, fixed assets and stores & spares. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.

5) In our opinion, and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956.

6) The Company has not accepted any deposits from the public within the meaning of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed thereunder.

7) The Company has an Internal Audit System commensurate with the size of the Company and nature of its business.

8) We are informed that detailed record pertaining to labour cost, power and fuel, consumable stores etc., are maintained as prescribed in Proforma-G of the Notification Vide No. GSR 686 (E) dated 8th October 2002 issued by the Ministry of Finance and Company Affairs under the provisions of Section 209(1)(d) of the Companies Act, 1956 as it applies to the activities carried out 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 accounts, the Company has been generally regular in depositing undisputed statutory dues including provident fund, income tax, and any other applicable statutory dues during the year with the appropriate authorities. However, as at 31st March 2004, there are no undisputed dues payable for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no amounts in respect of income tax, sales tax that have not been deposited with the appropriate authorities on account of any dispute. However, an amount of Rs. 9.62 lakh and interest, if any, has been disclosed as contingent liability in respect of appeals by Income Tax Department which is pending with the CIT (Appeals).

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 immediately preceding such financial year.

11) The Company has not taken any loans or advances from any Financial Institution or Bank or by way of debenture.

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 except to its employees for construction/purchase of residential accommodation and vehicle against mortgage/hypothecation deed as per laid down policy of the Company.

13) The Company is not a chit fund/nidhi/mutual benefit fund/ society.

14) The Company is not dealing or trading in shares, securities, debentures and other investments.

15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.

16) The Company has not applied for term loans during the year.

17) The Company has not raised any funds on short term basis during the year.

18) There are no parties or companies of the nature required to be covered in the register maintained under section 301 of the Companies Act, 1956. Hence, the question of preferential allotment of shares to them does not arise.

19) The Company did not issue any debentures. Therefore, the question of creation of any securities does not arise.

20) The Company has not raised any money by public issues during the year.

21) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For N. B. Shetty & Co.
Chartered Accountants

Sd/-
(Devdas. V. Bhat)
Partner

Place : Mumbai
Dated : 21st May 2004

BALANCE SHEET as at 31st March 2004

(Rupees)

	Schedule		March 2004	March 2003
SOURCES OF FUNDS:				
1. Shareholders' Funds				
a) Share Capital	"A"	**4000000**		4000000
b) Reserves and Surplus	"B"	**699741268**		695381819
			703741268	699381819
2. Deferred Tax Liability			**57573000**	60517000
TOTAL			**761314268**	759898819
APPLICATION OF FUNDS:				
1. Fixed Assets				
a) Gross Block	"C"	**753409492**		740244447
b) Less: Depreciation		**362911302**		327372679
c) Net Block		**390498190**		412871768
d) Capital Work-In-Progress	"D"	**9289695**		12199578
			399787885	425071346
2. Current Assets, Loans and Advances				
a) Inventories	"E"	**1422431**		1694883
b) Book Debts	"F"	**184258352**		186985053
c) Cash and Bank Balances	"G"	**6485220**		7339613
d) Other Current Assets - Interest accrued on Bank Deposits		**2822670**		2003562
e) Loans and Advances	"H"	**293397114**		253678161
		488385787		451701272
3. Less: Current Liabilities and Provisions	"I"			
i) Current Liabilities		**111089178**		107681347
ii) Provisions		**36478816**		36844594
		147567994		144525941
4. Net Current Assets (2-3)			**340817793**	307175331
5. Miscellaneous Expenditure (to the extent not written off or adjusted)	"I-1"		**20708590**	27652142
TOTAL			**761314268**	759898819
Statement of Significant Accounting Policies	"L"			
Notes on Accounts	"M"			
Other Schedules forming Part of Accounts	"N"to"R"			

Place : Mumbai
Dated : 21st May 2004

Sd/-
(S.K. Swaminathan)
Director-In-Charge

Sd/-
(S.S. Soni)
Finance Director

Sd/-
(R. Ranganathan)
Company Secretary

As per our Report attached of even date

N.B. Shetty & Co.
Chartered Accountants

Sd/-
(Devdas V. Bhat)
Partner

Place : Mumbai
Dated : 21st May 2004

PROFIT & LOSS ACCOUNT for the year ended 31st March 2004

(Rupees)

	Schedule		March 2004	March 2003
INCOME:				
1. Blending and Processing Charges		**295746032**		292007343
Less: Operational Loss		**72733**		67258
			295673299	291940085
2. Reimbursement in lieu of Blending/Processing Chgs.			**82270319**	66806243
3. Interest and Other Income	"J"		**13110638**	20084477
TOTAL			**391054256**	378830805
EXPENDITURE:				
1. Manufacturing, Administration and Other Expenses	"K"		**350953637**	340962223
2. Depreciation and Amortisation			**37100820**	36947142
TOTAL			**388054457**	377909365
PROFIT/(LOSS) FOR THE YEAR			**2999799**	921440
Income /(Expenditure) relating to Prior Period (Net)			**0**	0
PROFIT/(LOSS) BEFORE TAX			**2999799**	921440
Provision for Current Tax (Net)			**230600**	(2335672)
PROFIT/(LOSS) BEFORE DEFERRED TAX			**2769199**	3257112
Provision for Deferred Tax			**(2944000)**	(8136000)
PROFIT/(LOSS) AFTER TAX			**5713199**	11393112
Balance brought forward from Last Year's Account			**47281**	107919
DISPOSABLE PROFIT:			**5760480**	11501031
APPROPRIATIONS:				
1. Proposed Dividend			**1200000**	1200000
2. Tax on Proposed Dividend			**153750**	153750
3. General Reserve			**4400000**	10100000
4. Balance carried to Balance Sheet			**6730**	47281
TOTAL			**5760480**	11501031
Earning Per Share (Rupees)	"M" (Note no.7)		**714.15**	1424.14
Statement of Significant Accounting Policies	"L"			
Notes on Accounts	"M"			
Other Schedules Forming Part of Accounts	"N"to"R"			

Place : Mumbai
Dated : 21st May 2004

Sd/-
(S.K. Swaminathan)
Director-In-Charge

Sd/-
(S.S. Soni)
Finance Director

Sd/-
(R. Ranganathan)
Company Secretary

As per our Report attached of even date

N.B. Shetty & Co.
Chartered Accountants

Sd/-
(Devdas V. Bhat)
Partner

Place : Mumbai
Dated : 21st May 2004

SCHEDULE "A" - SHARE CAPITAL

	March 2004	(Rupees) March 2003
Authorised		
8,000 Equity Shares of Rs.500/- each	**4000000**	4000000
Issued and Subscribed		
8,000 Equity Shares of Rs.500/- each fully paid (the entire Share Capital is held by Indian Oil Corporation Limited, the Holding Company and its Nominees)	**4000000**	4000000
TOTAL	**4000000**	4000000

SCHEDULE "B" - RESERVES AND SURPLUS

		March 2004	(Rupees) March 2003
1) **General Reserve**			
As per Last Account	**695334538**		709080538
Less:Deferred Tax Liability	**0**		23846000
Add : Transferred from Profit & Loss Account	**4400000**		10100000
		699734538	695334538
2) **Profit and Loss Account As per annexed Account**		**6730**	47281
TOTAL		**699741268**	695381819

SCHEDULE "C" - FIXED ASSETS

(Rupees)

	Note	At Cost: Gross Block as at 1.4.2003	Additions during the year	Transfers from Construction Work-in-progress	Disposals during the year	Transfers/ Deductions/ Reclassifications	Gross Block as at 31.3.2004	Depreciation and Amortisation charged this year	Total Depreciation and Amortisation up to 31.03.2004	Net Depreciated Block As at 31.3.2004	Net Depreciated Block As at 31.3.2003
Land Leasehold		8006000	0	0	0	0	**8006000**	75018	1591950	**6414050**	6489068
Office/Factory Building	"A"	109063082	0	0	0	(1001066)	**108062016**	2911491	34935311	**73126705**	77530929
Residential Flats	"B"	162336	0	0	0	0	**162336**	2648	74090	**88246**	90892
Drainage/Sewage		4248054				(513972)	**3734082**	164415	938529	**2795553**	3303826
Railway Sidings		2173731	0	0	0	(339126)	**1834605**	0	1742875	**91730**	306014
Plant & Machinery		580568118	2273030	7708562	424778	(14576921)	**575568011**	28044301	283317253	**292250758**	309051860
Furnitures, Fixtures & Office Equipment	"C"	18648638	3736651	1429795	803959	15500536	**38511661**	3889306	28500699	**10010962**	10168014
Transport Equipment		17354488	723748	0	547455	0	**17530781**	1013643	11810595	**5720186**	5931165
TOTAL		**740244447**	**6733429**	**9138357**	**1776192**	**15500536**	**753409492**	**37100820**	**362911302**	**390498190**	**412871768**
Previous Year		665647760	74426712	1953357	329278	(1454104)	740244447	36947142	327372679	412871768	373475930

Note:

A. Includes a Compound Wall jointly owned with Herdilia Unimers Limited as detailed below :

- Share of Original Cost : **Rs. 130706** (2003:Rs. 130706)
- Accumulated Depreciation : **Rs. 36016** (2003:Rs. 29581)
- Written Down Value : **Rs. 94690** (2003:Rs. 99055)

B. Residential flats include Rs. 3500 (2003:Rs. 3500) towards value of 70 (2003:70) shares in Co-operative Housing Society towards membership of such society for purchase of flat.

C. The Assets transferred from Indian Oil Corporation Limited, the Holding Company, consequent to transfer of employees have been accounted at original cost to the Holding Company.

SCHEDULE "D" - CAPITAL WORK-IN-PROGRESS

	March 2004	(Rupees) March 2003
1. Work-in-Progress	**9119865**	12029748
2. Advances for Capital Expenditure	**0**	0
3. Capital Stores	**169830**	169830
TOTAL	**9289695**	12199578

SCHEDULE "E" - INVENTORIES

	March 2004	(Rupees) March 2003
In Hand		
Stores, Spares etc.	**1422431**	1694883
TOTAL	**1422431**	1694883

SCHEDULE "F" - BOOK DEBTS

	March 2004	(Rupees) March 2003
1. Over Six Months	**0**	0
2. Other Debts		
Unsecured, Considered Good		
- Due from Indian Oil Corporation Limited, the Holding Company	**184258352**	186985053
TOTAL	**184258352**	186985053

SCHEDULE "G" - CASH AND BANK BALANCES

		March 2004	(Rupees) March 2003
1. Cash Balances			
a) Cash balances including Imprest	**218527**		259299
b) Cheques in hand	**0**		0
		218527	259299
2. Bank Balances with Scheduled Banks			
a) Current Account	**1311743**		2125364
b) Fixed Deposit lodged with Outside Party	**4954950**		4954950
		6266693	7080314
TOTAL		**6485220**	7339613

SCHEDULE "H" - LOANS AND ADVANCES

	Note			March 2004	(Rupees) March 2003
1. Advances Recoverable in Cash or in Kind or for Value to be received	**"A"**				
a) Secured, Considered Good			**58486671**		65901072
b) Unsecured, Considered Good					
- Due from Indian Oil Corporation Limited, the Holding Company		**140594721**			101257093
- Others		**82595772**			74577180
			223190493		175834273
				281677164	241735345
2. Sundry Deposits (Including amount adjustable on receipt of final bills)					
a) Secured Considered Good			**0**		0
b) Unsecured, Considered Good			**5955261**		5955261
				5955261	5955261
3. Advance Tax (Net)				**5764689**	5987555
TOTAL				**293397114**	253678161

Note "A" : Includes :

	March 2004	March 2003
1. Due from Directors	**NIL**	10260
Maximum amount during the year	**10260**	92000
2. Due from other officers	**NIL**	2333000
Maximum amount during the year	**NIL**	2975000

SCHEDULE "I" - CURRENT LIABILITIES AND PROVISIONS

			March 2004	March 2003
				(Rupees)
1.	**Current Liabilities**			
	a) Sundry Creditors *		7560964	6801606
	b) Other Liabilities		96431914	95102533
	c) Security Deposits	7076298		5777208
	Less: Investment and Deposits with Banks lodged by Outside Parties	0		0
			7076298	5777208
	Total Current Liabilities :		111069176	107681347
2.	**Provisions**			
	a) Provision for Retirement Benefits		35125068	35490844
	b) Provision for Taxation	9792368		9551768
	Less : Advance Tax Paid	9792368		9551768
			0	0
	c) Proposed Dividend	1200000		1200000
	Tax on Proposed Dividend	153750		153750
			1353750	1353750
	Total Provisions :		36478818	36844594
	Total Current Liabilities & Provisions		147547994	144525941

* Amount due to Small Scale Industrial Undertaking - Nil. As certified by the Management and relied upon by the Auditors.

SCHEDULE "I-1" - MISCELLANEOUS EXPENDITURE

	March 2004	March 2003
		(Rupees)
Deferred Revenue Expenditure		
Voluntary Retirement Compensation As per Last Accounts	27652142	39417690
Add: Expenditure during the year	6027496	0
Less: Amortised during the year	12971048	11765548
	20708590	27652142

SCHEDULE "J" - INTEREST AND OTHER INCOME

			March 2004	March 2003
				(Rupees)
1.	Interest On			
	a) Loans and Advances	4971491		6947189
	b) Fixed Deposits with Banks	819108		2548367
			5790599	9495556
2.	Profit on Sale and Disposal of Assets		141509	20114
3.	Unclaimed / Unspent Liabilities written back		2068893	1824802
4.	Provision no longer required written back		948608	4237751
5.	Recoveries from Employees for rent etc.		3624762	3862664
6.	Sale of Scrap etc.		393691	269169
7.	Other Miscellaneous Income		142356	374421
	TOTAL		13110638	20084477

SCHEDULE "K" - MANUFACTURING, ADMINISTRATION AND OTHER EXPENSES

				(Rupees)
			March 2004	**March 2003**
1.	Consumption of Stores, Spares and Consumables		**1748125**	1551958
2.	Power, Fuel and Water		**18269114**	17672922
3.	Repairs and Maintenance			
	a) Plant and Machinery	**12269950**		8857303
	b) Building	**3089999**		5927099
	c) Others	**6112166**		3836158
			20470625	18620560
4.	Handling Expenses		**5873329**	5142682
5.	Payments to and provisions for employees			
	a) Salaries, Wages, Bonus etc *	**166240047**		158172353
	b) Contribution to Provident Fund and Other Funds	**21690142**		20330770
	c) Staff Welfare Expenses	**58391371**		47481072
	d) Amortisation of Vol. Retirement Compensation	**12971046**		11765548
			245532606	237749743
6.	Office Administration and other expenses "K-1"		**58959636**	60224358
	TOTAL		**350953637**	340962223

* Includes Rs. 58,150/- for prior year (2002-03 - Nil) on account of enhancement of allowances & benefits etc. to officers w.e.f. 01.10.2001.

SCHEDULE "K-1" - OFFICE ADMINISTRATION AND OTHER EXPENSES

				(Rupees)
			March 2004	**March 2003**
1.	Rent		**32130059**	30849226
2.	Insurance		**1465392**	1249481
3.	Rates and Taxes		**3139617**	3494808
4.	Payment to Auditors			
	a) Audit Fees	**54000**		54000
	b) Tax Audit Fees	**10800**		11340
	c) Other Services	**0**		0
	d) Out of Pocket Expenses	**19820**		9820
			84620	75160
5.	Travelling and Conveyance *		**9594043**	8242318
6.	Communcation Expenses		**2236614**	1844317
7.	Printing and Stationery		**707037**	815638
8.	Bank Charges		**8578**	27884
9.	Loss on Assets Sold, Lost or Written Off		**275404**	152633
10.	Security Force Expenses		**2178127**	1919994
11.	Pollution Control Expenses		**165209**	407994
12.	Other Expenses		**6955136**	11144905
	TOTAL		**58959636**	60224358

* Includes Rs. 4.14 lakh for prior year (2002-03 - Nil) on account of enhancement of DA, transfer benefits etc. to officers w.e.f. 01.10.2001.

SCHEDULE "L" - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. FIXED ASSETS:

1.1 Land:

Land acquired on lease for over 99 years and on perpetual lease is treated as freehold land.

1.2 Construction Period Expenses on Projects:

Revenue expenses exclusively attributable to projects incurred during construction period are capitalised. However, such expenses in respect of capital facilities being executed along with production/operations simultaneously, are charged to revenue.

Financing cost incurred during the construction period on loans specifically borrowed for projects is capitalised at the actual borrowing rates.

1.3 Depreciation/Amortisation:

1.3.1 Cost of leasehold land for 99 years or less is amortised during the lease period.

1.3.2 Assets costing upto Rs.5,000/- are depreciated fully in the year of capitalisation.

1.3.3 Depreciation on fixed assets is provided in accordance with the rules as specified in Schedule XIV to the Companies Act, 1956, on Straight Line Method, upto 95% of the cost of asset. Depreciation is charged pro-rata on quarterly basis on assets from/upto the quarter of capitalisation/sale, disposal and dismantled during the year.

2. EXCHANGE RATE:

Current Assets, Current Liabilities for foreign credit outstanding at the year end are translated at exchange rate applicable as of that date. The resultant exchange gains and losses, except those relating to acquisition of fixed assets which are adjusted to the cost of such assets till they are fully depreciated, are accounted in the Profit & Loss Account.

3. CURRENT ASSETS, LOANS & ADVANCES:

Value of Inventories (Stores & Spares) :

Stores and Spares (including capital stores) are valued at weighted average cost. In case of declared surplus/obsolete stores and spares, provision is made for likely loss on sale/disposal and charged to revenue.

4. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS:

4.1 Contingent Liabilities are disclosed in each case above Rs.5 lakh. Show Cause Notices issued by various Government Authorities are not considered as contingent liabilities. However, when the demand notices are raised against such Show Cause Notices after considering the Company's views, these demands are either paid or treated as liabilities, if accepted by the Company and are treated as contingent liabilities, if disputed by the Company.

4.2 Estimated amount of contracts remaining to be executed on capital account are disclosed in each case exceeding Rs. 5 lakh.

5. PROFIT & LOSS ACCOUNT:

5.1 Blending/Processing Income is accounted based on volume of products blended / manufactured / filled.

5.2 Retirement Benefits:

5.2.1 Payment of gratuity is made through a Trust. The amount is contributed to LIC as per the actuarial valuation by LIC at the end of the year and is charged to Profit & Loss Account.

5.2.2 Liability towards leave encashment, post retirement medical benefit and resettlement allowance to employees as at the end of the year is assessed on the basis of actuarial valuation and provided for.

5.2.3 Expenditure incurred on Voluntary Retirement Schemes is treated as Deferred Revenue Expenditure and is amortised over a period of five years beginning from the year in which expenditure is incurred.

5.3 Prepaid expenses upto Rs. 0.50 lakh in each case are charged to Revenue.

5.4 Income and Expenditure upto Rs. 5 lakh in each case pertaining to previous years are accounted for in the current year.

5.5 Claims are accounted when there is certainty that the claims are realisable.

Sd/-	Sd/-	Sd/-
(S.K. Swaminathan)	**(S. S. Soni)**	**(R. Ranganathan)**
Director-In-Charge	Finance Director	Company Secretary

Place : Mumbai
Date : 21st May 2004

SCHEDULE "M" - NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2004

1. **CONTINGENT LIABILITIES:**
   (a) Claims against the Company not acknowledged as debts – Rs. 33.32 Lakh (2003 : Rs. 33.32 Lakh). These include:
      (i) Rs. 9.62 Lakh (2003 : Rs. 9.62 Lakh) in respect of appeals by Income Tax Department. Interest, if any, on some of the claims is unascertainable.
      (ii) Rs. 23.70 Lakh (2003 : Rs. 23.70 Lakh) for which suits have been filed against the Company for compensation/ damages.
      (iii) Suits filed against the Company for permanent employment by contract labourers. The liability to the company is indeterminable.
2. Estimated amount of contract remaining to be executed on Capital Account and not provided for - Rs. 58.66 Lakh (2003 : Rs. 24.82 Lakh).
3. Lease Agreement in respect of land at Vashi Plant of the gross value of Rs. 80.06 Lakh (2003 : Rs. 80.06 Lakh) is pending for execution and is, therefore, not available for verification.
4. Remuneration paid/payable to whole time Chairman and Managing Director from April 2003 to November 2003.

		(Rs. in Lakh)
	2003-04	2002-03
(i) Salaries & Allowances	**13.05**	6.93
(ii) Contribution to Provident & Other Funds	**1.96**	1.34
(iii) Other Benefits and Perquisites	**0.55**	0.75
Total	**15.56**	9.02

In addition, CMD was also allowed the use of Company's car for private purpose upto 12000 kms per annum on a payment of Rs.400 per mensem for car less than 16 hp. CMD superannuated on 30th November 2003.

5. In line with the Accounting Policy of the Company, expenditure incurred on account of Voluntary Retirement Scheme towards ex-gratia and monthly payments to the retired employees was provided for in the accounts during previous years. 1/5th of this amounting to Rs. 1,29,71,048/- has been amortised and charged to Profit & Loss Account during the year and the balance amount of Rs. 2,07,08,590/- has been carried forward as "Deferred Revenue Expenses" to be amortised in the subsequent years.
6. Effective current year, liability has been provided for Leave Travel Concession remaining un-availed by employees and corresponding expenses booked under "Staff Welfare Expenses" (Schedule-"K") to the tune of Rs. 32.71 Lakh. Such expenditure had been accounted for till 31.03.2003 on the basis of actual availment.
7. In compliance of Accounting Standard –20 on "Earning Per Share", issued by The Institute of Chartered Accountants of India, the elements considered for calculation of Earning Per Share are as under :

	March-04	March-03
Profit After Tax (Rupees)	**57,13,199**	113,93,112
Total number of Equity Shares	**8,000**	8,000
Earning Per Share (Rupees)	**714.15**	1424.14

8. In compliance of Accounting Standard (AS-22) on "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, the Company has provided Deferred Tax Liability in the books, element-wise break-up as on 31st March 2004 is as under:

		(Fig. in Rupees)
	As on 31.03.04	As on 31.3.03
A. Deferred Tax Liability:		
i. Depreciation	**7,57,52,000**	7,34,24,000
B. Deferred Tax Assets:		
i. Provision for retirement benefits	**1,26,01,000**	1,27,32,000
ii. 43 B Disallowances	**1,79,000**	1,75,000
iii. Unabsorbed Loss	**53,99,000**	–
C. Deferred Tax Liability (Net):	**5,75,73,000**	6,05,17,000

9. In compliance of Accounting Standard (AS-18) on "Related Party Disclosure" issued by The Institute of Chartered Accountants of India, the required information is given as per **Annexure I** to this Schedule.
10. Previous year's comparative figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in parenthesis indicate deductions.

Sd/-	Sd/-	Sd/-
(S.K. Swaminathan)	**(S.S. Soni)**	**(R. Ranganathan)**
Director-In-Charge	Finance Director	Company Secretary

Place : Mumbai
Date : 21st May 2004

SCHEDULE "N" - LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

	2004			2003		
	LUBES		GREASES	LUBES		Greases
	IN SU	IN MT Equivalent	MT	IN SU	IN MT Equivalent	MT
Licenced Capacity	**250000**	**224417**	**14000**	250000	224417	14000
Installed Capacity*	**250000**	**224417**	**14000**	250000	224417	14000
Actual Production	**234762**	**210738**	**12607**	245807	220653	12227

* (As certified by the Management and accepted by the Auditors without verification).

SCHEDULE "O" - FINISHED PRODUCTS - QUANTITY AND VALUE PARTICULARS

	2004			2003		
	QUANTITY			QUANTITY		
	IN SU	IN MT Equivalent	Value Rupees	IN SU	IN MT Equivalent	Value Rupees
Lubes	**234762 KL**	**210738**	**235884069**	245807 KL	220653	233927805
Greases	**12607 MT**	**12607**	**59861963**	12227 MT	12227	58079538
TOTAL		**223345**	**295746032**		232880	292007343

NOTES:

The Company has not purchased or consumed any raw materials during the year. There is no opening or closing stock of finished goods. The Company processes materials received by it from Indian Oil Corporation Limited, the Holding Company, as mentioned in the Schedule above. The Value represents Blending Fee received from the Holding Company.

SCHEDULE "P" - CONSUMPTION OF STORES, SPARES AND CONSUMABLES DURING THE YEAR

	2004		2003	
	Rupees	% to Total Consumption	Rupees	% to Total Consumption
Imported	**38447**	**2**	34777	2
Indigenous	**1709678**	**98**	1517181	98
TOTAL	**1748125**	**100**	1551958	100

SCHEDULE "Q" - EXPENDITURE IN FOREIGN CURRENCY

(Rupees)

	2004	2003
Books and Periodicals	**0**	78208
Others	**76609**	117791
TOTAL	**76609**	195999

SCHEDULE "R" - C I F VALUE OF IMPORTS

(Rupees)

	2004	2003
Chemicals and Revenue Stores	**359791**	33210
Capital Goods	**0**	35029687
TOTAL	**359791**	35062897

ANNEXURE-I

SCHEDULE OF "RELATED PARTY DISCLOSURE" AS REQUIRED UNDER AS-18

1. **Relationship:**

   A) **Holding Company**
   M/s. Indian Oil Corporation Limited.

   B) **Whole-time Director**
   Shri. J.L.Raina (Superannuated from service on 30.11.2003).

2. **The following transactions were carried out with related parties in the ordinary course of business:**

		(Rs. in Lakh)
2 (a)	Details relating to parties referred to in item no. 1 (A) above :	
i)	Blending & Processing Fees (Net of Operational Loss)	2956.73
ii)	Outstanding Receivables	3248.53
2 (b)	Details relating to parties referred to in item no. 1 (B) above :	
i)	Remuneration	15.01
ii)	Other benefits/perquisites	0.55

Note:

1. Remuneration includes Basic, allowances, contribution to PF and other funds and perquisites (valued as per tax laws).
2. In addition, whole-time director was also allowed the use of company's car for private purpose upto 12000 Kms per annum on a payment of Rs.400 per mensem for car less than 16 hp.

ANNEXURE-II

PROFORMA G

NAME OF THE COMPANY : **INDIAN OIL BLENDING LIMITED**

STATEMENT SHOWING THE SUMMARY OF COST OF PRODUCTION FOR THE YEAR ENDING 31.03.2004.

NAME OF THE PRODUCT: LUBRICANTS (INCLUDING GREASES)

I. QUANTITATIVE INFORMATION:

	Particulars	UNIT	**Current Year**	**Previous Yr**
1	Installed capacity	TMT/PA	238	238
2	Lubes & Greases Produced	TMT/PA	223	233
3	Capacity utilisation	%AGE	93.70	97.90
4	Fuel & loss (qty)	TMT	0.1472	0.0025
5	Fuel & loss (%)	%AGE	0.0660	0.0011

*TMTPA - Thousand Metric Tonne Per Annum

II COST INFORMATION:

SR. No.	PARTICULARS	Qty Mts	Rate (Rs./Tonne)	Amount (Rs. in Lakh)	Cost Per Unit (Rupees) Current year	Previous year
A1	RAW MATERIAL					
	a. Opening Stock					
	Add:					
	b. Transfers from own refineries					
	c. Purchases from others				Not Applicable	
	- indigenous					
	- imported					
	d. Transportation cost					
	e. Others, if any.					
	Less: f. Closing stock					
	Consumption during the year					
2	Process material, consumable stores & spares			17.47	**7.82**	6.66
3	Utilities					
	a. Water			12.62	**5.65**	5.60
	b. Steam					
	c. Power			170.08	**76.15**	70.29
	d. Others (specify)					
	f. Total			182.70	**81.80**	75.89
4	Wages & salaries			2346.89	**1050.79**	983.39
5	Repair & Maintenance			147.08	**65.85**	56.10
6	Depreciation			363.40	**162.71**	155.79
7	Royalty or technical know-how or Lease rent			102.14	**45.73**	41.72
8	Quality Control					
9	Research and development					
10	Packing cost					
11	Other direct expenses (to be specified)			129.43	**57.95**	50.80
12	Administrative Overheads					
	a. Salaries & Wages			411.01	**184.02**	162.76
	b. Travelling & Conveyance			62.36	**27.92**	25.02
	c. Printing & Stationery			7.07	**3.17**	3.50
	d. Communication			22.38	**10.02**	7.92
	e. Bank charges			0.10	**0.04**	0.12
	f Others (specify)			88.14	**39.46**	39.81
	Total (a to f)					
13	Total (1 to 12)			3880.17	**1737.30**	1609.48
14	Less: Credit for wastage or byproducts			0	**0**	
	a. (Specify)					
	b					
	c.					
15	Total cost			3880.17	**1737.30**	1609.48

SCHEDULE "S" - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 12619 State Code 11

Balance Sheet Date 31 03 2004

II. Capital raised during the year (Amount in Rs. Lakh)

PUBLIC ISSUE	RIGHTS ISSUE
NIL	NIL
BONUS ISSUE	PRIVATE PLACEMENT
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Lakh)

Total Liabilities	Total Assets
9089	9089

Sources of Funds

Paid-Up Capital	Reserves & Surplus
40	6997
Secured Loans	Unsecured Loans
NIL	NIL

Application of Funds

Net Fixed Assets	Investments
3998	NIL
Net Current Assets	Misc. Expenditure
3408	207
Accumulated Losses	
NIL	

IV. Performance of Company (Amount in Rs. Lakh)

Turnover	Total Expenditure
2957	3880
Profit Before Tax	Profit After Tax
+ 30	+ 57

(Please tick appropriate box + for Profit, - for Loss)

Earnings per share in Rs.	Dividend %
714	30

V. Generic Names of Three Principal Products/Services of Company (As per Monetary terms)

Item Code No. (ITC Code)	NIL
Products/Services Description	LUBE BLENDING
Item Code No. (ITC Code)	NIL
Products/Service Description	GREASE MANUFACTURING
Item Code No. (ITC Code)	NIL

ANNUAL REPORT

Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Indian Oil Blending Limited for the year ended 31st March 2004.

The Comptroller & Auditor General of India has decided not to review the report of the Auditor on the accounts of Indian Oil Blending Limited, Mumbai for the year ended 31st March 2004 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956.

Sd/-
Bharat Bhushan Pandit
Principal Director of Commercial Audit
& *ex-officio* Member, Audit Board-II,
Mumbai

Place: Mumbai
Date: 1st July 2004

ANNUAL REPORT
2003-2004

CHENNAI PETROLEUM CORPORATION LIMITED

(A Subsidiary of
Indian Oil Corporation Limited)

Board of Directors

Shri M.S. Ramachandran	Chairman
Shri S.V. Narasimhan	Managing Director
Shri R. Sankaran	Director (Technical) & i/c Director (Operations)
Shri N.C. Sridharan	Director (Finance)
Shri Prabh Das, I.A.S.	Joint Secretary to Government of India, Ministry of Petroleum & Natural Gas
Shri Jaspal Singh	Director (Refineries) Indian Oil Corporation Limited
Shri K.K. Acharya	Executive Director (Operations) Indian Oil Corporation Limited
Shri S.K. Swaminathan	Executive Director (Lubes) Indian Oil Corporation Limited
Shri P.K. Goyal	Executive Director (Corporate Finance) Indian Oil Corporation Limited
Shri L. Sabaretnam	Chief Executive Officer ICL Sugars Limited
Shri Mahmood Vaezi	Director Naftiran Intertrade Co. Ltd.
Shri M.B. Samiei Khonsari	Deputy Finance Director National Iranian Oil Company
Shri V. Srinivasan	Company Secretary

Directors' Report, including Management Discussion and Analysis

To the Shareholders of Chennai Petroleum Corporation Limited,

Your Directors have great pleasure in presenting the 38th Annual Report along with the Audited Statement of Accounts of the Company for the Financial Year ended March 31, 2004.

HIGHLIGHTS OF THE YEAR

- Highest ever production of Liquefied Petroleum Gas (LPG), Motor Spirit (MS), Aviation Turbine Fuel (ATF), Propylene, MEK Feedstock, Wax and Bitumen.
- Highest ever export of High Speed Diesel (HSD), ATF and Lube Oil Base Stock (LOBS) through Indian Oil Corporation Limited.
- Highest ever FCC throughput of 890 TMT.
- All the units of 3 MMTPA expansion-cum-modernisation project, except Hydrocracker and Visbreaker Units commissioned during the year.
- LPG mounded storage and bulk despatch facilities by Indian Oiltanking Limited on build, own, operate and transfer (BOOT) basis commissioned.
- A demo RO plant of one million litres per day capacity using indigenously manufactured membranes in association with Central Salt and Marine Chemicals Research Institute (CSMCRI) has been commissioned.
- An option of pre-payment of high cost loans and substitution by low cost funds exercised, thereby bringing down the interest on long-term loans to 6.3%.
- Foreign currency loans of USD 88.75 million were availed at an overall cost of about 2.9%.
- Your Company's long-term debt programme for Rs.750 crore is rated LAA indicating high safety.
- MoU provisional assessment for the year 2003-2004 is "Excellent".
- No loss time accident both at Manali and CBR units.
- Bestowed with Jawaharlal Nehru Centenary Award, instituted by CHT, for the Best Improved Energy Conservation for the year 2000-2001.
- Awarded the British Safety Council, UK – Safety Certificate and Safety Plaque for the year 2002 for lower Accident Incidence Rate (AIR).
- Honoured with the Greentech Environment Excellence Award for 2002-2003 for Environment Management at CPCL, Manali.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure & Developments

The growing demand for energy influenced changes in the market environment and in policies culminating in total decontrol of the petroleum sector since 1.4.2002. This has opened up the hydrocarbon sector of the country, where the demand is expected to grow at the rate of 3-4% per annum. The transition from Administered Pricing Mechanism (APM) era to Import Parity Pricing witnessed fluctuations on the refining margins due to volatility of both crude and product prices. Volatility of prices was mainly due to the political situations across the globe.

The refining capacity in the country during the year 2003-2004 was 116.97 million metric tonnes per annum. The availability of petroleum products during the year was adequate to meet the domestic demand except for LPG. In fact, India's exports of petroleum products increased from 0.7 million metric tonnes in 1999-2000 to about 14.62 million metric tonnes in 2003-2004.

This year witnessed overall high refinery margins, more so, during the last quarter of the financial year 2003-2004, when it reached 10-year record of over $ 8 a barrel.

The Oil Companies have undertaken several measures in the recent past to upgrade the quality of fuel products. This has been necessitated because of the new Auto Fuel Policy of the country based on the report by a committee of experts headed by Dr.R.A.Mashelkar, Director General, Council of Scientific and Industrial Research (CSIR) and Secretary, Department of Scientific and Industrial Research. The Government has charted out a programme for implementation of new emission norms as recommended by this Committee.

The Government has also introduced the Petroleum Regulatory Bill in the Parliament in May 2002. The basic objective of this Bill is to provide for a regulatory mechanism which would facilitate uninterrupted and adequate supply of petroleum products in all parts of the country including remote areas at a fair price and promote competitive markets and prevent exploitation of consumers in the deregulated scenario.

Opportunities and Threats

The oil Industry started the fiscal 2003-2004 with depressed demand for its products despite good rainfall and overall buoyancy in the economy. The growth for the full year was the result of a rebound in demand for petroleum products since November 2003.

The State-run oil firms are aggressively exploring new businesses to stave off competitive challenges arising from the liberalisation of the oil and gas sector. Forward integration of the Exploration & Production (E&P) firms to the refining sector and the refining sector foraying into the E&P areas have been noticed during this financial year. In order to meet challenges from the gas sector, oil companies are setting up strategic business units exclusively for Gas providing an entire value chain of the gas business.

Power & Fertiliser sectors are likely to be the main driving force in the growth of gas market replacing costlier liquid fuels like Naphtha & Fuel Oils.

Whilst cost of operation using gas as fuel will dominate power and fertiliser sectors, the use of cheaper and cleaner gas fuel is likely to come to stay in the transport and domestic sectors.

Risks, Concerns and Outlook

The volatility in the prices of crude in the international market and the curtailment of crude supplies by OPEC countries coupled with the rising energy demands of the western world lead to higher crude prices and consequently higher product prices.

The entry of gas in the energy sector, in initial stages, will find migration of energy users particularly from the power & fertiliser industries. The mature gas market, which will emerge in the next 3 to 5 years, is likely to pose a great challenge to the oil industry. However, with the growing demand in the domestic market and export potentials, the oil industry is likely to meet this challenge successfully.

Competition in selling the products is expected shortly from private players in the oil industry. However, with the increase in the demand for products and with the growing synergy between the refining companies and the oil marketing companies, there is an increasing thrust on evacuation and movement of products through pipeline, enabling the refining companies march ahead with confidence in meeting the challenges.

Internal Control Systems and their Adequacy

Your Company continues to ensure adequate internal control systems in order to safeguard and protect the interests of the Company. The internal control systems are being continuously reviewed by the Company, to ensure that the objectives of the system are achieved. The statutory auditors periodically review such internal control systems and give their feedback for any improvement.

Your Company has an Internal Audit Department with personnel specialised in various functional areas. This department continues to carry out audits covering various areas of Company's operations and ensures the adequacy and effectiveness of all internal control systems and procedures. Internal Audit department also provides valuable suggestions for improvement.

Your Company has a well-defined manual on delegation of authority, based on which, the authorities exercise their powers. This manual is reviewed periodically to cope with the changes necessitated by the needs of the organisation. In addition to the manual on delegation of authority, the Company's key departments have departmental manuals prescribing a checklist of activities and systems and procedures for carrying out such activities. These manuals further strengthen the internal control systems in the Company.

PERFORMANCE AT A GLANCE

Physical Performance

The total crude processed by the Manali Refinery and Cauvery Basin Refinery during the year was 7.04 Million Metric Tonne (MMT). This compares favourably to 6.819 MMT processed during the previous year.

Salient features of Manali Refinery's operation during the year include the following:

- Highest ever throughput of 890.1 TMT in the FCCU Unit of Manali Refinery. Also, continuous run length of 19 months was achieved.
- The Energy Index (MBTU/BBL/NRGF) for Manali Refinery for the year 2003-2004 was 118.7, as compared to last year value of 119.
- To maximise freight economics, 14 nos. of Suezmax crude tankers were received directly at Chennai Port. Co-loading of Upper Zakkum and Murban was carried out for the first time in a single Suezmax tanker.
- Highest ever production of the following products:

Product	2003-2004	Previous Best
Liquefied Petroleum Gas	170.0 TMT	161.5 TMT (2002-2003)
Motor Spirit	398.9 TMT	383.4 TMT (2002-2003)
Aviation Turbine Fuel	362.7 TMT	324.8 TMT (2002-2003)
Propylene	22.2 TMT	17.4 TMT (2002-2003)
MEK Feedstock	8.3 TMT	6.1 TMT (1999-2000)
Wax	27.2 TMT	22.0 TMT (2000-2001)
Bitumen	392.8 TMT	357.4 TMT (1997-1998)

- Production and dispatch of three grades of MS (Premium, Metro & Non-Metro) and six grades of HSD.

Salient features of Cauvery Basin Refinery's operation during the year include:

- The highest ever throughput of 653.2 TMT.
- Highest ever production of Naphtha – 159.3 TMT and LSHS – 132.9 TMT.
- The Energy Index (MBTU/BBL/NRGF) for the year 2003-2004 was the lowest ever at 133.5, as compared to 157.9 in the previous year.
- Lowest ever Fuel & Loss of 4.27%.
- Supply of BH Crude through medium range (MR) tankers commenced from August 2003 to enhance capacity utilisation.

The Oil Jetty at Cauvery Basin Refinery was named as "Chidambaranar Oil Jetty" based on public suggestion. The suggestors were rewarded and felicitated.

Financial Performance

(Rs. in Crore)

	2003-04	2002-03
Turnover	9430.45	8636.52
Profit before Interest, Depreciation and Tax	736.52	696.63
Interest	46.80	106.65
Depreciation	117.46	102.02
Profit before Tax	572.26	487.96
Provision for Taxation		
- Current Tax	99.10	160.97
- Deferred Tax	73.11	24.10
Profit after Tax	400.05	302.89
Value Added	1052.63	925.75

Your Company achieved a record turnover (inclusive of Excise Duties) of Rs.9430.45 crore during the year, as against Rs.8636.52 crore in the previous year, registering an increase of about 9.19%. The Gross Profit before Interest, Depreciation and Tax increased from Rs.696.63 crore during the previous year to Rs.736.52 crore during the current year. The Profit before Tax has also increased from Rs.487.96 crore to Rs.572.26 crore mainly due to higher throughput and increased FCC operations resulting in higher distillate yields, further aided by higher refining margins. The Profit after Tax has increased from Rs.302.89 crore to Rs.400.05 crore, recording a growth of 32%.

The internal resources generated during the current year was Rs.439.98 crore, compared to Rs.389.29 crore during the previous year and the value addition was at Rs.1052.63 crore during the current year as against Rs.925.75 crore during the previous year.

The Reserves & Surplus as on 31.3.2004 stood at Rs. 1462.33 crore, as against Rs.1146.28 crore, showing an increase of 27.57%. The book value per share has increased from Rs.86.72 to Rs.108.09.

The expenditure against Plan Projects during the year amounted to Rs.858.66 crore against the target of Rs.850 crore. The expenditure against Non-Plan Projects during the year was Rs.35.34 crore.

Total outstanding Public Deposits amounted to Rs.3.31 crore as on 31.3.2004. Out of these, 36 overdue deposits amounting to Rs.12.82 lakh remained unclaimed as on that date.

Your Company has transferred to the Investor Education and Protection Fund the required amount as per Section 205(C) (2) of the Companies Act, 1956, within the stipulated time.

Share Capital

The subscribed share capital of the Company as on 31.3.2004 was 14,89,43,200 Equity Shares of Rs.10/- each. This was lower than the previous year figure of 14,91,31,100 due to forfeiture of 1,87,900 shares for non-payment of allotment/call money. The forfeiture was given effect from 26.9.2003.

During the year under review, the entire shareholding of National Iranian Oil Company (NIOC) was transferred to one of their affiliates, viz., M/s.Naftiran Intertrade Company Limited, as a part of NIOC's organisational restructuring.

In line with the approval given by the shareholders, the Equity Shares of the Company have been delisted from the Stock Exchanges at Ahmedabad, Bangalore and New Delhi. Approval for de-listing is awaited from the Stock Exchange at Kolkata.

DIVIDEND

Your Directors are pleased to recommend a dividend of 50% on the paid-up share capital of the Company, as compared to 35% declared last year. This dividend will absorb a sum of Rs.84 crore, including dividend distribution tax. The dividend is free of tax in the hands of the shareholders. This is the 33rd consecutive year of dividend declaration by your Company, commencing from the year 1972.

MoU PERFORMANCE

Your Company excelled in performance in various parameters covered under the MoU with the Indian Oil Corporation Limited for the year 2003-2004. As per the provisional assessment, the rating is "Excellent".

STRATEGIES FOR DEVELOPMENT

To face the emerging competitive challenges in the Oil Industry and for ensuring sustained growth of the Company, your Company embarked upon a detailed exercise to develop its future strategies for growth and operational improvements. Many study groups were formed to assess the present and future and to develop strategies in different functional areas. They were further discussed at the seniormost level of Management and specific areas of development/operational improvements have been identified. Action plans are being drawn up for ensuring speedy and smooth implementation of identified strategies.

MARKETING

All the major products produced by your Company are marketed by Indian Oil Corporation Limited (IOCL), the Holding Company.

CPCL markets directly the feedstocks to industries located in and around Manali like Naphtha to Madras Fertilisers Limited, Linear Alkyl Benzene (LAB) feedstock to Tamilnadu Petroproducts Limited, Propylene to Manali Petrochemical Limited, Methyl Ethyl Ketone (MEK) feedstock to Cetex Petrochemicals Limited and Polybutene feedstock to Kothari Sugars & Chemicals Limited.

During the year, the sale of Propylene, MEK Feedstock, Paraffin Wax and Crumb Rubber Modified Bitumen (CRMB) touched all-time record high figures.

- Propylene sale was 22,226 MT as against previous best of 17,554 MT achieved in 2002-2003.
- MEK Feedstock sale was 8,248 MT as against previous best of 6,137 MT achieved in 1999-2000.
- CRMB sale was 29,641 MT as compared to 14,254 MT sold in 2002-2003.
- Paraffin Wax sale was 25,741 MT as compared to 23,475 MT achieved in 2001-2002.

Also, the Company achieved highest-ever export of HSD (453.2 TMT), ATF (70.4 TMT), Furnace Oil (26.2 TMT), Kerosene (8.8 TMT) and Lube Oil Base Stock (13.7 TMT) through IndianOil.

PROJECTS

Completed Projects

3 MMTPA Refinery Expansion Project

Major portions of the 3 MMTPA expansion-cum-modernisation Project of Manali Refinery, one of the most prestigious projects of your Company, was commissioned by March 2004. The Once-through Hydro-Cracker Unit (OHCU) has been mechanically completed and is expected to be operational by July 2004.

With the commissioning of this Project, your Company would be ready to meet the Auto Fuel Quality Norms of Bharat Stage-II and Euro-III equivalent much ahead of the scheduled implementation date of April 2005.

Also, with the commissioning of this project, the secondary processing capacity, which has been about 27% of the primary capacity, will now be about 45% of the expanded capacity. This will facilitate your Company in achieving higher capacity utilisation and producing value added products. The project is expected to be completed within the approved cost of Rs. 2360.38 crore.

2 x 20 MW Gas Turbines with associated Heat Recovery Steam Generators (HRSGs).

In order to meet the power requirement of the 3 MMTPA Expansion Project, a 2 x 20 MW Gas turbine with associated HRSGs at a cost of Rs.200 crore has been set up. The Gas Turbines and HRSGs have been completed and commissioned.

On-going Projects

FCCU Revamp Project

The existing Fluidised Catalytic Cracking Unit (FCCU) is being revamped at a cost of Rs.91.45 crore. This will enable your Manali Refinery to process the bottoms of OHCU and will result in substantial increase in LPG and other light distillate yields. The project is expected to be completed by September 2004.

TTP Revamp Project

A project to revamp the existing Tertiary Treatment Plant by replacing the chemical treating facilities with Ultra-Filtration Technology at a cost of Rs.10.00 crore is in progress. The project is expected to be completed by September 2004.

New Zero Discharge Project

A new "Zero Discharge" Project for treating the effluents from Refinery III and reusing the water is being set up at a cost of Rs.10 crore. The engineering and procurement activities are in progress. The Project is expected to be completed by December 2004. This Project will significantly contribute for improved environmental conditions apart from improving the water availability positions for Manali Refinery operations, particularly in the context of a severe water crisis situation faced by the Company.

New Project Initiatives

Desalination Project

The city of Chennai faces acute water shortage frequently on account of monsoon failures and this has in turn affected water supply to Manali Refinery. To obviate this problem and in order to have a captive and perennial supply of water, your Company proposes to set up a 5.8 MGD seawater Desalination Plant, at a cost of Rs.193.31 crore with a project implementation schedule of 30 months. Necessary steps for obtaining all statutory and environmental clearances had been initiated. The Project will be located near Ennore, about 16 km from Manali Refinery.

New Crude Oil pipeline

A new 42" crude oil pipeline to replace the existing old pipeline at a cost of about Rs.40 crore will be laid from Chennai Port to Manali Refinery along the route of the proposed Port Connectivity Project. The detailed route alignment survey has been completed; soil geo-tech studies and other pre-project activities are being carried out. Your company is closely coordinating with Chennai Port Trust, Tamilnadu Road Development Corporation, Indian Oil Corporation Ltd. (Pipelines Division) and other agencies for expediting this project. Based on the time schedule for completion of Rehabilitation and resettlement activities along the route of the pipeline, the new pipeline is expected to be laid by last quarter of 2005-2006.

Power Project

Your Company plans to promote a Joint Venture with Neyveli Lignite Corporation Limited (NLC) to put up a 492 MW Power Project near Manali, based on heavy residue from CPCL's refinery as fuel. NLC is currently updating the Detailed Feasibility Report (DFR). Your Company is co-ordinating with NLC for the signing of MoU and for undertaking other project development activities.

INDIAN ADDITIVES LIMITED

During the year 2003-2004, Indian Additives Limited (IAL), a joint venture of your Company with M/s. Chevron Oronite Company LLC, performed under stiff market conditions. There has been an erosion of profit. The turnover for the year stood at Rs.119.56 crore, as compared to Rs.128.45 crore in the previous year. The Profit before Tax was lower at Rs.1.53 crore (previous year Rs.5.29 crore) and the Profit after Tax was at Rs.0.92 crore (previous year Rs.3.74 crore).

INTEGRATED INFORMATION SYSTEMS

Your Company has made considerable advancements in the field of Information Technology for increasing productivity. Keeping in view the immense importance of data, your Company has taken up adequate measures for protecting enterprise information resources by deploying enterprise data back-up solution.

Your Company successfully implemented Storage Area Network (SAN) system with 2TB capacity to increase the data storage for ERP applications during the year. SAN also provides facilities to take regular back up of ERP database on the tape. As part of business continuity plan, your Company also installed a Disaster Recovery (DR) server at its Corporate Office.

In line with the policy of utilising web-enabled services, your Company has designed a system, to provide various employee welfare-related data through Intranet, which has resulted in the saving of productive employee man-hours. To strengthen internal communication system, an Employee Communication System (ECS) has been designed to enable employees to share information and seek clarifications on various issues. A Vigilance Information System has also been developed to assist Vigilance Department in monitoring vigilance reports and queries.

As part of information security policy, your Company installed spam mail filtering and content filtering software. The anti-virus software has also been upgraded to provide protection from new viruses.

The ERP System in the Company was audited by an external consultant, whose recommendations on system improvement are being implemented. Your Company is taking various IT initiatives with a view to further improve the Management Information System (MIS) within the organisation. Also, the Company has plans to increase the network capacity to one Gigabit.

RESEARCH AND DEVELOPMENT (R&D)

Your Company recognises that the future challenges in the oil industry would increase the need to be more competitive and R&D's role for meeting such challenges is no less significant. Therefore, your Company's R&D Centre attaches importance in continuous upgradation of technologies, building R&D capabilities and expertise in various areas of activities.

Your Company's R&D has been providing technical support to refinery operations in evaluation of catalysts and feedstocks for various process units. R&D provides analytical support for process unit troubleshooting. R&D Pilot Plant provides data for optimisation of process parameters.

The significant contributions of R&D during the year include:

- Providing crude assay data for optimisation of crude mix for processing in the refinery units.
- Selection of catalysts and additives for FCC Unit and for Hydro-processing units.
- Undertaking studies on optimisation of feeds for process units in 3 MMTPA expansion project.
- Development of Process Simulation Model for Diesel Hydro-desulphurisation Unit.

Some of the significant collaborative projects of your Company's R&D are highlighted below:

- Commissioning and continuous operation of one million litre per day Demonstration plant for development of indigenous Reverse Osmosis (RO) membranes in collaboration with Central Salt and Marine Chemicals Research Institute (CSMCRI), Bhavnagar, for waste water applications.
- Catalyst developed for production of ultra low sulphur diesel at laboratory scale in collaboration with National Chemical Laboratory (NCL), Pune, has been scaled up to 10 kg level

and continuous evaluation in pilot plant has been carried out for more than 1000 hours to study the deactivation rate and cycle length.

- Development of catalyst for reduction of sulphur and olefins in FCC gasoline with minimum octane loss is in progress in collaboration with Indian Institute of Petroleum (IIP), Dehradun.
- Development of a value added product, namely, Polymer Modified Bitumen is in progress in collaboration with IIP, Dehradun.

SAFETY MANAGEMENT

Safety is always given the foremost importance while carrying out the operations of your Company. Your Company always endeavours to adopt the safety practices at par with the Indian and International standards. Ensuring safe working conditions is one of the corporate objectives of your Company and continuous efforts are on to further bolster its strong safety records.

As a significant step towards promoting safety in the industry and society as a whole, your Company signed an MoU with Chennai Port Trust for establishing the oil spill response facilities at Chennai Port.

A comprehensive Quality, Environment, Health and Safety (QEHS) Policy has been adopted, which aims at zero accident and prevention of occupational injury at work place. To achieve this goal and continue to sustain it, the Company has taken various measures that would improve the Safety Management System and procedures. Notable among them are given below:

- The first external surveillance audit was carried out by M/s Bureau Veritas Quality International (BVQI) after the adoption of integrated Quality, Environment, Health & Safety (QEHS) Policy.
- Pre-commissioning safety audits in the expansion project were carried out.
- Safety video films are being shown to visitors and contractors to create safety awareness among them.
- The entire plant, off site areas and offices of the Company are declared as "No Smoking Zone" and the use of cell phones inside the plant and off site area has been prohibited.
- 931 personnel were trained on safety aspects during the year.
- At the commencement of every key meeting, safety talk is being given to make safety consciousness a part of the work culture.

Awards/Achievements in Safety

- Awarded the British Safety Council, UK – Safety Certificate and Safety Plaque for the year 2002 for lower Accident Incidence Rate.
- "Leadership and Excellence Award in HSE" for 2003 by Confederation of Indian Industry (CII), Southern Region.
- Manali Refinery crossed 5.69 million safe manhours and CBR crossed 0.65 million safe manhours.

CONCERN FOR ENVIRONMENT

Preserving and protecting the pristine environment continues to remain one of the Company's avowed objectives. During the year under review, through effective monitoring and proper co-ordination, your Company achieved substantial abatement of pollution from operations.

Your Company is implementing various environmental conservation measures from time to time to meet the environmental norms. Environmental Management System at CPCL covers the following:

- Use of cleaner technology in refinery process operations;
- Continuous operation of pollution control facilities: and
- Creation of environmental awareness amongst all employees.

Your Company has complied with all the statutory requirements and renewed all the requisite consents from the regulatory body for the year 2003-04. A dedicated Environment Department operates for upkeep of refinery environmental operations.

Some of the key environmental facilities being operated successfully include:

- Effluent Treatment Facilities to meet the Minimum National Standards (MINAS).
- A Zero Discharge Plant, with technology of ultra-filtration and reverse osmosis, for further treating the effluents.
- Flare Gas Recovery unit for maximum recovery of hydrocarbons going to flare.
- Floating roof and secondary seals for the storage tanks to meet the latest standards of fugitive emissions from storage vessels.
- Low NO_x burner to reduce NO_x emissions.
- Six state-of-the-art 'Continuous Ambient Air Quality Monitoring Stations' are in operation in the refinery for monitoring the pollutants and also for meteorological monitoring.
- Continuous Automatic Stack Monitoring Systems introduced in ten refinery stacks with facility to monitor SO_2 & NO_x levels in the stack emissions.
- Stack monitoring facilities for all stacks are installed in 3 MMTPA project.

Some of the recent initiatives towards scaling further heights in environment management include:

- DeNOx facility, a state-of-art technology, is being installed in all major furnaces of the expansion project to reduce NO_x levels to a great extent.
- Establishment of a new Effluent Treatment Plant along with zero discharge facilities for handling the expansion project effluents.
- Establishment of Hydrocracker Unit in the expansion project, which will reduce SO_2 emissions from the entire refinery.
- Installation of two additional ambient air-monitoring stations in the expansion refinery.

The sustained and concerted efforts taken by the Company in the areas of environment have earned the following awards/ recognitions:

- "Silver Award of GREENTECH Environment Excellence Award 2002-2003" in petroleum sector for outstanding achievement in environment management by the Greentech Foundation.
- Second prize of "TERI Corporate Environment Award" organised by The Energy & Resources Institute (TERI) in recognition of its leadership efforts towards environmental management and sustainable initiatives amongst corporates with turnover above Rs. 500 crore.
- Certificate of Appreciation of Leadership & Excellence award in SHE-2003 by the Confederation of Indian Industry – Southern Region for the innovative initiatives taken in Safety, Health and Environment.

ENERGY CONSERVATION MEASURES

Energy conservation efforts continue to receive priority attention of the Company. Continuous monitoring of fuel consumption and hydrocarbon loss is undertaken using sophisticated instruments. Your Company also proposes to conduct the energy audit by external agencies at a cost of about Rs.60 lakh to monitor the efficacy of the energy conservation practices adopted in the Company. Diverse programmes were conducted during the Oil Conservation Fortnight to promote awareness among the users.

The Manali refinery's energy index for the year 2003-2004 was 118.7, as compared to the previous year figure of 119. The energy index of Cauvery Basin Refinery was 133.5, as compared to the previous year figure of 157.9. Moreover, Cauvery Basin Refinery registered the lowest ever fuel and loss of 4.27%. These figures stand testimony to the energy conservation measures taken by your Company.

The following energy conservation projects/activities were taken up during the year:

- To minimise steam loss from the instrument tracer lines, specially designed balanced pressure traps were installed in Wax plant on trial basis.
- Installation of Mass Flow Meter in RFO lines of co-gen boilers and major furnaces.
- Replacement of Air Pre Heater in CDU-I with recuperative type resulting in reduced energy consumption and improved run length.
- Installation of ultrasonic flow meters in Refinery-I and Refinery-II flares.

OPTIMISATION

Your Company has been the forerunner among the Indian refineries in the implementation of optimisation and advance control techniques. Your Company recognises the fact that making available the right information at the right time and optimum utilisation of the resources is vital for attaining higher productivity and maintaining high quality standards. The efforts of the optimisation function resulted in the following accomplishments:

- Implemented Multivariable Controls (DMC Plus) and Property Prediction controls (Aspen IQ) from M/s Aspen Tech in the Manali Refinery units.
- Extended DMC Plus license agreement for new 3 MMTPA units for Advanced Process Controls in new units.
- Remodelled the existing DMC Plus in FCCU and installed additional controllers to improve the plant operational performance.
- Implemented online yield monitoring and control programme in both the Crude Units.
- Enhanced the refinery wide integrated web based Process Information Network (PIN).
- Extension of the PIN facility to 3 MMTPA Refinery, configuring the system, developing the database and generating all web based MIS reports.

Continuous efforts are being made to develop and add more facilities to the Laboratory Information Monitoring System (LIMS) and Tank Farm Information System.

HUMAN RESOURCES DEVELOPMENT (HRD)

Your Company always recognises that its employees are the most precious assets and their contribution has resulted in continued excellent performance of the Company. The Company has taken initiatives towards their development, growth and for enhancing their ability to face the challenges in the competitive environment.

An organisational climate survey was conducted to assess the perception of the employees. Follow-up actions were taken based on the findings of the survey for improving organisational climate in the Company.

Also, a competency mapping exercise was carried out for the managerial staff in order to develop a position and personnel profiling of the senior management team.

The Suggestion Scheme prevailing in the organisation was suitably revised and made more attractive to encourage employees offer their suggestions to improve Company's productivity and profitability. The new scheme came into force from 1.1.2004.

The manpower as on 31.3.2004 was 1715 including 615 in the Officers cadre.

The training of personnel and focusing on their development is a continuous exercise. Your Company achieved average training mandays of 3.41 against the target of 2.0 mandays. The total training mandays were 5974, against the target of 3704. Induction training was also given to the newly recruited refinery operators. Mandatory training programmes on first aid, occupational health hazards and fire and safety were also organised.

During the year, 42 diploma holders and 36 ITI trade apprentices completed their training under the Apprentices (Amendment) Act 1973.

The Refinery Engineering School of Training (RESOT) of your Company, which is a widely acknowledged centre for training on Refinery Technology, conducted a Core Course of 8 weeks duration during the year. In addition, short duration programmes on Information Technology, Process Optimisation, Turnaround Management, Power and Utilities, Six Sigma and the like were also conducted.

The Educational Trust promoted by your Company continues to run the Industrial Training Institute (ITI) and a Polytechnic College near Manali Refinery. The courses include Diploma in Petrochemical Engineering and Mechanical Engineering, and other Industrial Training courses in welding, fitting, etc. The courses being conducted by these Institutions have been approved by the All India Council for Technical Education (AICTE), Government of Tamil Nadu. The total number of students in both these institutions during the academic year 2003-2004 was 405.

In addition to the above, your Company, in collaboration with the Birla Institute of Technology and Science (BITS), Pilani, is conducting an off-campus Bachelor of Science (B.Sc.) degree programme in Process Engineering. The first batch of 23 employees of your Company, who have joined this course, would complete the course in August 2004.

Industrial Relations

Harmonious industrial relations climate prevailed in the Company throughout the year.

Employee Welfare

It has been the endeavour of your Company to continuously review and improve upon various benefits extended to the Company's employees. The superannuation scheme was reviewed and modified to strengthen the financial position of the scheme and to ensure that the employees are continued to be benefited by the scheme.

Sports Development

Your Company evinced keen interest in the promotion of sports activities during the year. Your Company organised the Petroleum Sports Promotion Board (PSPB) Inter Unit Carrom Tournament at Chennai. This was participated by all the petroleum companies.

The Company contributed liberally to the first Afro Asian Games held at Hyderabad and to the National Sports Development Fund. The Company also contributed to the noble cause of grant of awards to the disabled persons, who represented India in the Special Olympics.

During the year, 81 employees of your Company participated in various sports like Football, Hockey, Cricket, Volleyball, Kabaddi and Carrom, conducted by the PSPB.

Welfare Of Weaker Sections

The Presidential Directives and various instructions/guidelines issued by the Government of India relating to the welfare of SCs/STs/OBCs/Physically Challenged persons were scrupulously followed during the year. The percentage of employees belonging to SCS / STS at the end of the year was 26.62%. A Liaison Officer ensures the implementation of Government Directives. Officials dealing with the subject are given training so as to enable them to update their knowledge on the subject and perform their duties effectively.

The statistics relating to representation of SCs / STs / OBCs in the proforma prescribed by the Government of India is placed as Annexure-I.

Women Empowerment

There are 69 women employees in your Company at the end of the financial year, of whom, 15 are in the Supervisory Grade and 54 are in Non-supervisory Grade. This constituted 2.45% of the total Supervisory employees and 4.91% of the total Non-supervisory employees respectively.

Women's empowerment through education and skill acquisition formed one of the focussed tasks. Women employees were trained on various subjects, aggregating 157 training mandays. International Women's Day was celebrated. A seminar on the subject "Competence with Values – Key to Success" was organised on the occasion. Eminent women executives from various walks of life and delegates from Women in Public Sector (WIPS) forum participated. Your Company hosted the WIPS Regional Meet at Cauvery Basin Refinery, Nagapattinam.

FULFILMENT OF SOCIAL OBLIGATIONS

Recognising the need for improvement of the quality of life in the society, your Company has made substantial contributions to various welfare and community development programmes, particularly, in the vicinity of its refineries. Notable among them are:

- Organising of eye camp for cataract identification at Amullavoyal village & Manali neighbourhood in association with Sankara Netralaya, a renowned eye-care institution; conducted cataract operations for 46 identified cases as a follow-up.
- Construction of new classrooms/compound wall at Government Middle School, Vichur and provision of kitchen facilities for the students hostel at Washermanpet situated in our neighbourhood.
- Provision of computers and printers to Grama Seva Sangam, Madhavaram and students hostel at Washermanpet.
- Provision of furniture to the Puzhal Panchayat Union School at Mathur.
- Promotion of Sports by conducting a Football tournament among the Manali neighbourhood youth.
- Running of the physiotherapy centre, crèche and library at Manali Village.

Your Company has been complying with the provisions of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995, extending 3% reservation in employment for physically handicapped and disabled persons. Even before the enactment of the Act, your Company had been extending reservation for physically challenged persons in recruitment to the posts in Group C & D. With the enactment of the Act, the reservation for physically challenged persons has been extended to the posts in Group A & B as well effective 7.2.1996.

OCCUPATIONAL HEALTH SERVICES (OHS)

Your Company is committed to ensuring that all its employees enjoy excellent health. OHS Centre of the Company functions round the clock with this objective. This Centre, one of the pioneering efforts in the refinery industry of India, is well equipped and conducts health surveillance programmes aimed towards prevention and early diagnosis of both occupational and non-occupational health problems. This Centre offers valuable suggestions for improving the work environmental conditions, encouraging safe methods of works and adoption of positive attitudes in personal lifestyles. The Centre publishes periodic newsletters educating all the employees on health-related matters.

INVESTOR RELATIONS

Your Company continues to accord priority to the redressal of investor grievances, which ensures that the number of outstanding complaints at any given point of time is negligible.

A complaints committee consisting of representatives of the Company and the Share Transfer Agents of the Company, viz., M/s. Karvy Computershare Private Limited meets at regular intervals to sort out the outstanding complaints and to ensure that investors' grievances are attended to promptly. As a result, there is an institutionalised system of redressal of investors' grievances in the Company.

The shareholders'/Investors' Grievance Committee of the Board met periodically and reviewed the status of investors' grievances.

The information which the investors of the Company would be interested like financial results, press releases, changes in the directorships, etc. are displayed and updated in the Company's website periodically.

The shares of your Company are continued to be traded in electronic form and the dematting arrangement exists with both the depositories, viz., National Securities Depository Limited and Central Depository Services (India) Limited. As on 30.4.2004, 14,45,96,355 equity shares have been dematerialised representing 97.06 % of the subscribed capital of the Company.

VIGILANCE

Many proactive initiatives were taken during the year to strengthen preventive vigilance.

On the basis of the suggestions given by the Vigilance Department, the Company has decided to centralise the contract services by forming a contract cell. Also, with a view to streamline the systems and procedures, the Vigilance function encouraged documenting of the same in every Department. This resulted in the preparation of manuals on every vital function of the Company and also the preparation of a manual of manuals.

A software has been developed on Vigilance Information System for easy retrieval and follow up of intensive examination reports of the Chief Technical Examiner in the Chief Vigilance Commission.

Training programme on "Preventive Vigilance" was organised for the benefit of the Company's officials.

The observance of the Vigilance Awareness Week marked by the organising of lectures, contests, etc. proved very useful for creating vigilance awareness in the organisation.

OFFICIAL LANGUAGE IMPLEMENTATION

Constant efforts were made for progressive use of Hindi in the Company's day-to-day functions. The Official Language Implementation Committee met periodically and reviewed the implementation of the Official Language Policy in the Company. Many suggestions were given by this Committee leading to overall improvement in the Official Language Implementation practices in the Company. Hindi classes are being conducted regularly at Manali Refinery. During the year, 35 employees passed various Hindi Examinations. Hindi Workshop and Hindi Week celebrations were organised. Employees and their families participated in the Hindi Week celebrations with great enthusiasm, both at Manali Refinery and Cauvery Basin Refinery. A Library with Hindi books and Hindi magazines was opened. More Hindi books were purchased and distributed. Incentive schemes encouraging employees to learn Hindi and to work in Hindi are in vogue.

STATUTORY INFORMATION

- Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 – Nil.
- Statutory details of Energy Conservation and Technology Absorption, R&D activities and Foreign Exchange Earnings and Outgo, as required under Section 217(1)(e) of the Companies Act, 1956 and the rules prescribed thereunder i.e., the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure and form part of this Report (Please refer Annexure-II).
- Certificate received from the Auditors of the Company regarding compliance of conditions of Corporate Governance, as required under Clause 49 VIII of the Listing Agreement, is annexed and forms part of this Report (Please see Annexure-III).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000 with respect to Directors' Responsibility Statement, it is hereby confirmed:

i) that, in the preparation of the annual accounts for the financial year ended 31st March 2004, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;

ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) that the Directors had prepared the annual accounts for the financial year ended 31st March 2004, on a going concern basis.

AUDITORS

The Comptroller and Auditor General of India has appointed M/s. Padmanabhan Prakash & Co., Chartered Accountants, Chennai and M/s. B.Purushottam & Co., Chartered Accountants, Chennai, as Joint Statutory Auditors of the Company for the financial year 2003-04. The Board of Directors of the Company fixed a remuneration of Rs. 4.0 lakh (Rs. 2.00 lakh to each of the Joint Statutory Auditors) in addition to the out-of-pocket expenses, if any, and applicable service tax.

DIRECTORS

Mr. S.K. Swaminathan, Executive Director (Lubes), Indian Oil Corporation Limited, was appointed as a part-time Director effective 1.10.2003, in place of Mr. P.S. Ahluwalia.

Mr. P.K. Goyal, Executive Director (Corporate Finance), Indian Oil Corporation Limited, was appointed as a part-time Director effective 9.3.2004, in place of Mr. Chandan Dasgupta.

Mr. N.C. Sridharan, General Manager (Finance) of the Company was appointed as Director (Finance) effective 5.3.2004.

Mr. K.K. Acharya, Executive Director (Operations), Indian Oil Corporation Limited, was appointed as a part-time Director effective 14.5.2004. in place of Mr. P.S. Rao.

Mr. K. Narayanan, Director (Operations), who was also holding additional charge of the post of Director (Finance) till 19.1.2004, ceased to be a Director effective 31.1.2004, on attaining the age of superannuation. Mr. R. Sankaran, Director (Technical), is holding additional charge of the post of Director (Operations), in addition to his own duties, on adhoc basis with effect from 1.2.2004.

Mr. K. Skandan, Secretary to Government of Tamil Nadu, Industries Department, ceased to be a Director effective 19.09.2003 as he tendered his resignation.

Mr. P Baskaradoss, Chairman, Chennai Port Trust, ceased to be Director effective 5.3.2004 as he tendered his resignation.

Your Directors place on record their appreciation of the valuable contributions made by Mr. P.S. Ahluwalia, Mr. Chandan Dasgupta, Mr. K. Narayanan, Mr. K. Skandan, Mr. P. Baskaradoss and Mr. P.S. Rao during their tenure.

ACKNOWLEDGEMENT

Your Directors acknowledge, with sincere appreciation, the unstinted support, co-operation and guidance received from the Ministry of Petroleum & Natural Gas, Indian Oil Corporation Limited, Oil Industry Development Board, Oil Industry Safety Directorate, Centre for High Technology, the other Ministries of Government of India, Government of Tamil Nadu and Comptroller & Auditor General of India. The Directors thank the National Iranian Oil Company and their affiliate, M/s. Naftiran Intertrade Company Limited, for their continued co-operation.

Your Directors highly appreciate the committed and dedicated efforts of all the employees, who have contributed to the excellent performance of the organisation.

Your Directors express their sincere thanks to the shareholders for the confidence continued to be reposed by them on the Board and also for their co-operation, which has made it possible for the Company to achieve glorious performance.

For and on behalf of the Board of Directors

Sd/-

M.S. Ramachandran

Chairman

Place : New Delhi

Date : 14.06.2004

ANNEXURE-I

NAME OF THE PUBLIC UNDERTAKING: CHENNAI PETROLEUM CORPORATION LIMITED
Statement showing the total number of employees and the number of Scheduled Castes and Scheduled Tribes amongst them as on 1.1.2004

Group/Class	Total No. of Employees	Out of Col. 2 Scheduled Castes	%age of SC to total employees	Out of Col.2 Scheduled Tribes	%age of ST to total employees	Remarks
1	2	3	4	5	6	7
A. (I) Other than lowest rung of Group-A	351	84	23.93	9	2.56	-
(II) Lowest rung of Group-A	115	31	26.96	5	4.35	-
B.	149	30	20.13	3	2.01	-
C.	945	216	22.86	13	1.38	-
D. (Excluding Safai Karamcharis)	157	62	39.49	2	1.27	-
D. (Safai Karamcharis)	-	-	-	-	-	-

NOTE:

(1) This statement relates to persons and not to posts. Posts vacant etc., should not therefore be taken into account.

(2) Persons on deputation should be included in the establishment of the borrowing undertaking and not in the parent office.

ANNUAL STATEMENT SHOWING THE REPRESENTATION OF SCs/STs and OBCs as on 01.01.2004
AND NUMBER OF APPOINTMENTS MADE DURING THE PRECEDING CALENDAR YEAR
MINISTRY / DEPARTMENT / ATTACHED / SUB-ORDINATE OFFICE: CPCL, CHENNAI

	Representation of SCs/STs/OBCs as on 01.01.2004				No. of appointments made during the calender year 2003									
					By Dir. Recruitment				By Promotion			By Deptn/Absorption		
GROUPS	Tot. no. of employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	466	115	14	22	Nil	Nil	Nil	Nil	9	2	Nil	2	Nil	Nil
Group B	149	30	3	11	3	1	1	1	38	9 *	Nil	2	Nil	1
Group C	945	216	13	196	92	17	1	42 #	29	7	Nil	Nil	Nil	Nil
Group D	157	62	2	59	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group D (Excldg. Sweepers)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group D (Sweepers)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
TOTAL	1717	423	32	288	95	18	2	43	76	18	0	4	0	1

Includes 18 OBC candidates recruited on Merit.

* applicable upto lowest rung of Group A

ANNEXURE-II

Annexure to Directors' Report on Energy Conservation

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

		Current year 2003-2004	Previous year 2002-2003
A	**Power and Fuel Consumption**		
1	**Electricity**		
	a) Purchased		
	Unit (in million KW Hr.)	**3,792**	2,736
	Total Amount (Rs. in Crore) (excluding demand and other charges)	**1.48**	1.03
	Demand and other charges (Rs. in Crore)	**8.95**	9.51
	Rate/Unit (average) (Rs./KW Hr.) (excluding demand and other charges)	**3.91**	3.77
	b) Own generation		
	Through diesel generator	**Not applicable**	Not applicable
	Through steam turbine/generator Unit (in million KW Hr.)	**400.525**	369.952
	Units per litre of fuel oil/gas	**3.24**	2.89
	Fuel Cost/Unit (Rs.)	**2.79**	3.26
2	**Coal**	**Not applicable**	Not applicable
3	**Furnace Oil**		
	Quantity (in thousand K.Litres)	**385.786**	382.204
	Average rate (Rs./MT)	**9505.19**	9917.63
4	**Others/Internal generation fuel gas**		
	For Manali Refinery only		
	Gas Turbine		
	Quantity		
	Power (in million KW Hr.)	**19.905**	30.37
	Fuel (in thousand MTs)	**11.166**	14.784
	Total cost (Rs. in Crore)	**14.70**	14.99
	Fuel cost/Unit (Rs.)	**7.39**	4.93
	Fuel Gas (TMT) (including CBR)	**78.509**	64.440
B.	**Consumption Per Unit of Production**		
	Electricity (KW Hr/MT of Crude)	**51.068**	55.710
	Furnace oil (Kg/MT of Crude)	**54.643**	53.370
	Coal	**Not applicable**	Not applicable
	Other (specify)		
	FCCU Coke (Kg/MT of Crude)	**6.12**	5.46
	Fuel Gas (Kg/MT of Crude)	**11.152**	9.450
	Throughput		
	Manali	**6386699**	6176149
	CBR	**653157**	643221
	Total	**7039856**	6819370

ANNEXURE-II (Contd.)

FORM B

RESEARCH AND DEVELOPMENT (R&D) ACTIVITIES

1. **Specific areas in which R&D was carried out by the company:**

   (a) Evaluation of crudes.

   (b) Selection of catalysts and additives for FCC unit.

   (c) Evaluation of new generation catalysts for HDS of diesel.

   (d) Process support/optimisation studies.

   (e) Modelling and simulation of refinery processes.

2. **Benefits derived as a result of above R&D:**

   As per Annexure

3. **Future plan of action:**

   - Support for optimisation of process units configured in 3 MMTPA expansion project.
   - Formulation of Polymer Modified Bitumens.
   - Transesterification process for Bio Diesel.
   - Commercial trials of catalyst for ultra low sulphur diesel.

4. **Expenditure on R&D:** **(Rs. in Lakh)**

	2003-04	2002-03
Capital	**38.81**	3.58
Recurring	**260.75**	330.69
Total	**299.56**	334.27
Total R&D expenditure as % of turnover	**0.03**	0.04

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief, made towards technology absorption, adaptation and innovation:

   - Nanoparticle catalyst development for Ultra Low sulphur Diesel had been scaled up to 10 kg level. Continuous Pilot Plant Evaluation of the developed catalyst is initiated to study its deactivation rate and cycle length.
   - One million litre per day capacity R.O. demonstration plant has been established with indigenously developed membranes for recovery of water from treated sewages.
   - Optimisation of cut point of Vacuum Gas oils for its suitability as feed for Hydrocracker Unit was studied on different crudes.
   - Three-phase heterogeneous model to predict the performance of DHDS unit was developed based on the pilot plant data generated with various commercial Hydro-desulphurisation catalysts.

2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution efforts:

   - R&D has provided technical support to refining operations in terms of catalyst evaluation for FCCU and Hydro-processing units.
   - R&D is also collaborating with other organisations to develop new catalyst for production of ultra low sulphur diesel containing sulphur below 50 ppm.
   - R&D has also installed a demonstration plant based on indigenously developed R.O. membranes for waste water applications.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of financial year) following information may be furnished:

a) Technology imported	:	Nil
(b) Year of Import	:	Not Applicable
(c) Has technology been fully absorbed	:	Not Applicable
(d) If not fully absorbed, areas where this has not taken place and reasons thereof	:	Not Applicable

ANNEXURE-II (Contd.)

Annexure to Form B
Benefits derived as a result of R&D activities

Crude Assay:

Detailed Assay on Seria Light, Upper Zakkum, Murban, Forcados Miri Light, Masila crudes were carried out and these assays helped in optimising the distillate yields in CDU.

Process Optimisation Studies:

1. Evaluation of catalyst and additives for FCC Unit support. Suitable additive suggested for LPG maximisation and improving catalyst regenerability.
2. Studies on Hydrocracker bottom
   - As feedstock for FCC Unit.
   - For wax production by direct deoiling .
   - Severe Hydro-processing of LOBS from Hydrocracker bottom to improve its oxidation and thermal stability.
3. Evaluation of high activity new generation diesel HDS catalysts.
4. Studies on HVGO from various crude sources for its suitability as feedstock for Hydrocracker unit.
5. Studies on oxidation stability, noack volatality and other emerging specifications for lubricating oils.

The development of Nanoparticle catalyst for ultra low sulphur diesel has been scaled up to 10 kg batch and was tested in the Pilot Plant for more than 1000 hrs.

The Demonstration R.O. Pilot Plant of 1.0 million litres/day has been successfully commissioned and continuously operated for more than 4 months. The performance of the plant is in line with design objectives and R.O. membrane performance is equivalent to imported commercial membranes.

Others:

CPCL hosted the 56th Scientific Advisory Committee Meeting and the R.O. Demonstration Plant was formally inaugurated by Chairman, Scientific Advisory Committee, Dr.R.A.Mashelkar.

Papers Presented:

1. Invited talk on "Hydro-processing for Fuels and Lubes Production". National Workshop on Catalysis, Chennai Jan. 2004.
2. Pressure drop and Liquid hold up in Trickle Bed reactors: Validation of Correlations and Experimental Observations. Paper presented in Chemcon 2003, Bhuvaneswar Dec.19-22, 2003.
3. Three Phase Reactor Model for Hydrotreating of Diesel fractions in a Trickle Bed Reactor. Paper presented in Chemcon 2003, Bhuvaneshwar Dec. 19-22, 2003.
4. A four lump kinetic model for simulation of Hydrocracking process – Paper accepted for publication in Petroleum Science & Technology.

Foreign Exchange Earning and Outgo:

1. Activities relating to exports:

   The Company achieved highest ever export of HSD (453.2 TMT), ATF (70.4 TMT), Furnace Oil (26.2 TMT), Kerosene (8.8 TMT) and Lube Oil Base Stock (13.7 TMT) through Indian Oil Corporation Limited to Sri Lanka and other destinations in Asia Pacific Region.

2. Total Foreign Exchange used and earned:

(Rs. in Lakh)

	2003-2004	2002-2003
a) Used	**1944.67**	1152.38
b) Earned	**Nil**	1971.88

Auditors' Report

REPORT OF THE AUDITORS TO THE MEMBERS OF CHENNAI PETROLEUM CORPORATION LIMITED

1. We have audited the attached balance sheet of Chennai Petroleum Corporation Limited, as at 31st March 2004, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date 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 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure-I, a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure-I referred to above, we report that:

   (i) 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;

   (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet, Profit & 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;

   (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2004;

      (b) in the case of the Profit & Loss Account, of the profit for the year ended on that date; and

      (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For B. PURUSHOTTAM & CO.	For PADMANABHAN PRAKASH & CO.
Chartered Accountants	Chartered Accountants
Sd/-	Sd/-
B.S. Purushottam	**E. Prakash**
Partner	Partner
M.No. 26785	M.No. 19338

Place : Chennai
Date : May 19, 2004

ANNEXURE-I

Annexure to the Auditors' Report

Referred to in Paragraph 3 of our report of even date.

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) All the assets have not been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) During the year, no substantial part of the fixed assets of the Company were disposed off.

(ii) (a) The inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records have been appropriately dealt with in the books of account.

(iii) We are informed that there is no company, firm or party to be listed in the Register referred to in Section 301 of the Companies Act, 1956 and hence we have no comments to offer in respect of clauses 4 (iii) (a), 4 (iii) (b), 4 (iii) (c) and 4 (iii) (d) of the Companies (Auditor's Report) Order, 2003.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) We are informed that there is no company, firm or party to be listed in the Register referred to in Section 301 of the Companies Act, 1956 and hence we have no comments to offer in respect of clauses 4 (v) (a) and 4 (v) (b) of the Companies (Auditor's Report) Order, 2003.

(vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. The company has not defaulted in repayment of deposits and hence we have no comments to offer on the compliance with the provisions of Section 58 AA of the Companies Act, 1956 and Company Law Board order.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it. We are informed that no employee of the Company is covered by Employees' State Insurance Scheme.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2004 for a period of more than six months from the date they became payable.

(c) The details of disputed dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited, are given in Annexure - II to our report.

(x) The Company does not have any accumulated losses as on 31st March 2004. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence we have no comments to offer in respect of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003.

(xiii) In our opinion, the Company is not a chit fund or a nidhi-mutual benefit fund/society. Therefore, the provisions of clauses 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions and hence we have no comments to offer in respect of clause 4 (xv) of the Companies (Auditor's Report) Order, 2003.

(xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.

(xviii) The Company has not issued shares during the year and hence we have no comments to offer in respect of clause 4 (xviii) of the Companies (Auditor's Report) Order, 2003.

(xix) The Company has not issued any debentures during the year nor there is any outstanding as on 31st March 2004 and hence we have no comments to offer in respect of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003.

(xx) The Company has not raised money by public issues in the recent past and hence we have no comments to offer in respect of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For B. PURUSHOTTAM & CO.	For PADMANABHAN PRAKASH & CO.
Chartered Accountants	Chartered Accountants
Sd/-	Sd/-
B.S. Purushottam	**E. Prakash**
Partner	Partner
M.No. 26785	M.No. 19338

Place : Chennai
Date : May 19, 2004

ANNEXURE-II

ANNEXURE REFERRED TO IN CLAUSE (IX) (C) OF COMPANIES (AUDITOR'S REPORT) ORDER, 2003

Name of the Statute	Nature of the dues	Amount (Rs. in Lakh)	Period to which the amount relates	Forum where the dispute is pending
Tamil Nadu General Sales Tax Act	Sales Tax Dues on disallowance of export and Form XVII	5.30	1992-93	TN State Appellate Tribunal
Tamil Nadu General Sales Tax Act	Penal Interest for Sales Tax Dues	29.66	1987-88	Appellate Deputy Commissioner (CT)
Tamil Nadu General Sales Tax Act	Penal Interest for Sales Tax Dues	34.91	1988-89	Appellate Deputy Commissioner (CT)
Central Sales Tax Act	Sales Tax Dues on stock transfer to Kerala	164.57	1991-92	TN State Appellate Tribunal
Income Tax Act	Demand due to MAT credit not treated as advance tax by the department	1826.16	A.Y 1999-00	Commissioner of Income Tax (Appeals)
Income Tax Act	Disallowance of interest on funds borrowed for acquisition of assets	1262.81	A.Y. 2001-02	Commissioner of Income Tax (Appeals)
Central Excise Act	Excise Dues on slack wax consumed in manufacture of Paraffin Wax	1068.21	Feb 1985 to Mar 1989	Central Excise and Service Tax Appellate Tribunal
Central Excise Act	Excise Dues on refinery fuel oil consumed in manufacture of Naphtha	191.85	Jan 1998 to Mar 2000	Central Excise and Service Tax Appellate Tribunal
Central Excise Act	Excise Dues on refinery fuel oil consumed in manufacture of Naphtha	293.13	Apr 2000 to Mar 2002	Commissioner of Central Excise (Appeals)
Central Excise Act	Excise Dues on refinery fuel oil consumed in manufacture of Sulphur	39.04	Jan 1998 to Mar 2000	Central Excise and Service Tax Appellate Tribunal
Central Excise Act	Excise Dues on refinery fuel oil consumed in manufacture of Sulphur	9.83	Oct 2000 to Mar 2002	Commissioner of Central Excise (Appeals)
Central Excise Act	Excise Dues on refinery fuel oil consumed for generation of electricity and export to TNEB	1539.39	Dec 1993 to Dec 1999	Central Excise and Service Tax Appellate Tribunal
Central Excise Act	Excise Dues on refinery fuel oil consumed for generation of electricity and export to TNEB	533.7	Jan 2000 to Dec 2001	Commissioner of Central Excise (Appeals)
Central Excise Act	Excise Dues on refinery fuel oil consumed for generation of electricity	261.62	Mar 1994 to Feb 1995	Commissioner of Central Excise (Appeals)
Central Excise Act	Excise Dues on DM water consumed for generation of electricity and export to TNEB	34.32	Aug 2000 to Sep 2001	Central Excise and Service Tax Appellate Tribunal
Central Excise Act	Excise Dues on DM water consumed for generation of electricity and export to TNEB	29.61	Oct 2001 to Feb 2003	Commissioner of Central Excise (Appeals)
Central Excise Act	Excise Dues on naphtha consumed for generation of electricity and export to TNEB	105.49	Jul 2000 to Jun 2001	Commissioner of Central Excise (Appeals)
Central Excise Act	Excise Dues on line flush made during coastal movements	105.57	Sep 2002 to Jul 2003	Central Excise and Service Tax Appellate Tribunal
Central Excise Act	Excise Dues on products for rewarehouse certificate	1384.82	Aug 1999 to Mar 2002	Commissioner of Central Excise (Appeals)
Central Excise Act	Excise Dues on Refinery Fuel Oil for captive consumption	506.98	Mar 1994 to Mar 1999	Central Excise and Service Tax Appellate Tribunal
Central Excise Act	Service Tax dues on user of goods transport operator	25.99		Commissioner of Central Excise (Appeals)

For B. PURUSHOTTAM & CO.
Chartered Accountants

Sd/-
B.S. Purushottam
Partner
M.No. 26785

For PADMANABHAN PRAKASH & CO.
Chartered Accountants

Sd/-
E. Prakash
Partner
M.No. 19338

Place : Chennai
Date : May 19, 2004

CPCL

BALANCE SHEET as at 31st March 2004

(Rs. In Lakh)

	Schedule		31 Mar 2004	31 Mar 2003
SOURCES OF FUNDS:				
1. Shareholders' Funds:				
a) Capital	A	14900.46		14900.39
b) Reserves and Surplus	B	146232.58		114627.65
			161133.04	129528.04
2. Loan Funds:				
a) Secured Loans	C	94728.99		17500.00
b) Unsecured Loans	D	141801.83		180067.05
			236530.82	197567.05
3. Deferred Tax Liability (Net)			34635.60	27324.00
TOTAL			432299.46	354419.09
APPLICATION OF FUNDS:				
1. Fixed Assets				
a) Gross Block	E	375992.81		226518.60
b) Less: Depreciation and Amortisation		118919.56		106691.54
c) Net Block		257073.25		119827.06
d) Capital Goods, Work-in-Progress	F	82319.11		139922.28
			339392.36	259749.34
2. Intangible Assets				
a) Gross Block	E-I	917.07		-
b) Less: Amortisation		22.04		-
c) Net Block		895.03		-
d) Capital Work-in-Progress	F-II	3081.13		-
			3976.16	-
3. Investments	G		1196.80	2397.17
4. Current Assets, Loans and Advances:				
a) Inventories	H	120313.33		120307.81
b) Sundry Debtors	I	52527.51		60991.45
c) Cash and Bank Balances	J	1242.89		901.28
d) Other Current Assets - Interest accrued on Investments/Bank Deposits		16.51		10.41
e) Loans and Advances	K	29472.90		28867.28
		203573.14		211078.23
5. Less: Current Liabilities and Provisions				
a) Current Liabilities	L	105388.88		101381.83
b) Provisions	L-I	10591.39		17618.40
		115980.27		119000.23
6. Net Current Assets (4 - 5)			87592.87	92078.00
7. Miscellaneous Expenditure (to the extent not written off or adjusted)	L-II		141.27	194.58
TOTAL			432299.46	354419.09
8. Statement of Significant Accounting Policies	Q			
9. Notes on Accounts	R			
10. Other Schedules forming part of Accounts	S to X			
11. Balance Sheet Abstract and Company's General Business Profile	Y			
12. Cash Flow Statement	Z			

Sd/-	Sd/-	Sd/-	Sd/-
(M.S. Ramachandran)	**(S.V. Narasimhan)**	**(N.C. Sridharan)**	**(V. Srinivasan)**
Chairman	Managing Director	Director (Finance)	Company Secretary

As per our attached Report of even date

B. PURUSHOTTAM & CO.
Chartered Accountants
Sd/-
B.S. Purushottam
Partner

PADMANABHAN PRAKASH & CO.
Chartered Accountants
Sd/-
E. Prakash
Partner

Place : Chennai
Date : May 19, 2004

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2004

(Rs. in Lakh)

	Schedule		31 Mar 2004	31 Mar 2003
INCOME:				
1. Sale of Products (Gross)		943423.81		864911.28
Less: Excise Duty		73693.39		56038.69
		869730.42		808872.59
Less: Commission and Discounts		379.07		1259.78
Sale of Products (Net)			869351.35	807612.81
2. Company's use of own Products			2569.88	337.50
3. Net claim from/(surrender to) Industry Pool Accounts			1981.87	(993.92)
4. Increase/(Decrease) in Stocks	M		5950.63	17703.76
5. Interest and other Income	N		3041.36	4039.19
TOTAL INCOME			882895.09	828699.34
EXPENDITURE:				
1. Purchase of products for resale			0.00	335.57
2. Manufacturing, Admn., Selling & Other Expenses	O		808908.63	757017.89
3. Duties other than Excise Duty on Sales - (Note No.10 of Schedule R)			(445.16)	1439.36
4. Depreciation and Amortisation			11745.90	10201.93
5. Interest Payments on:				
a) Fixed period loans from Banks/ Financial Institutions/Others		2511.01		9514.70
b) Short Term Loans from banks		1855.83		57.53
c) Public Deposits		312.92		808.24
d) Others		0.00		284.71
			4679.76	10665.18
TOTAL EXPENDITURE			824888.11	779659.93
PROFIT FOR THE YEAR			58006.98	49039.41
Income/(Expenses) pertaining to previous years (Net)	P		(779.76)	(243.49)
PROFIT BEFORE TAX			57226.22	48795.92
Provision for Tax (net)				
- Current year		9910.00		16110.19
- Previous year		0.00		(13.66)
			9910.00	16096.53
PROFIT BEFORE DEFERRED TAX			47316.22	32699.39
Provision for Deferred Tax			7311.60	2410.57
PROFIT AFTER TAX			40004.62	30288.82
DISPOSABLE PROFIT			40004.62	30288.82
APPROPRIATIONS:				
Proposed Dividend			7446.13	5215.14
Dividend Distribution Tax			954.04	668.19
General Reserve			31604.45	24405.49
			40004.62	30288.82
6. Earning Per Share (Rupees) (Basic & Diluted)			26.86	20.31
7. Statement of Significant Accounting Policies	Q			
8. Notes on accounts	R			
9. Other Schedules forming part of Accounts	S to X			
10. Balance Sheet Abstract and Company's General Business Profile	Y			
11. Cash Flow Statement	Z			

Sd/-	Sd/-	Sd/-	Sd/-
(M.S. Ramachandran)	**(S.V. Narasimhan)**	**(N.C. Sridharan)**	**(V. Srinivasan)**
Chairman	Managing Director	Director (Finance)	Company Secretary

As per our attached Report of even date

B. PURUSHOTTAM & CO.
Chartered Accountants

Sd/-
B.S. Purshotham
Partner

PADMANABHAN PRAKASH & CO.
Chartered Accountants

Sd/-
E. Prakash
Partner

Place : Chennai
Date : May 19, 2004

SCHEDULE 'A' - CAPITAL

(Rs. in Lakh)

	Note		31st Mar 2004	31st Mar 2003
Authorised :				
40,00,00,000 Equity Shares of Rs.10 each	A		**40000.00**	40000.00
Issued :				
17,00,00,000 Equity Shares of Rs.10 each			**17000.00**	17000.00
Subscribed, Called-up and Paid-up:				
14,89,43,200 Equity Shares of Rs. 10 each (2003: 14,91,31,100 Equity Shares of Rs.10 each)	B	**14894.32**		14913.11
Less: Calls in Arrears (Other than Directors)		**2.06**		12.72
		14892.26		14900.39
Add: Forfeited Shares	C	**8.20**		0.00
TOTAL			**14900.46**	14900.39

Note:

A. As per the Formation Agreement entered into between the promoters, an offer is to be made to the National Iranian Oil Company (NIOC) in any issue of the Capital in proportion to the shares held by them at the time of such issue to enable them to maintain their shareholding at the existing percentage.

B. Includes 7,72,65,200 Equity Shares of Rs.10 each (51.88%) fully paid-up, held by Indian Oil Corporation Ltd., the Holding Company.

C. 1,87,900 Equity Shares were forfeited with effect from 26.09.2003 as decided by Board of Directors at the 226th Board Meeting held on 25.09.2003. 31,800 Equity Shares of Rs.10 each are pending for forfeiture due to interim stay granted by Company Law Board.

SCHEDULE 'B' - RESERVES AND SURPLUS

(Rs. in Lakh)

			31st Mar 2004	31st Mar 2003
1.	**Share Premium Account:**			
	As per last account	**25018.21**		25018.21
	Less: Calls in Arrears (Other than Directors)	**14.39**		14.87
			25003.82	25003.34
2.	**General Reserve:**			
	As per last account	**89624.31**		65218.82
	Add: Transferred from Profit and Loss Account	**31604.45**		24405.49
			121228.76	89624.31
	TOTAL		**146232.58**	114627.65

SCHEDULE 'C' - SECURED LOANS

(Rs. in Lakh)

		Note	31st Mar 2004	31st Mar 2003
Loans and Advances from Banks				
i)	Working Capital Demand Loan	A	**11000.00**	17500.00
ii)	Cash Credit	A	**228.99**	0.00
iii)	Foreign Currency Loans (USD 20 million)	B	**9091.10**	0.00
iv)	Term Loans (includes interest accrued and due - Rs.10.77 lakhs)	B & C	**74408.90**	0.00
	TOTAL		**94728.99**	17500.00

Note:

A. Against hypothecation of inventories, book-debts, outstanding monies, receivables present and future to the extent of Rs. 49500 lakh.

B. First paripassu charge on the Company's fixed assets at Manali Refinery with State Bank of India to the extent of Rs.68500 lakh.

C. Against hypothecation of all movable plant and machinery at Manali Refinery on a paripassu basis with HDFC Bank along with State Bank of India to the extent of Rs.15000 lakh.

SCHEDULE 'D' - UNSECURED LOANS

(Rs. In Lakh)

			31st Mar 2004	31st Mar 2003
1.	**Fixed Deposits:** (including payment within one year **Rs.330.65 lakh;** 2003: Rs.6586.51 lakh)		**330.65**	6872.27
2.	**Short Term Loans and Advances:** **From Banks/Financial Institutions**			
	i) In Rupee (Book Overdraft)	**7049.98**		3194.65
	ii) Working Capital Demand Loan	**5000.00**		20000.00
	iii) In Foreign Currency (USD 38.75 million)	**17522.45**		0.00
			29572.43	23194.65
3.	**Other Loans and Advances:** **From Others**			
	Oil Industry Development Board (due for payment within one year Rs. 7496.25 lakh; 2003: Rs. 40101.38 lakh)		**111898.75**	150000.13
	TOTAL		**141801.83**	180067.05

SCHEDULE 'E' - FIXED ASSETS

(Rs. In Lakh)

	Note	At Cost				Depreciation/Amortisation		Net Depreciated Block	
		Gross block As at 01-Apr-03	Additions/ Adjustments during the year (Ref. Note No.A)	Disposals/ Transfer during the year	Gross Block as at 31-Mar-04 (Ref.Note No.B)	Depreciation and Amortisation for the year (Ref. Note No.C)	Total Depreciation and Amortisation up to 31-Mar-04	As at 31-Mar-04	As at 31-Mar-03
Land									
- Freehold		2168.45	1527.14	-	**3695.59**	-	-	**3695.59**	2168.45
- Leasehold		768.79	-	-	**768.79**	7.61	**35.25**	**733.54**	741.15
- Right of Way	D	30.68	-	30.68	-	-	-	-	30.68
Buildings, Roads etc.		11548.53	164.55	-	**11713.08**	256.84	**3254.83**	**8458.25**	8550.54
Plant and Machinery		208908.49	147690.45	51.84	**356547.10**	11850.90	**113739.06**	**242808.04**	106977.89
Transport Equipment		1494.75	136.80	30.81	**1600.74**	129.26	**817.21**	**783.53**	777.51
Furniture and Fixtures		895.39	89.17	29.44	**955.12**	55.46	**646.81**	**308.31**	285.96
Railways Sidings		270.72	-	-	**270.72**	11.85	**220.84**	**49.88**	61.73
Drainage, Sewage and Water Supply System		432.80	8.87	-	**441.67**	5.89	**205.56**	**236.11**	233.15
Total		**226518.60**	**149616.98**	**142.77**	**375992.81**	**12317.81**	**118919.56**	**257073.25**	**119827.06**
Previous Year		210721.66	15847.96	51.22	**226518.60**	10201.93	**106691.54**	**119827.06**	114201.89

Note:

A. Addition to fixed assets includes Rs. 11.43 lakh on account of Foreign Exchange variation (2003: Rs. Nil).

B. The cost of assets are net of MODVAT/CENVAT, wherever applicable.

C. Depreciation and amortsation for the year includes Rs. 587.01 lakh (2003: Rs. Nil) pertaining to prior year.
Depreciation and amortisation for the year includes Rs. 6.94 lakh charged to capital work-in-progress (2003: Rs. Nil).

D. Transferred to 'Schedule E-1 - Intangible Assets' during the year consequent to introduction of Accounting Standard - 26 - Intangible Assets by Institute of Chartered Accountants of India.

SCHEDULE 'E-I' - INTANGIBLE ASSETS

(Rs. In Lakh)

	Note	At Cost				Amortisation		Net Depreciated Block	
		Gross block As at 01-Apr-03	Additions/ Adjustments during the year	Disposals during the year	Gross Block as at 31-Mar-04	Amortisation for the year	Total Amortisation up to 31-Mar-04	As at 31-Mar-04	As at 31-Mar-03
Right of Way	A	-	30.68	-	**30.68**	-	-	**30.68**	-
Technical Know-How, Royalty and License Fees		-	886.39	-	**886.39**	22.04	**22.04**	**864.35**	-
Total		-	**917.07**	**0.00**	**917.07**	**22.04**	**22.04**	**895.03**	-

Note:

A. No amortisation provided, the right being perpetual in nature.

SCHEDULE 'F' - CAPITAL GOODS, WORK-IN-PROGRESS

(Rs. in Lakh)

		Note		31st Mar 2004	31st Mar 2003
1.	Construction Work-in-Progress (including unallocated capital expenditure)		71233.84		117675.06
	Less: Provision for Losses		0.00		215.23
				71233.84	117459.83
2.	Advance for Capital Expenditure			56.67	2984.94
3.	Capital Stores		7902.41		9645.15
	Less: Provision for Losses		148.55		113.72
				7753.86	9531.43
4.	Capital goods in transit			3274.74	9946.08
5.	Construction period expenses pending allocation : Expenditure during the year		16889.40		8483.13
	Less: Allocated to Assets/Work-in-Progress during the year		16889.40		8483.13
				0.00	0.00
	TOTAL	A		82319.11	139922.28

Note: A Includes Rs. 27.48 lakh on account of foreign exchange variation (2003: Rs. 1.51 lakh)

SCHEDULE 'F-I' - CONSTRUCTION PERIOD EXPENSES (NET) DURING THE YEAR

(Rs. in Lakh)

		31st Mar 2004	31st Mar 2003
1.	Payments to and Provision for Employees	777.48	520.31
2.	Power, Water and Fuel	1256.86	190.47
3.	Company's use of own products (Net)	2336.17	0.00
4.	Repairs & Maintenance	38.21	16.41
5.	Rent	65.24	72.30
6.	Travelling & Conveyance	83.25	90.88
7.	Communication Expenses	3.07	3.30
8.	Printing & Stationery	1.52	1.84
9.	Security Force Expenses	48.65	45.19
10.	Other Expenses	0.46	74.40
11.	Depreciation	6.84	0.00
12.	Interest	12271.56	7468.03
		16889.40	8483.13
	Less: Allocated to Assets/Work-in-Progress during the year	16889.40	8483.13
	TOTAL	0.00	0.00

SCHEDULE 'F-II' - CAPITAL WORK-IN-PROGRESS - PENDING AMORTISATION

(Rs. in Lakh)

	31st Mar 2004	31st Mar 2003
Intangible Assets - Pending Amortisation	3081.13	-
TOTAL	3081.13	-

SCHEDULE 'G' - INVESTMENTS

(Rs. in Lakh)

	Note	No. and Particulars of Shares/ Units	Face value per share Rupees	31st Mar 2004	31st Mar 2003
LONG TERM INVESTMENTS:					
UNQUOTED, AT COST:					
1) Non-Trade Investments:					
In Others					
a) CPCL Industrial Cooperative Service Society Ltd.		9000 Shares fully paid	10	**0.90**	0.90
b) UTI Venture Capital Unit Scheme 1990	A	370 Units fully paid	100	**0.00**	0.37
c) BioTech Consortium India Ltd		100000 Equity Shares fully paid	10	**10.00**	10.00
				10.90	11.27
2) Trade Investments:					
In Joint Venture Companies:					
Indian Additives Ltd.		1183401 Equity Shares fully paid	100	**1183.40**	1183.40
In Others					
National Aromatics and Petrochemical Corporation Limited		25000 Equity Shares fully paid	10	**2.50**	2.50
				1185.90	1185.90
CURRENT INVESTMENTS					
(AT LOWER OF COST OR MARKET VALUE):					
UNQUOTED:					
Non-Trade Investments:					
6.96% Oil Companies, GOI Special Bonds, 2009	B			**0.00**	1200.00
TOTAL				**1196.80**	2397.17

Note:

A. Transferred to Claims Recoverable on maturity.

B. Sold during the year 2003-04.

CPCL

SCHEDULE 'H' - INVENTORIES

(Rs. in Lakh)

			31st Mar 2004	31st Mar 2003
1.	**In Hand:**			
	a) Stores, Spares etc.	**8826.84**		9510.09
	Less: Provision for losses	**1617.77**		1326.96
			7209.07	8183.13
	b) Raw Materials		**40365.11**	32108.12
	c) Finished Products		**43920.42**	40792.82
	d) Stock in Process		**12177.26**	9354.23
			103671.86	90438.30
2.	**In Transit:**			
	a) Stores and Spares		**558.01**	290.93
	b) Raw Materials		**16083.46**	29578.58
			16641.47	29869.51
	TOTAL		**120313.33**	120307.81

SCHEDULE 'I' - SUNDRY DEBTORS

(Rs. in Lakh)

		Note	31st Mar 2004	31st Mar 2003
1.	**Over Six Months:**			
	Unsecured, Considered Good		**376.96**	1084.57
2.	**Other Debts:**			
	Unsecured, Considered Good	A	**52150.55**	59906.88
	TOTAL		**52527.51**	60991.45

Note: A - Includes due from Indian Oil Corporation Ltd., the holding company - Rs. 42423.49 lakh (2003: Rs. 45124 lakh)

SCHEDULE 'J' - CASH AND BANK BALANCES

(Rs. in Lakh)

		Note		31st Mar 2004	31st Mar 2003
1.	Cash Balances				
	Cash balances including imprest	A		**4.04**	2.72
2.	Bank Balances with Scheduled Banks :				
	a) Current Account		**758.70**		785.56
	b) Fixed Deposit Account		**480.15**		113.00
				1238.85	898.56
				1242.89	901.28

Note: A - Includes 163 (2003: 78) Gold Medals valued at Rs.2.77 lakh (2003: Rs. 1.68 lakh)

SCHEDULE 'K' - LOANS & ADVANCES

(Rs. in Lakh)

		Note		31st Mar 2004	31st Mar 2003
1.	Advances recoverable in cash or in kind or for value to be received :				
	a) Secured, Considered Good	A	5375.13		5726.59
	b) Unsecured, Considered Good		2771.44		2480.80
	c) Unsecured, Considered Doubtful		0.90		1.98
			8147.47		8209.37
	Less: Provision for Doubtful Advances		0.90		1.98
				8146.57	8207.39
2.	Amount recoverable from Industry Pool Account (Net): Unsecured, Considered Good			6795.27	7135.71
3.	Claims recoverable:	B			
	a) Unsecured, Considered Good		4003.90		6573.80
	b) Unsecured, Considered Doubtful		52.99		35.13
			4056.89		6608.93
	Less: Provision for Doubtful Claims		52.99		35.13
				4003.90	6573.80
4.	Balance with Customs, Port Trust & Excise Authorities: Unsecured, Considered Good			7789.55	5677.33
5.	Advance Tax (Net)			473.99	0.00
6.	Materials given on Loan	C	54.41		38.31
	Less: Deposits received		54.41		38.31
				0.00	0.00
7.	Excess deposits given for materials taken on loan - Unsecured, Considered Good	D		32.08	10.77
8.	Sundry Deposits (including amounts adjustable on receipt of Final bills): Unsecured, Considered Good			231.54	1262.28
	TOTAL	E		29472.90	28867.28

Note:

		31st Mar 2004	31st Mar 2003
A.	Includes:		
	1. Due from Directors	1.48	1.67
	Maximum amount due during the year	1.67	2.10
	2. Due from other Officers	4.30	4.93
	Maximum amount due during the year	4.93	5.74
B.	Includes due from Indian Oil Corporation Ltd., the Holding Company	24.93	29.72
C.	Includes materials given on loan to Indian Oil Corporation Ltd., the Holding Company	54.41	38.31
D.	Includes due from Indian Oil Corporation Ltd., the Holding Company	30.16	8.24
E.	**Disclosure requirements of SEBI under Clause 32 of the Listing agreement**		
	1. Loans and advances in the nature of loans to parent company, IOC	Nil	Nil
	Maximum amount outstanding during the year	Nil	28200.00
	2. Loans and advances in the nature of loans to associates	Nil	Nil
	Maximum amount outstanding during the year	Nil	Nil
	3. Loans and advances in the nature of loans where there is		
	(i) no repayment schedule or repayment beyond seven years or	Nil	Nil
	(ii) no interest or interest below section 372 A of Companies Act	Nil	Nil
	4. Loans and advances in the nature of loans to firms/companies in which directors are interested	Nil	Nil
		Nil	Nil

SCHEDULE 'L' - CURRENT LIABILITIES

(Rs. in Lakh)

		Note		31st Mar 2004	31st Mar 2003
1.	Sundry Creditors				
	a) Total dues of small scale industrial undertaking(s)	A	53.03		103.14
	b) Total dues of creditors other than small scale industrial undertakings	B	98622.49		93271.22
				98675.52	93374.36
2.	Other Liabilities	C		4194.52	3886.24
3.	Investor Education and Protection Fund shall be credited by :				
	a) Unpaid Dividend		185.27		165.91
	b) Unpaid Matured Deposits		12.82		8.90
	c) Interest accrued on b) above		1.13		0.96
				199.22	175.77
4.	Security Deposits			2251.28	1253.95
5.	Materials taken on loan	D	21.46		58.02
	Less: Deposits given		21.46		58.02
				0.00	0.00
6.	Excess deposits received for materials given on loan	E		35.48	29.11
7.	Interest accrued but not due on loans			32.86	2662.40
	TOTAL			105388.88	101381.83

Note:

A. Name of the Small Scale Undertakings to whom the Company owes any sum which is outstanding for more than 30 days are given in Schedule R - Notes to Accounts.

B. Includes due to Indian Oil Corporation Ltd., the Holding Company - Rs. 49387.51 lakh (2003: Rs. 39482.36 lakh)

C. Includes due to Indian Oil Corporation Ltd., the Holding Company - Rs. 29.27 lakh (2003: Rs. Nil)

D. Includes material taken on loan from Indian Oil Corporation Ltd., the Holding Company - Rs. Nil (2003: Rs. 29.72 lakh)

E. Includes due to Indian Oil Corporation Ltd., the Holding Company - Rs. 35.48 lakh (2003: Rs. 29.11 lakh)

SCHEDULE 'L-I' - PROVISIONS

(Rs. in Lakh)

			31st Mar 2004	31st Mar 2003
1.	Provision for Taxation	26724.40		16814.40
	Less: Advance Payments	26724.40		10059.25
			0.00	6755.15
2.	Proposed Dividend		7446.13	5215.14
3.	Dividend Distribution Tax		954.04	668.19
4.	Provision for Retirement Benefits		2191.22	4979.92
	TOTAL		10591.39	17618.40

SCHEDULE 'L-II' - MISCELLANEOUS EXPENDITURE

(Rs. in Lakh)

		31st Mar 2004	31st Mar 2003
Deferred Revenue Expenditure			
Voluntary Retirement Compensation			
As per last accounts	194.58		74.60
Add: Expenditure during the year	0.00		173.29
Less: Amortised during the year	53.31		53.31
TOTAL		141.27	194.58

SCHEDULE 'M' - DETAILS OF INCREASE / (DECREASE) IN STOCK

(Rs. in Lakh)

		31st Mar 2004	31st Mar 2003
Closing Stock			
a) Finished products	45920.42		40792.82
b) Stock in process	10177.26		9354.23
		56097.68	50147.05
Less:			
Opening Stock			
a) Finished products	40792.82		27109.99
b) Stock in process	9354.23		5333.30
		50147.05	32443.29
TOTAL		5950.63	17703.76

SCHEDULE 'N' - INTEREST AND OTHER INCOME

(Rs. in Lakh)

		Note		31st Mar 2004	31st Mar 2003
1.	Interest on:				
	a) Loans and Advances		**432.37**		811.92
	b) Fixed Deposits with Banks		**23.26**		11.75
	c) Short Term Deposits with Banks		**39.89**		942.11
	d) Customer Outstandings		**659.10**		1018.64
	e) 6.96% Oil Companies, GOI Special Bonds 2009	A	**7.89**		83.52
				1162.51	2867.94
2.	Dividend				
	From Others	B		**0.38**	0.00
3.	Sale of Power			**679.76**	620.91
4.	Profit on sale and disposal of assets			**37.68**	26.64
5.	Profit on sale of investments			**50.52**	0.00
6.	Unclaimed/Unspent Liabilities written back			**1.32**	1.54
7.	Provision for Doubtful Debts, Advances, Claims and Stores written back			**319.78**	22.21
8.	Sale of scrap			**384.45**	170.15
9.	Other Miscellaneous Income			**404.98**	329.80
	TOTAL			**3041.38**	4039.19

Note

A. Represents income on Current, Non-Trade Investments

B. Represents income on Long-Term, Non-Trade Investments

SCHEDULE 'O' - MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. In Lakh)

		Note		31st Mar 2004	31st Mar 2003
1.	Raw Material Consumed:				
	Opening Balance		61686.70		34442.85
	Add: Receipts		762912.72		751366.76
			824599.42		785809.61
	Less: Closing Stock		56448.57		61686.70
				768150.85	724122.91
2.	Consumption:				
	a) Stores, Spares and Consumables		4064.07		3236.72
	b) Packages and Drum Sheets		52.53		90.89
				4116.60	3327.61
3.	Power, Water and Fuel		54280.54		51948.09
	Less: Own Fuel		51286.12		49038.87
				2994.42	2909.22
4.	Octroi, Other Levies and Irrecoverable Taxes	A		8470.09	2194.50
5.	Repairs and Maintenance:				
	i) Buildings		411.79		338.50
	ii) Plant & Machinery		6401.54		4202.95
	iii) Others		340.94		322.55
				7154.27	4864.00
7.	Freight, Transportation Charges and Demurrage			454.60	581.70
8.	Payments to and Provisions for Employees:				
	a) Salaries, wages, bonus etc.	B	5342.64		5843.96
	b) Contribution to Provident and other Funds		3463.70		1705.55
	c) Amortisation of Voluntary Retirement Compensation		53.31		53.31
	d) Staff Welfare Expenses		1170.97		1051.47
				10030.62	8654.29
9.	Office Administration, Selling and Other Expenses (Schedule O - I)			7537.18	10363.66
	TOTAL			808908.63	757017.89

Note:

A. Includes CST under recovery amounting to Rs. 6538.90 lakh (2003: Rs. Nil).

B. Includes towards previous years Rs.Nil (2003: Rs. 569.89 lakh) on account of removal of ceiling for the payment of Performance-Linked Incentive.

CPCL

SCHEDULE 'O-I' - OFFICE ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. in Lakh)

			31st Mar 2004	31st Mar 2003
1.	Rent		**1310.53**	1071.64
2.	Insurance		**1190.26**	1262.18
3.	Rates & Taxes		**108.65**	202.97
4.	Donations		**69.45**	16.78
5.	Payment to Auditors:			
	a) Audit Fees	**4.32**		3.78
	b) Other Services (for issuing certificates etc.)	**0.43**		1.54
	c) Out of Pocket Expenses	**0.00**		3.20
			4.75	8.52
6.	Travelling and Conveyance		**712.54**	721.61
7.	Communication Expenses		**157.07**	187.49
8.	Printing and Stationery		**60.97**	62.72
9.	Electricity and Water		**62.26**	94.72
10.	Bank Charges		**33.21**	33.84
11.	Bad Debts, Advances, Claims and Materials written off		**105.44**	2217.26
12.	Loss on Assets sold, lost or written off		**228.25**	11.82
13.	Provision for Doubtful Debts, Advances, Claims and Obsolescence of Stores		**446.97**	651.18
14.	Security Force Expenses		**391.29**	382.28
15.	Handling Expenses		**484.54**	220.40
16.	Other Expenses		**2171.00**	3218.25
	TOTAL		**7537.18**	10363.66

SCHEDULE 'P' - INCOME/EXPENSES RELATING TO PRIOR YEARS

(Rs. in Lakh)

		31st Mar 2004	31st Mar 2003
Income:			
1.	Net claim from/surrender to Industry Pool Accounts	**(44.07)**	0.00
2.	Other Miscellaneous Income	**0.00**	30.02
	Total Income	**(44.07)**	30.02
Expenditure:			
1.	Depreciation and Amortisation	**587.01**	0.00
2.	Consumption - Stores, Spares and Consumables	**0.00**	110.70
3.	Repairs and Maintenance	**0.00**	69.65
4.	Interest	**148.68**	93.16
	Total Expenses	**735.69**	273.51
	NET INCOME / (EXPENDITURE)	**(779.76)**	(243.49)

SCHEDULE 'Q' - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The financial statements are prepared under historical cost convention in accordance with the mandatory accounting standards issued by The Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

2. FIXED ASSETS

2.1 Land

Land acquired on lease for over 99 years and on perpetual lease is treated as freehold land.

2.2 Capitalisation of construction period expenses

(a) Revenue expenses exclusively attributable to projects incurred during construction period are capitalised.

(b) Financing cost incurred during the construction period on loans specifically borrowed and utilised for projects is capitalised at the actual borrowing rates.

Financing cost, if any, incurred on general borrowings used for projects is capitalised at the weighted average cost.

2.3 Depreciation/Amortisation

(a) Depreciation on fixed assets is provided in accordance with the rates as specified in Schedule XIV to the Companies Act, 1956, on straight line method, upto 95% of the cost of the asset. Depreciation is charged pro-rata on quarterly basis on assets, from/upto the quarter of capitalisation/sale, disposal and dismantled during the year.

(b) Assets costing not more than Rs.5000/- each are depreciated in full in the year of addition.

(c) Capital expenditure on assets, the ownership of which does not vest with the Company, incurred during the construction period of the projects is accounted as unallocated capital expenditure and is charged to revenue in the year of capitalisation of such projects.

(d) Cost of leasehold land (including premium) for 99 years or less is amortised during the lease period.

3. INTANGIBLE ASSETS

(a) Costs incurred on technical know-how/license fee relating to production processes are charged to revenue in the year of incurrence.

(b) Costs incurred on technical know-how/license fee relating to process design/plants/facilities are accounted as "Intangible Assets Pending Amortisation" during the construction period of the said plant/facility. At the time of capitalisation of the said plant/facility, such costs are also capitalised as Intangible asset and amortised on a straight line basis over a period of ten years or life of the said plant/facility whichever is earlier, beginning from the quarter in which the said plant/facility is capitalised. However, such costs which have been capitalised along with plant/facility prior to 1st April 2003, continue to form part of cost of the plant/facility.

(c) Expenditure incurred on Research and Development, other than on capital account, is charged to revenue.

(d) Costs incurred on computer software purchased/developed on or after 1st April 2003, resulting in future economic benefits, are capitalised as Intangible Asset and amortised over a period of three years beginning from the quarter in which such software is capitalised. However, where such computer software is still in development stage, costs incurred during the development stage of such software are accounted as "Intangible Assets Pending Amortisation".

(e) Cost of Right of Way for laying pipelines is capitalised and where Right of Way is of perpetual nature, amortisation is not provided.

4. INVESTMENTS

Long term investments are carried at cost. Current investments are carried at lower of cost or market value. Provision for diminution in the value of long-term investments, other than temporary in nature, is accounted for.

5. CURRENT ASSETS, LOANS AND ADVANCES

Valuation of Inventories

(a) Raw materials

Crude oil - At cost (on FIFO basis) or net realisable value whichever is lower.

(b) Stock-in-process

At raw material cost plus overhead at fifty percent of the cost of conversion or net realisable value, whichever is lower.

(c) Finished products

Finished products are valued at cost (on FIFO basis plus processing cost) or net realisable value, whichever is lower.

(d) Stores and Spares

Stores and Spares are valued at weighted average cost. In case of declared surplus/obsolete stores and spares, provision is made for likely loss on sale/disposal and charged to revenue. Necessary provisions are also made in respect of non-moving stores and spares after review.

Stores and Spares in transit are valued at cost.

(e) Imported Products in-transit and Crude Oil in-transit

Imported products in-transit and crude oil in-transit are valued at CIF cost or net realisable value, whichever is lower.

6. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currency are recorded at exchange rates prevailing on the date of transactions. Current assets, current liabilities and foreign currency loans, outstanding at the year-end, are translated at exchange rates applicable as of that date. The resultant exchange gains and losses except those relating to acquisition of fixed assets, which are adjusted to the cost of such assets till they are fully depreciated, are accounted in the Profit & Loss Account.

7. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Recognition of amounts under 'Contingent Liabilities' and 'Capital Commitments' is considered only in the case of items exceeding Rs.5,00,000/-. Subject to this limit, contingent liabilities in respect of show cause notices are considered only when they are converted into demands, if disputed by the Company.

8. PROFIT & LOSS ACCOUNT

(a) Claims on Petroleum Planning and Analysis Cell (Formerly known as Oil Coordination Committee)/Government arising on account of Administered Pricing Mechanism are booked on acceptance in principle thereof. Such claims and provisions are booked on the basis of available instructions/clarifications subject to final adjustment as per separate audit.

(b) Adjustments pertaining to purchase of raw materials/finished products, sales and others as admissible under the erstwhile Administered Pricing Mechanism are accounted as "net claim from/(surrender to) Industry Pool Accounts".

(c) Other claims (including interest on outstanding) are accounted:

i) When there is certainty that the claims are realisable.

ii) Generally at cost.

(d) Prepaid Expenses upto Rs.50,000/- in each case is charged to revenue.

(e) Income and expenditure are disclosed as prior period items only when the value exceeds Rs.5,00,000/- in each case.

(f) Training, advertising and relocation expenses incurred pertaining to projects are also charged to revenue in the year of incurrence.

(g) (i) Superannuation Schemes

The liability towards Superannuation Schemes as at the year end is ascertained on the basis of actuarial valuation. The Company's liability is restricted to the fixed premium paid towards the 'Cash Accumulation Scheme' maintained by LIC. Balance liability, if any, will be met by contribution from employees.

(ii) Gratuity Schemes

The liability towards gratuity as at the year end is ascertained on the basis of actuarial valuation. Premium paid towards the 'Cash Accumulation Scheme' of LIC and the difference between estimated liability and the corpus available in the 'Cash Accumulation Scheme' is provided for and charged off to revenue.

(iii) Leave Encashment

The liability towards leave encashment to employees as at the year-end is ascertained on the basis of actuarial valuation and provided for.

(iv) Post retirement medical benefits

The liability towards post retirement medical benefits as at the year-end is ascertained on the basis of actuarial valuation and provided for.

(h) Expenditure incurred on Voluntary Retirement Schemes is treated as Deferred Revenue Expenditure and is amortised over a period of five years beginning from the year in which expenditure is incurred.

SCHEDULE 'R' - NOTES ON THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH 2004

1. **Contingent Liabilities:**

   a) Claims against the Corporation not acknowledged as debts Rs. 12,459.59 lakh (2003: Rs. 10632.26 lakh).

   These include:

   i) Rs. 6109.55 lakh (2003: Rs. 6115.68 lakh) being the demands raised by the Central Excise authorities.

   ii) Rs. 234.44 lakh (2003: Rs. 233.33 lakh) in respect of Sales Tax demands.

   iii) Rs. 3086.97 lakh (2003: Rs. 1750.80 lakh) in respect of Income Tax demands.

   iv) Rs. 2729 lakh (2003: Rs. 2467 lakh) relating to projects.

   b) Demands of Excise Duty of Rs. 4613.17 lakhs (2003: Rs. 5432.35 lakh) included in 1 (a) i) above is on the alleged grounds of Captive Consumption of Slack Wax / Refinery Fuel Oil, etc. for manufacture of final products are pending before various authorities.

   c) Interest/Penalty, if any, on the above claims is unascertainable.

   d) Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 21206.36 lakh (2003: Rs. 102700.94 lakh).

2. The Corporation has export obligation to the extent of Rs. 2624.26 lakh (2003:Rs.Nil) on account of concessional rate of customs duty availed under EPCG license scheme on import of capital goods.

3. Thirty nine acres and twenty seven cents of land has been taken on lease from a trust on a five-year renewable lease for the construction of Employees Township at Cauvery Basin Refinery.

4. Twenty five acres of land of the Corporation is in the possession of Indian Oiltanking Ltd under a lease agreement.

5. The cost of land includes provisional payments towards cost, compensation, and other accounts for which detailed accounts are yet to be received from concerned authorities. The title of the land will pass on thereafter to the Corporation on completion of legal formalities.

6. Impact on account of changes in accounting policy:

   i) The effect of changes in accounting policy pursuant to the requirements of AS-26 is as under:

      a. Cost incurred on technical know how/license fee relating to process designs/plants/facilities hitherto capitalised as part of fixed assets and depreciated at schedule XIV rates have been treated as intangible assets and amortised over a period of ten years or life of the asset whichever is earlier beginning from the quarter in which the related plant/ facilities is capitalised. But for this change the profit of the Corporation would have been higher by Rs.10.40 lakhs.

      b. Training, advertisement and plant relocation expenses incurred specifically for projects hitherto capitalised as part of project cost are now treated as revenue expenditure. But for this change the profit of the Corporation would have been higher by Rs. 909.29 lakh.

      c. Right of way hitherto treated as fixed asset has been reclassified as intangible asset. This change will have no effect on the profits of the corporation.

   ii) The Superannuation Scheme of the Corporation was modified with effect from 01.11.2003. The liability of the Corporation as on 31.10.2003 was discharged by the corporation with a resultant charge of Rs.1591 lakh to the Profit & Loss Account.

7. As per the terms of Memorandum of Settlement (MoS), approved by the Government of India for withdrawal by the Corporation from the Joint Venture AROCHEM, with SPIC Ltd, the amount due to the corporation as on 31.03.2004 stood at Rs. 1441.69 lakh. As SPIC has expressed its keenness to implement its project and clear the dues to the Corporation, the Corporation is confident of recovering the investment made in the project.

8. The Corporation, in the absence of suitable notification by the Central Government specifying the applicable rate of cess under Section 441A of the Companies Act, 1956 on turnover payable by the corporation, has not provided for cess towards formation of Rehabilitation and Revival Fund.

9. Gain on forward contracts for the unexpired period beyond 31.03.2004 amounting to Rs.77.70 lakhs remains to be reckoned.

10. Duties other than excise duty on sales (Rs. 445.18 lakh) includes Rs. 707 lakh representing reduction in provision for excise duty on closing stock compared to the provision made for excise duty on opening stock.

11. The corporation operates in a single segment viz. downstream petroleum sector. As such reporting is done on a single segment basis.

12. In compliance of Accounting Standard – 18 on "Related Party Disclosures" issued by The Institute of Chartered Accountants of India, the required information is given as per Annexure - 1 to this schedule.

13. Disclosure as required under Accounting Standard – 19 on "Leases" issued by The Institute of Chartered Accountants of India is as under:

Operating Leases:

The Corporation has taken an operating lease of twenty two product tankages from IndianOil on a renewal basis from 23.07.2002 and is valid upto 31.03.2005. The lease rentals incurred for the current year amounting to Rs. 499.54 lakh are included in Rent (2003: Rs. 255.28 lakh).

14. In compliance of Accounting Standard – 20 on "Earning Per Share" issued by The Institute of Chartered Accountants of India, the elements considered for calculation of Earning Per Share (Basic and Diluted) are as under:

	March 2004	**March 2003**
Profit After Tax (Rupees in Lakh)	**40004.62**	30288.62
Weighted Average number of equity shares	**148943200**	149131100
Earning Per Share (Basic and Diluted) (Rupees)	**26.86**	20.31
Face Value Per Share (Rupees)	**10**	10

15. In compliance of Accounting Standard-22 on "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, Deferred Tax Liability for the financial period ended 31st March 2004 amounting to Rs. 7311.60 lakh has been provided.

The item-wise details of Deferred Tax Liability (net) are as under:

(Rs. In Lakh)

	As on 31.03.2004	**As on 31.03.2003**
Deferred Tax Liability:		
i) Depreciation	**36074.70**	26551.50
ii) Interest	**0.00**	3197.52
iii) Miscellaneous Expenditure	**0.00**	(27.81)
Less: Deferred Tax Assets:		
iv) Provision for Retirement Benefits	**786.10**	1786.55
v) Provisions on inventories, debtors, loans and advances	**653.00**	610.66
Deferred Tax Liability (Net)	**34635.60**	27324.00

16. Disclosure as required under Accounting Standard – 27 on "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India is as under:

a) **Name of the Joint Venture** — Indian Additives Ltd.

Proportion of ownership interest — 50%

Country of Incorporation — India

Aggregate amount of interests in Joint Venture — Amount (Rs. In Lakh)

Company's share of	**2003-04**	2002-03
Assets	**3038.36**	3375.20
Liabilities	**759.28**	983.55
Income	**5222.97**	5700.55
Expenditure	**5146.74**	5014.08
Contingent Liabilities	**563.65**	58.09

b) **Name of the Joint Venture** — National Aromatics and Petrochemicals Corporation Ltd.

Proportion of ownership interest — 50%

Country of Incorporation — India

Aggregate amount of interests in Joint Venture is not given since the joint venture is not operational.

17. The names of Small Scale Undertakings to whom the Corporation owes any sum which is outstanding for more than 30 days are given in Annexure - II.

18. Remuneration paid/payable to Directors:

(Rs. in Lakh)

		2003-04	2002-03
i)	Salaries and Allowances	**16.75**	29.81
ii)	Contribution to Provident Fund	**1.69**	2.06
iii)	Contribution to Gratuity/Superannuation Fund, etc.	**2.00**	1.22
iv)	Other Benefits and Perquisites	**8.18**	4.46
v)	Sitting Fees to part-time Directors	**0.60**	0.50
	TOTAL	**29.22**	38.05

19. The Profit & Loss Account includes:

a) Expenditure on Public Relations and Publicity amounting to Rs. 57.97 lakh (2003: Rs. 67.79 lakh). The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.00663 : 1 (2003: 0.00785 : 1).

b) Expenditure on Advertisement amounting to Rs. 269.31 lakh (2003: Rs. 65.33 lakh). The ratio of annual expenditure on Advertisement to the annual turnover is 0.00308 : 1 (2003: 0.00757 : 1).

c) Research and Development expenses Rs. 260.75 lakh (2003: Rs. 330.69 lakh).

d) Entertainment Expenses Rs. 16.19 lakh (2003: Rs. 19.70 lakh).

20. Previous year's comparative figures have been regrouped and recast, wherever necessary, to the extent practicable. Figures in brackets indicate deductions.

Sd/-	Sd/-	Sd/-	Sd/-
(M.S. Ramachandran)	**(S.V. Narasimhan)**	**(N.C. Sridharan)**	**(V. Srinivasan)**
Chairman	Managing Director	Director (Finance)	Company Secretary

As per our attached Report of even date

	B. PURUSHOTTAM & CO.	**PADMANABHAN PRAKASH & CO.**
	Chartered Accountants	Chartered Accountants
	Sd/-	Sd/-
Place : Chennai	**B.S. Purushottam**	**E. Prakash**
Date : May 19, 2004	Partner	Partner

Annexure - I

Disclosure requirements under AS –18 as per Note No. 12

(Rs. in Lakh)

Details of Transactions	Key Management Personnel 31-Mar-04	Key Management Personnel 31-Mar-03	Joint Ventures 31-Mar-04	Joint Ventures 31-Mar-03	Others 31-Mar-04	Others 31-Mar-03	Total 31-Mar-04	Total 31-Mar-03
Consideration for relinquishment of right over land	-	-	-	24.50	-	-	-	24.50
Sale of products	-	-	-	854.76	-	-	-	854.76
Receivables for relinquishment of right over land	-	-	-	314.07	-	-	-	314.07
Receivables (Trade)	-	-	-	7.35	-	-	-	7.35
Payables (Trade)	-	-	3.15	-	-	-	3.15	-
Terminalling charges	-	-	-	-	314.79	-	314.79	-
Remuneration	20.44	33.09	-	-	-	-	20.44	33.09
Other Benefits/Recoveries	8.18	4.46	-	-	-	-	8.18	4.46
Outstanding Loans/ advances receivables	1.48	1.67	-	-	-	-	1.48	1.67
Assets on Hire	1.50	2.80	-	-	-	-	1.50	2.80

Key Management Personnel

Whole-time Directors

1) Shri S.V.Narasimhan

2) Shri K.Narayanan (up to January 31, 2004)

3) Shri R.Sankaran

4) Shri N.C.Sridharan (from March 5, 2004)

Joint Venture Companies

1) Indian Additives Limited

2) National Aromatics and Petrochemicals Corporation Ltd.

Companies under common control

Indian Oiltanking Limited

Annexure - II

Details for Note No. 17

EBY Industries, Hydro-Pneumatic Accessories, G.R.Engineering Works, Southern Gasket Products, I.G.P. Engineers Private Limited, Madras Fasteners, Baliga Lighting Equipments, INSAP Engineers Pvt. Ltd., Tamil Nadu Air Products, Paltandi Flurocarbons and Seals, Godrich Gaskets, Econo Valves, Metal Forgings Pvt. Ltd., Newage Industries, Numeric Power Systems, Petrochemical Engineering Enterprises, Placka Instruments India Pvt. Ltd., Micro Finish Valves, Teekay Tubes Pvt. Ltd. and Tube-Bend Calcutta Pvt. Ltd.

SCHEDULE - "S" - LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

(Fig. in Lakh)

		UNIT	Licensed Capacity		Installed Capacity		Actual Production	
			March 2004 (Refer Note A)	March 2003	March 2004 (Refer Note B)	March 2003	March 2004	March 2003
i)	Crude Processing	MTs	**70.00**	70.00	**105.00**	70.00	**70.39**	68.40
ii)	Propylene Recovery Unit	MTs	**0.17**	0.17	**0.17**	0.17	**0.22 C**	0.17
iii)	Wax Plant	MTs	**0.30**	0.30	**0.30**	0.30	**0.27 C**	0.22

Note:

A. License Capacity in respect of 3 MMTPA expansion at Manali Refinery has been applied for.

B. 30 lakh MTs of 3 MMTPA expansion capacity at Manali Refinery commissioned in March 2004 and 5 lakh MTs at Cauvery Basin Refinery during the year.

C. Represents finished petroleum products

SCHEDULE - "T" - FINISHED PRODUCTS - QUANTITY AND VALUE PARTICULARS

(Rs. In Lakh)

		Opening Stock		Purchases		Sales		Closing Stock	
		Quantity MTs	Value Rupees	Quantity MTs	Value Rupees	Quantity MTs	Value Rupees	Quantity MTs	Value Rupees
1.	**PETROLEUM/ PETROCHEMICAL PRODUCTS:**								
	Year ended 31.03.04	**2.20**	**26396.89**	**0.00**	**0.00**	**73.43**	**934947.97**	**2.60**	**43015.65**
	Year ended 31.03.03	2.07	26830.56	0.00	0.00	62.34	848510.92	2.20	40079.72
2.	**WAX**								
	Year ended 31.03.04	**0.02**	**713.10**	**0.00**	**0.00**	**0.26**	**8475.84**	**0.03**	**904.77**
	Year ended 31.03.03	0.04	279.43	0.01	335.57	0.22	16400.36	0.02	713.10
3.	**TOTAL**								
	Year ended 31.03.04	**2.22**	**27109.99**	**0.00**	**0.00**	**73.69**	**943423.81**	**2.63**	**43920.42**
	Year ended 31.03.03	2.11	27109.99	0.01	335.57	62.56	864911.28	2.22	40792.82

SCHEDULE - "U" - CONSUMPTION PARTICULARS OF RAW MATERIALS, STEEL COILS/SHEETS/ STORES/SPARE PARTS AND COMPONENTS

	Imported		Indigenous		Quantity	Total
	Value (Rs. in Lakh)	% to Total Consumption	Value (Rs. in Lakh)	% to Total Consumption	MTs (In Lakh)	Rs. (In Lakh)
31st March 2004						
Crude Oil and Gas	**580015.65**	**76**	**188135.20**	**24**	**70.64**	**768150.85**
Packing Materials Consumed	**0**	**0**	**52.53**	**100**	**0**	**52.53**
Steel Coils/Sheets/Stores/ Component and Spare Parts	**2026.76**	**24**	**6266.84**	**76**	**0**	**8293.60**
31 March 2003						
Crude Oil and Gas	481195.41	66	242927.50	34	68.40	724122.91
Packing Materials Consumed	0	0	90.89	100	0	90.89
Steel Coils/Sheets/Stores/ Component and Spare Parts	1031.85	17	4954.11	83	0	5985.96

SCHEDULE "V" - EXPENDITURE IN FOREIGN CURRENCY FOR ROYALTY, KNOW-HOW, PROFESSIONAL & CONSULTATION FEES, DIVIDEND & OTHER MATTERS

(Rs. In Lakh)

		Note	March 2004	March 2003
1.	Royalty		0.00	40.32
2.	Professional, Consultation Fees and Technical Fees		736.95	683.60
3.	Interest		369.91	0.00
4.	Dividend (Net of taxes)	A	807.63	364.78
5.	Others		30.18	63.48
	TOTAL	B	1944.67	1152.38

Note:

A. Represents payment made to 553 Non-Resident Shareholders for the year 2002-03 holding 23075000 number of shares (2003: 582 Non-Resident Shareholders for the year 2001-02 holding 23087300 number of shares).

B. Expenditure in Foreign Currency has been considered on accrual basis.

SCHEDULE "W" - EARNINGS IN FOREIGN CURRENCY

(Rs. In Lakh)

	Note	March 2004	March 2003
Export of Petroleum Products	A	0.00	1971.88
TOTAL	B	0.00	1971.88

Note:

A. Export of Petroleum Products has been considered on FOB basis.

B. Earnings in Foreign Currency has been considered on accrual basis.

C. Includes Rs. 133.56 lakh representing value of exports made to Nepal.

SCHEDULE "X" - CIF VALUE OF IMPORTS

(Rs. in Lakh)

		Note	31st March 2004	31st March 2003
1.	Crude Oil	A	519883.23	446916.26
2.	Capital Goods		9958.13	15399.32
3.	Revenue Stores, Component, Spare and Chemicals		890.47	857.58
	TOTAL		530731.83	463173.16

Note:

A. Includes value of imports made through Indian Oil Corporation Ltd., canalising agent.

SCHEDULE "Y" - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 5 3 8 9 1 9 6 5 — State Code 1 8

Balance Sheet Date

Date	Month	Year
3 1	0 3	2 0 0 4

II. Capital Raised during the Year (Amount in Rs. Thousand)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	Total Assets
43229946	43229946

Sources of Funds

Paid-Up Capital	Reserves & Surplus
1490046	14623258
Secured Loans	**Unsecured Loans**
9472899	14180183
Deferred Tax Liability	
3463560	

Application of Funds

Net Fixed Assets	Intangible Assets
33939236	397616
Investments	**Net Current Assets**
119680	8759287
Misc. Expenditue	**Accumulated Losses**
14127	NIL

IV. Performance of Company (Amount in Rs. Thousand)

Turnover	Total Expenditure
87390310	82566887
Profit/Loss before Tax (+ -)	**Profit/Loss After Tax** (+ -)
+ 5722622	+ 4000462

(Please tick Appropriate box + for - for Loss)

Earning Per Share in Rs.	Dividend Rate %
26.86	50

V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)	Product Description
2710	HIGH SPEED DIESEL
2710	LOW AROMATIC NAPHTHA
2710	SUPERIOR KEROSENE OIL

CASH FLOW STATEMENT for the year ended March 31, 2004

SCHEDULE "Z"

(Rs. In Lakh)

	PARTICULARS	Year ended March 31, 2004		Year ended March 31, 2003	
A.	**Cash Flow from Operating Activities**				
	Profit Before Tax	57226.22		48795.92	
	Adjustments for:				
	Depreciation	12339.85		10201.93	
	Deferred Revenue Expenditure Written Off	53.31		1910.65	
	Income from Long Term Investment	-154.87		-186.38	
	Profit on sale of assets	-37.66		-26.64	
	Profit on sales of investments	-50.52		0.00	
	Liabilities/Prov. for Claims written back	-321.10		-23.75	
	Advances, Claims and Material written off	105.44		2217.26	
	Provision for Doubtful Claims and obsolescence of stores	446.97		651.18	
	Loss on Sale of Assets	228.26		11.82	
	Interest on Borrowings	4679.76		10665.18	
	Interest income from short term investment	-63.15		-953.86	
B.	**Operating Profit Before Working Capital Changes**	74452.48		73263.31	
C.	**Changes in Working Capital** (Excluding Cash & Bank Balances)				
	Trade and Other Receivables	8308.33		-18887.03	
	Inventories	-538.96		-45254.16	
	Trade and Other Payables	4149.63		25504.37	
	Change in Working Capital	11919.00		-38636.82	
D.	**Cash generated from Operations**	86371.48		34626.49	
E.	**Adjustments for**				
	Direct Taxes Paid	-17140.23		-9348.92	
	Direct Taxes Received	0.00		2470.84	
F.	**Net Cash Flow from Operating Activities**		69231.25		27748.41
G.	**Cash Flow from Investing Activities**				
	Purchase of Fixed Assets	-96196.55		-104966.01	
	Deferred Revenue Expenditure	0.00		-173.29	
	Sale of Assets	46.96		35.68	
	Investments (Net)	1250.89		-1.75	
	Interest received from short term investment	63.15		963.34	
	Income from long term investment	154.87		0.00	
	Net Cash used in Investment Activities		-94680.69		-104142.03
H.	**Net Cash Flow from Financing Activities**				
	Proceeds from Calls in Arrears/Issue of Shares including premium	0.86		0.48	
	Proceeds from Long Term Borrowings	135000.00		87500.00	

(Rs. in Lakh)

PARTICULARS		Year ended March 31, 2004		Year ended March 31, 2003
Repayment of Borrowings	[illegible]		-15726.05	
Interest Paid	-7296.33		-8048.50	
Dividend Paid	-5186.78		-3015.48	
Corporate Dividend Tax Paid	[illegible]		0.00	
Net Cash Generated/from Financing Activities		25791.05		60710.45
I. Net change in Cash & Cash Equivalents (F + G + H)		**341.61**		-15683.17
J. Cash and Cash Equivalents at the end of Financial Year		**1242.89**		901.28
K. Cash and Cash Equivalents at the beginning of Financial Year		**901.28**		16584.45
Net Change in Cash and Cash equivalents (J-K)		**341.61**		-15683.17

Sd/-
(M.S. Ramachandran)
Chairman

Sd/-
(S.V. Narasimhan)
Managing Director

Sd/-
(N.C. Sridharan)
Director (Finance)

Sd/-
(V. Srinivasan)
Company Secretary

Place : Chennai
Date : May 19, 2004

Review of Accounts of Chennai Petroleum Corporation Limited, Chennai for the year ended 31st March 2004 by the Comptroller and Auditor General of India

Note : Review of Accounts has been prepared without taking into account the comments under Section 619 (4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditors' Report.

1. FINANCIAL POSITION

The table below summarises the financial position of the Company under broad headings for the last three years.

(Rs. In Lakh)

	2001-02	2002-03	2003-04
Liabilities			
a) Paid-up Capital			
i) Government	Nil	Nil	Nil
ii) a) Other Central Government PSUs	7726.52	7726.52	7726.52
b) Others	7173.81	7173.87	7173.94
Share application money	Nil	Nil	Nil
b) Reserves & Surplus			
i) Free Reserves & Surplus	65218.82	89624.31	121228.76
ii) Share Premium Account	25002.92	25003.34	25003.82
iii) Capital Reserves	-	-	-
c) Borrowings			
i) From Govt. of India	71.99	0.00	0.00
ii) From Financial Institutions	110399.63	150000.13	111698.79
iii) Foreign Currency Loans	0.00	0.00	26613.55
iv) Cash Credit	4669.10	3194.65	7279.97
v) Others	10652.38	44372.27	80728.78
vi) Interest accrued and due	-	-	10.77
d) i) Current Liabilities and Provisions (Excluding Provision for Gratuity)	71216.69	118477.45	118599.30
ii) Provision for Gratuity	766.45	522.78	380.97
e) Deferred Tax Liability	24913.43	27324.00	34635.60
TOTAL	327811.74	473419.32	548279.73
Assets			
f) Gross Block	210721.86	226518.60	376909.88
g) Less: Depreciation	96519.97	106691.54	118941.60
h) Net Block	114201.89	119827.06	257968.28
i) Capital Work-in-progress	50765.65	139922.28	82408.24
j) Investments	3161.73	2387.17	1188.80
k) Current Assets, Loans and Advances	157750.33	211078.23	206573.14
l) Misc. expenditure not written off	1931.94	194.58	141.27
m) Accumulated Losses	-	-	-
TOTAL	327811.74	473419.32	548279.73
n) Working Capital [k-d(i)-c(vi)]	86533.64	92600.78	87963.07
o) Capital Employed [h+n]	200735.53	212427.84	345931.35
p) Net Worth [a+b(i)+b(ii)-l-m]	103190.13	129333.46	160991.77
q) Net Worth per rupee of paid-up capital (in Rs.)	6.93	8.68	10.80

2. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last three years are as under:

	2001-02	2002-03	2003-04
			(In Percentage)
A. Liquidity Ratio			
Current Ratio (Current Assets to Current Liabilities & Provisions and interest accrued and due but excluding provisions for gratuity] [k/(d(i)+c(vi)) x 100] The ratio (expressed as a percentage) indicates the coverage of current liabilities by the liquid assets held by the company. The Current Liabilities are fully covered by the Liquid Assets.	221.51	178.16	**176.09**
B. Debt Equity Ratio			
Long term debt to Equity [c (i to v but excluding short term loans)/p x 100] The increase in the ratio in the current year contributed by higher borrowings is due to implementation of capital projects.	108.12	116.66	**123.68**
C. Profitability Ratios			
a) Profit Before Tax to			
i) Capital Employed Though the profits for the year have increased, the profitability on capital employed has decreased due to capitalisation of expansion project at the year-end.	4.43	22.97	**16.54**
ii) Networth The increase in the ratio indicates increase in the Rate of Return on shareholders' funds.	8.61	37.73	**35.56**
iii) Sales	1.42	5.65	**6.04**
b) Profit after tax to networth	6.17	23.42	**24.85**
c) Profit after tax to equity capital	42.76	203.28	**268.48**
d) Earnings per share (in Rupees)	4.28	20.33	**26.85**

3. SOURCES AND UTILISATION OF FUNDS

		(Rs. in Lakh)
		2003-2004
Sources of Funds:		
1. Funds from operations:		
Profit after Tax	**40004.62**	
Add: Depreciation	**12332.91**	
		52337.53
Less: Profit on Sale of Assets (net)		**24.66**
		52312.87
2. Increase in Share Capital		**0.07**
3. Increase in Share Premium A/C.		**0.48**
4 Decrease in Misc. Expenditure		**53.31**
5. Increase in Borrowed Funds		**38963.77**
6. Sale Proceeds of Fixed Assets		**46.95**
7. Decrease in Investments		**1200.37**
8. Increase in Deferred Tax Liability		**7311.60**
TOTAL		**99889.42**
Utilisation of Funds:		
1. Increase in Fixed Assets	**150503.36**	
2. Increase in Capital Work-in-Progress	**-54528.98**	
		95974.38
3. Dividend paid (including Corporate Dividend Tax)		**5863.97**
4. Increase in Working Capital *		**-2090.74**
5. Decrease in Gratuity Provision		**141.81**
TOTAL		**99889.42**

* After adjusting for provision for Gratuity, Dividend and Dividend Distribution Tax.

4. WORKING CAPITAL

The Working Capital (i.e.Current Assets less Current Liabilities) increased from Rs. 86533.64 lakh in 2001-02 to Rs. 92600.78 lakh in 2002-03 and decreased to Rs. 87693.07 lakh in 2003-04. As a percentage of sales, it decreased from 13.79 in 2001-02 to 10.73 in 2002-03 and further decreased to 9.25 in 2003-04 thereby indicating increase in the turning over of working capital in 2001-02 and further increase in the turning over of working capital in 2003-04 as compared to 2002-03.

5. WORKING RESULTS

The working results of the Company in the last three years were as given below:

(Rs. In Lakh)

	2001-02	2002-03	2003-04
1. Sales	627308.67	862995.08	**947596.49**
2. Profit Before Tax	8868.51	48795.92	**57226.22**
3. Profit After Tax	6371.19	30288.82	**40004.62**
4. Intermediate Products	5333.30	9354.23	**12177.26**
5. Closing Stock of Finished Goods	27109.99	40792.82	**43920.42**
6. Value of Production	629644.97	880698.84	**953547.12**

6. INVENTORY LEVELS

I. The overall inventory increased in the year 2003-04 over 2002-03 and has increased in the current year as shown below:

(Rs. In Lakh)

	2001-02	2002-03	2003-04
i. Raw Materials (Crude in stock including in transit)	34442.85	61686.70	**56448.57**
ii. Stores & Spares	8857.09	8474.06	**7767.08**
iii. Intermediate products	5333.30	9354.23	**12177.26**
iv. Finished Products.	27109.99	40792.82	**43920.42**
TOTAL	75743.23	120307.81	**120313.33**
II. Value of finished products in terms of number of months of production.	0.52	0.56	**0.55**

The value of finished products in terms of number of months of production for the year 2003-04 has decreased compared to 2002-03.

7. SUNDRY DEBTORS

The following table indicates the volume of book debts and sales for the last three years.

(Rs. In Lakh)

As on 31st March	Sundry Debtors considered good	Sundry Debtors considered doubtful	Sales	Percentage of Sundry Debtors to Sales
2002	36822.23	NIL	627308.67	5.87
2003	61635.06	NIL	862995.08	7.14
2004	**52527.51**	**NIL**	**947596.49**	**5.54**

Sd/-
(U. Sankar)
Principal Director of Commercial Audit and
Ex-Officio Member Audit Board, Chennai

Date : 9th July 2004
Place : Chennai

Comment of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Chennai Petroleum Corporation Limited, Chennai for the year ended 31st March 2004

I have to state that the Comptroller and Auditor General of India has no comment upon or supplement to the Auditors' Report under section 619(4) of the Companies Act 1956 on the accounts of Chennai Petroleum Corporation Limited, Chennai for the year ended 31st March 2004.

Sd/-
(U. Sankar)
Principal Director of Commercial Audit and
Ex-Officio Member Audit Board, Chennai

Date : 9th July 2004
Place : Chennai

ANNUAL REPORT 2003-2004

BRP

BONGAIGAON REFINERY & PETROCHEMICALS LIMITED

(A Subsidiary of Indian Oil Corporation Limited)

Board of Directors

Shri B.K. Gogoi	Chairman & Managing Director
Shri P.C. Sharma	Director
Shri Ajay Tyagi	Director
Shri K.K. Acharya	Director (w.e.f. 19.07.2004)
Shri C.P. Joshi	Director
Shri P.K. Chakraborti	Director
Shri R.M. Hazarika	Director (Operations)
Shri R.N. Das	Director (Finance)
Shri V.N. Murthy	Company Secretary

Directors' Report, including Management Discussion and Analysis

Dear Shareholders,

Your Directors are pleased to present the 30th Annual Report and Audited Accounts, Auditors Report and Comments of Comptroller & Auditor General of India for the year ended 31st March 2004.

FINANCIAL HIGHLIGHTS

Your Company has put in a stunning performance, which is reflected in the financials.

		(Rs. in Crore)
	2003-04	**2002-03**
TURNOVER		
- Refinery	**2823**	1835
- Petrochemicals	**-**	5
- PSF	**26**	22
- Total	**2849**	1862
PROFIT		
Profit/Loss (-) before Interest, Depreciation & Tax (PBDIT)	**486**	365
Interest payment	**15**	26
Depreciation, amortisation & write-off	**31**	32
Profit/Loss (-) after Interest & Depreciation (PBT)	**440**	307
Provision for Tax	**111**	20
Deferred Tax Adjustment	**25**	109
Profit/Loss (-) after tax	**304**	178
APPROPRIATIONS		
Interim Dividend and provisions for final Dividend including dividend tax	**174**	61

Highlights of Physical Performance:

The year under report, has been full of glittering achievements in almost all areas of performance.

Refinery

- Highest ever crude throughput of 2.13 million tonnes (capacity utilisation of 90.5 %), the previous highest being 1.91 million tonnes during 1999-2000.
- Highest ever production of LPG 47.75 TMT, which is 50% higher than previous year. The percentage yield of LPG on crude throughput has shown improvement at 2.25% as compared to previous year.
- MS production of 196 TMT in 2003-04 was the highest ever achieved in a year and is 22.5% higher than the previous year.
- Highest ever distillate yields of 85.8% on crude throughput was achieved in 2003-04 as against the previous record of 82.8% in 2002-03.
- Lowest ever Fuel & Loss of 5.60% on crude throughput (which includes hydrocarbon loss of 0.25%) was achieved in 2003-04 (previous lowest being 6.50% in 2002-03).
- Highest ever Loss Time Accident free period of 767 days (24.02.2002 – 31.03.2004) corresponding to 8.45 million manhours was achieved.
- 1.52 million tonnes of Ravva crude was uplifted from the Ravva oil fields ex-Krishna-Godavari Basin during the year 2003-04 and processed successfully in existing refinery units.
- The specific energy consumption of 125 MBTU/BBL/NRGF during the year 2003-04 was the lowest ever achieved so far, the previous lowest being 129 MBTU/BBL/NRGF achieved in the year 2002-03.
- A new product LVFO (Low Viscosity Fuel Oil) was launched in January 2004. This was done by upgrading LSHS, demand for which is shrinking.
- LPG bottling plant commercial trial run was completed in March 2003 and regular operation by IOCL (Marketing) started from 15.10.2003.

Petrochemicals & Polyester Staple Fibre (PSF)

- Highest ever Petrochemical Reformer throughput of 119 TMT was achieved during the year 2003-04. This is 8.8% higher than the previous year. This plant of Petrochemicals business is being utilised for producing Motor Spirit for economic reasons.
- Agreement signed with Reliance Industries Limited (RIL) on 6.11.2003 for alliance in Petrochemicals & PSF business. After a gap of 2 years, Dimethyl Terephthalate (DMT) & Polyester Staple Fibre (PSF) plants are operating since 18.12.2003 and 26.12.2003 respectively.

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY SCENARIO

Refinery

Two years have passed since the total dismantling of the Administered Pricing Mechanism (APM) effective April 2002. Prices of both crude oil and products are determined by the industry and are linked to international prices. Prices are being reviewed periodically based on trends in the international market.

Crude oil production in the country during 2003-04 remained more or less at the same level as in the past. The country depended on import of crude for more than two third of its requirement.

The downstream Petroleum Industry witnessed volatility in the prices of crude oil and products in the international market. Prices of crude oil are showing an increasing trend since the later half of 2003-04. Since the industry had to depend largely on sourcing of crude oil from international market, this had a major impact on the industry's performance. However, the product prices also increased thereby enabling the Refining companies to earn margins.

Petroleum products continued to be surplus in the country. Industry had to resort to exports of some of these products.

Petrochemicals & PSF

Dimethyl Terephthalate (DMT) is the main petrochemical product of BRPL, which is used in the Company's PSF Plant. The DMT & PSF business continued to be dominated by few major manufacturers. They benefited on account of their economy of scale and proximity to market. Product prices witnessed a declining trend while prices of inputs were fluctuating. The pressure of falling value of the US Dollar and abolition of special additional duties made imports of these products lucrative for the user industries. To circumvent the possibility of higher imports coupled with sluggish Yarn market, domestic price had to be kept restricted. It has thus become difficult for manufacturers like BRPL having sub-economic size plants, to compete with the big players who also enjoy the benefit of having their manufacturing units located nearer to the market.

OPPORTUNITIES AND THREATS

To mitigate the crude production shortfall in the North East region, the Government has allocated 1.5 MMT Ravva Crude Oil to BRPL for the year 2003-04 and for 2004-05. This will help in increased capacity utilisation of all NE Refineries, which is likely to contribute to their improved profitability.

Continuance of 50% excise duty benefit granted by Government of India for goods cleared from North East Refineries w.e.f. 01.03.2002 has helped these Refineries, including BRPL, to overcome some of the inherent disadvantages they face like sub-economic size of plants, shortage of raw material, distant market involving extra freight burden, etc. thereby enabling them to be competitive in the deregulated scenario.

Shortage of crude oil from NE Oilfields, distant market for products, lower growth in demand and sluggish economic development in the North East Region are some of the threats that the Company is facing today. However, with support from the Government like allocation of Ravva Crude Oil & 50% Excise Duty benefit, the Company hopes to overcome some of these threats and move on a path of growth

The restarting of the Petrochemicals and PSF business after a gap of 2 years is a positive sign towards better future in these businesses. The association of M/s Reliance Industries Limited (RIL), an industry leader, will be a learning experience for the Company in near future.

RISKS AND CONCERNS

Exposure to the volatility of the prices of Crude and Petroleum products in the international market will have a direct impact on the performance and profitability of the refining business, more so due to sub-economic size of its plants & locational disadvantage which makes it difficult to market products with desired margins.

Fall in the domestic demand of Naphtha and LSHS is of serious concern for the company as it has to resort to exports of these products at lower margin to sustain crude processing. These products are likely to remain surplus in near future also. BRPL has also taken steps to upgrade LSHS to LVFO, which has good demand in the Eastern Region.

For positioning bulk of its petroleum products and its petrochemicals & PSF products in markets located far away from the North Eastern region, the Company continues to incur additional transportation cost. At times, non-availability of sufficient railway wagons also remains an area of concern while planning for higher capacity utilisation.

Considering fluctuation in the refinery margin, the 50% benefit of Excise Duty extended by the Government for goods cleared from North East Refineries would be one of the key factors for profitability in future. It is hoped that this support by the Govt. will continue in future also. Any change in the Govt. policy resulting in withdrawal or reduction of the benefit will have adverse effect on the profitability of the Company.

Allocation of Ravva Crude Oil to BRPL has enabled the Company to defer major capital investments for product quality upgradation projects, as the products produced from Ravva Crude Oil would meet the prescribed specification (Bharat Stage-II specifications). The Company had earlier contemplated capital investment in projects to meet above specifications. However, such investments would now be necessary from 2005 onwards to meet further stringent product specifications to be applicable from the year 2010 (Bharat Stage-III specifications). Your Company is initiating necessary steps with Holding Company IOCL for technology upgradation to meet Bharat Stage-III product specifications from 2010.

In respect of the PSF plant, though operation of the PSF plant under alliance with M/s RIL has demonstrated gradual improvement in both operational efficiency and cost, profitability from this business remains an area of concern considering sub-economic capacity of plant, the declining trend of product prices, high cost inputs and distant market.

OUTLOOK

Refinery

With allocation of 1.5 MMT Ravva Crude and expected availability of about 0.5 MMT Assam Crude Oil, the Company plans to process 2.0 MMT Crude Oil during 2004-05. Considering supply of Assam Crude Oil on FOB price basis, as is the case now, and considering continued support of the Government by way of 50% Excise Duty benefit, the Company expects to maintain the current level of profit margins during 2004-05 also, subject to price fluctuations in the international market.

Petrochemicals & PSF

The Company has utilised the opportunity of higher margins in production of Motor Spirit by operating the Petrochemical Reformer Unit for maximising production of MS, instead of running it for Paraxylene. This has necessitated outsourcing Paraxylene for operation of DMT plant. The association of M/s RIL in the PSF business, which has been restarted after a gap of 2 years, is likely to benefit the Company in revival of this business. Increased demand of polyester is expected to give a boost to this business of your Company.

PHYSICAL PERFORMANCE

REFINERY

Crude Throughput:

The crude throughput showed a jump of 45% over the previous year with allocation of Ravva Crude and improved evacuation of products.

The Annual Plan target, actual crude receipts & quantities processed for the year 2003-04 & 2002-03 are given below:

(Figures in MT)

	2003-04	2002-03
Annual Plan Target		
Ravva Crude Oil	**1,500,000**	–
Assam Crude Oil	**500,000**	1,600,000
Total	**2,000,000**	1,600,000
Actual Receipt of Crude Oil		
Ravva Crude Oil	**1,465,604***	–
Assam Crude Oil	**697,243**	1,469,037
Total	**2,162,847**	1,469,037
Actual Crude Oil throughput		
Ravva Crude Oil	**1,419,309***	–
Assam Crude Oil	**707,374**	1,463,130
Total	**2,126,683**	1,463,130

* Includes 62.7 TMT imported crude, which was received due to displacement of line-fill quantity in the Haldia-Barauni & Barauni-Bongaigaon sectors of crude pipeline.

Secondary Processing

The throughput of secondary processing units are given below:

(Figures in MT)

Unit	**2003-04**	**2002-03**
Kerosene treating Unit*	**55,832**	241,410
Delayed Coker Unit	**862,094**	671,154
Coke Calcination Unit	**1,834**	36,748

* Operation of Kerosene Treating Unit (KTU) has been discontinued from June 2003 after establishing production of SKO directly from processing of Ravva Crude Oil ex-Crude Distillation Units. The plant is not required to be operated in future.

Production & Yield Pattern:

The production & yield pattern on crude throughput for the year 2003-04 and 2002-03 were as follows :

Particulars	**2003-04**		**2002-03**	
	(MT)	**(%)**	**(MT)**	**(%)**
Light Distillates	**416,412**	**19.59**	274,700	18.77
Middle Distillates	**1,408,750**	**66.24**	936,326	64.00
Total Distillates	**1,825,162**	**85.83**	1,211,028	82.77
Heavy Ends	**172,259**	**8.10**	173,942	11.89
Fuel & Loss	**119,115**	**5.60**	95,157	6.50
Others*	**10,146**	**0.47**	(16,996)	(1.16)
Total	**2,126,683**	**100.00**	1,463,130	100.00

*Intermediate Stock Differential

PETROCHEMICALS AND POLYESTER STAPLE FIBRE (PSF)

Production:

With a view to revive the operations of PSF plant, your Company has entered into an agreement with Reliance Industries Ltd. (RIL) on 6th November 2003 for a period of 3 years.

RIL shall provide assistance in operation of the plant, sourcing of the raw materials at a competitive price and market PSF. From October 2001, DMT & PSF plants had to be kept idle due to economic reasons.

The Reformer Unit of the Xylene plant is being operated on MS mode due to high value addition. Paraxylene required for operating the DMT plant is being outsourced.

The DMT and PSF plants were restarted on 18.12.2003 and 26.12.2003 respectively.

To improve the operational efficiency, product quality and to bring down the cost of production, it is found that production of only single variety of PSF, viz. 1.4 denier, would be most optimal.

Subsequent to the above arrangement, PSF plant is now operating at almost full capacity.

The total production of DMT and PSF during the year 2003-04 were as follows :

(Figures in MT)

Production	**2003-04**	**2002-03**
DMT	**7696**	Plant remained idle
PSF	**6666**	Plant remained idle

MARKETING

Petroleum products

IOCL continues to market petroleum products of BRPL, except RPC & CPC.

Though some of the petroleum products are becoming surplus in the country, the Company is now benefiting from the strength of IOCL being the largest petroleum marketing company in the country.

Highest ever sales of petroleum products were achieved during the year consequent to highest ever crude processing.

Petrochemicals & PSF

BRPL's PSF "Bonpoly" is now being sold through RIL under the alliance arrangement. DMT produced in the petrochemical unit is exclusively used for captive consumption in its PSF plant.

(Figures in MT)

Sale	**2003-04**	**2002-03**
DMT	-	508
PSF	**3640**	3723

FINANCIAL PERFORMANCE

Profitability

The sales turnover during 2003-04 witnessed an increase of 53%. The Company achieved highest ever turnover of Rs. 2849 crore compared to Rs. 1862 crore during previous year 2002-03. About 99 % of the turnover is from refinery segment. The turnover of the petrochemical sector is mainly on account of sale of MS, which is being produced in the Reformer Unit of the Xylene plant. During the first three months of operation of the PSF plant after its re-starting in December 2003, a sales turnover of Rs. 26 crore has been achieved.

Your Company has earned highest ever Profit Before Tax (PBT) of Rs. 440 crore during 2003-04 breaking the previous record of highest Profit Before Tax of Rs. 307 crore achieved during the year 2002-03. During 2003-04, your Company has earned Profit After Tax (PAT) of Rs. 304 crore compared to Rs. 178 crore during the previous year 2002-03. The rise in profit compared to previous year is mainly due to higher capacity utilisation, better yield pattern of Ravva Crude and increased refinery margin. The PBT of Rs. 440 crore includes excise duty benefit of Rs. 355 crore.

In the absence of any mechanism by the Government of India for reimbursement of irrecoverable losses during the year 2003-04, an amount of Rs. 67 crore has been incurred towards under recovery of CST on MS, HSD, SKO & LPG. During 2002-03 the Company had received and accounted for Rs. 31 crore in this regard.

The Company paid an amount of Rs. 53 crore to IOCL towards freight under recovery for movement of petroleum products to outside North East region during 2003-04.

Depreciation for the year 2003-04 decreased to Rs. 30 crore as compared to Rs. 31 crore for the year 2002-03.

The interest expenditure has been reduced substantially from Rs. 26 crore during 2002-03 to Rs. 15 crore during the year 2003-04. This decrease is mainly due to availing working capital loan at lower interest.

During the year 2003-04, Rs. 2 crore was invested in capital assets.

Dividend

For the first time, the Company has paid interim dividend during 2003-04, which was Rs. 2.70 per share (27%) (equal to the final dividend paid for 2002-03). The Board of Directors of your Company has recommended final dividend of Rs. 5.00 per share (50%) for the year 2003-04, which, together with the interim dividend would involve a total pay out of Rs. 174 crore including dividend tax, out of the Net Profit of Rs 304 crore for the year. This is the highest ever dividend recommended by the Board.

Share Value

The scrip of BRPL witnessed frenzied activity at the Bourses with trading volumes rising to their highest and the scrip quoted at Rs. 98.75 in January 2004 from a low of Rs. 13.75 in April 2003. During the year, around 63 crore shares were traded in BSE and NSE as compared to around 27 crore during the previous year 2002-03.

The details of book value, Earning Per Share are :

(In Rs.)

Particulars	31.03.2003	31.03.2004
Book value	21.15	**27.67**
Market value (closing price)	14.05	**77.55**
Earning Per Share	8.93	**15.20**

Market capitalisation as on 31st March 2004 stands at Rs. 1550 crore compared to Rs. 281 crore on 1st April 2003.

Contribution to Exchequer

During the year 2003-04, your Company made contributions of Rs. 400 crore to the Central Exchequer and Rs. 90 Crore to the State's Exchequer in the form of duties and taxes compared to Rs. 152 crore and Rs. 48 crore respectively during 2002-03.

Export Earnings

There were no export earnings by the Company during 2003-04.

Segmentwise financial performance during 2003-04:

(Rs. in Lakh)

Particulars	Refinery Segment	Petrochemicals Segment	PSF Segment	Consolidated Total
REVENUE				
External Sales	318585	54	2555	321195
Inter segment Sales	2892	10008	372	13271
Total Revenue	321477	10062	2927	334466
RESULTS				
Segment Results	47609	1166	(3932)	44843
Operating Profit/(Loss)	47609	1166	(3932)	44843
Interest Expenses				(1516)
Interest Income				661
Income Taxes				(11154)
Deferred Tax Liability				(2459)
Extraordinary items				(1)
Net Profit				30374
OTHER INFORMATION				
Segment Assets	86296	8220	13020	107536
Unallocated Corporate Assets				7696
Total Assets	86296	8220	13021	115232
Segment Liabilities	32306	1183	1630	35119
Unallocated Corporate Liabilities				11284
Total Liabilities	32306	1183	1646	46403
Capital Expenditure	227	13	32	272
Depreciation	2219	263	529	3011

PROJECTS

Projects completed during 2003-04

There was no major project under implementation during 2003-04. However, one project viz. PSF Product Diversification has been completed and commissioned during the year at a cost Rs. 36 crore.

On-going projects

There is no major project under implementation presently.

Few schemes aimed at efficiency improvement and modernisation of equipment/systems are in progress, which include:

- Construction of one additional Crude Oil tank (to augment crude storage capacity).
- Advance Process Control - Phase-I (to facilitate throughput & yield optimisation by maintaining the required quality).
- Structured packing for CDU (to improve middle distillate yields and to reduce RCO production).
- Modernisation of Petrochemical (Xylene plant Pretreater and Reformer) Instrumentation (to replace obsolete pneumatic control system & relay interlock logics with DCS and PLC for better control & productivity and quality improvement).
- Revamping of Power Distribution System in Captive Power Plant (to provide better load shedding facility and improve reliability of system & flexibility with a provision for future expansion of power plant).
- Enterprise Resource Planning (ERP) Implementation (to facilitate integration of all business functional areas through implementation of best business practices).

The following projects are under consideration/study for implementation by your company:

(1) MS quality upgradation to meet Bharat stage-III specifications.

(2) Diesel quality upgradation to meet Bharat stage-III specifications.

(3) Conversion of PSF plant feed from DMT to PTA & associated diversification.

PERSPECTIVE PLAN

Identification of viable growth opportunities to improve long term viability has been engaging the attention of the Company.

In this regard BRPL and IOCL have jointly identified a list of projects to be pursued in coming years considering the need for modernisation of existing systems as also need for product quality upgradation projects. The Management of BRPL and IOCL have reviewed these jointly and the Perspective Plan of the Company has been finalised.

Modernisation schemes not involving major investment like ERP Implementation, Revamping of Power Distribution System in CPP and Modernisation of Petrochemicals Instruments have already been taken up during 2003-04.

Since MS and HSD quality upgradation projects would be essential to meet BS-III specifications, these two projects are being pursued for implementation. These are major projects with a combined indicative outlay of about Rs. 800 crore.

To improve viability & competitiveness of the PSF business, capacity expansion with associated diversification has been identified as an economic option. Detailed analysis is being carried out to initiate such a step.

RESEARCH & DEVELOPMENT (R&D)

In-house R&D activities are primarily concentrated towards product quality upgradation. Specific areas in which R&D was carried are as follows :

a) Study was carried out to examine the possibility of producing Low Viscosity Furnace Oil (LVFO) from LSHS components namely CFO and RFO. The production of LVFO was established and sale of LVFO commenced from January 2004. There has been value addition due to production of LVFO instead of LSHS, which has lower market demand.

b) Study was carried out to examine the possibility of producing Premium Grade MS (with 91 RON) and also to assess its impact on production of Regular Grade MS.

c) In collaboration with IOC (R&D), suitable blend of needle coke feedstock has been prepared using heavy residue components for production of needle coke.

d) Optimisation of Reformer Feed Naphtha cut to reduce the Benzene content in MS and enhancing the production of high value (realisation) MS product by in-house study.

ENERGY CONSERVATION:

The Company continued its efforts on Energy Conservation through continuous monitoring & control of operational activities and implementing new energy conservation schemes. Details of these schemes are given in Annexure-I to the Directors' Report.

Some of the notable Energy Conservation Schemes completed during the year:

a) Increase of Coker Chamber Cycle from 24 hrs to 30 hrs in DCU-I & II w.e.f. 19.07.2003 resulting in reduction in energy consumption and loss due to extended chamber cycle on account of lower steam consumption, power consumption, slop generation and flare loss.

b) Isolation of steam to the tank base coils of 3 RCO tanks in August 2003 resulted in the steam savings of 21.5 MTPD.

c) Destaging of wash water pump (11-9-160B) from 12 to 9 stage in CDU-I was done in March 2004 which resulted in drop of current by 16 amp. Energy savings through this scheme during the year is 0.5 SRFT.

d) Destaging of Crude Charge Pump-E (from 4 stage to 3 stage) was done in April 2003 which resulted in drop of current by 7 amp. Energy savings through this scheme during the year is 101 SRFT.

e) Energy Management Policy of BRPL has been framed and approved by the Board.

Refinery:

The Fuel & Loss of the Refinery in the year 2003-04 was 5.60% on crude throughput and the specific energy consumption was 125.3 MBTU/BBL/NRGF, which are the best figures ever achieved. The hydrocarbon loss of 0.25 % in the year 2003-04 is comparable to the best performances of Indian Refineries.

Petrochemicals and PSF:

The DMT & PSF plants have been restarted on 18.12.2003 and 26.12.2003 after a gap of 2 years and plants are under stabilisation. Energy conservation is being attempted at this stage by fine tuning the operational parameters with technical assistance from RIL at plant site.

Awards:

The Company has received recognition for its energy conservation measures and some of these are:

a) Jawaharlal Nehru Centenary Award instituted by MoP&NG for best improvement in Energy Conservation during the year 2001-02.

b) Adjudged Best Refinery for Furnace/Boiler Efficiency (91.5%) based on Joint Oil Conservation Survey conducted by CHT during OCF 2002.

c) Rajiv Gandhi Jathiya Paryavaran Gold Award. 2002-03 for Excellence in Indian industries for Best Pollution Control Implementation. Award received on 27.04.2003.

SAFETY, HEALTH & ENVIRONMENT:

Safety

The Company has been consistently aiming to invoke among the employees the highest possible standards of safety consciousness. Training and education of the operational staff and officers at regular intervals are being carried out to drive home the need to achieve productivity without sacrificing safety in operation. In addition, the Company regularly conducts onsite and offsite mock drills with a view to assess the preparedness of employees as well as the external agencies including District Administration, Army, Civil Defence etc.

The recommendations of the surprise safety check of the Company carried out by OISD in February 2004 are under implementation.

Internal Safety Audit (ISA) of the plants and facilities was conducted during the year by internal multidisciplinary audit teams.

As a reflection of these measures, the company did not have any lost time accident since 24.02.2002 and achieved continuous 767 days (8.45 million man-hours) without any lost time accident as on 31.03.2004.

Health

Your Company is constantly monitoring the health of the employees through periodical health check up. During 2003-04, health check up of 978 employees were carried out and no occupational disease has been detected so far.

The working environment is also being monitored for detection of presence of harmful gases in the air. Similarly, sound level is also measured by Noise Doesl Meter at regular intervals.

BRPL has a well-equipped hospital within the residential township and remains committed to providing the best possible health care to the employees as well as their families. This apart, the Company has various hospitals spread across the country on panel to take care of specific requirements and advanced treatment.

Environment

Protection of the environment within and around the operational areas with a view to enhance the quality of air and water as well as to protect the flora and fauna has remained one of the basic premises of operating the various plants in BRPL.

By remaining proactive to the environmental needs of the region and maintaining a strict vigil on the various environmental parameters, the Company has been able to remain well within the standards prescribed for emissions and effluents by the statutory authorities.

The Environmental Management System (EMS) adopted by the Company received ISO 14001 certification in February 2001. After unification of ISO-9001 and 14001 Quality and Environment Management documents, fresh certification of EMS was received on 22nd October 2003 and is valid for three years. While processing for re-certification, goals and target were reassessed to further improve the environmental performance of the Company.

The Company is reusing treated effluent for fire fighting and cooling water make up in cooling towers inside the complex. The tertiary treatment plant put up for polishing the effluent to make it suitable for reuse in the cooling tower has contributed significantly in increased reuse of effluents resulting in reduction of effluent discharge from the complex. Consequently fresh water consumption has been reduced.

All major storm water channels and the open drains, which generally do not carry any major pollutants, are connected to an ecological park constructed inside the complex, thereby facilitating natural oxidation. The ecological park, besides acting as a storage pond for the storm water drainage system inside the complex, helps in exercising tighter control on the quality of the storm water emanating from the complex. The quality of water flowing out of the ecological park is monitored regularly. Because of water quality, the eco-park has become a shelter to a variety of birds and aquatic life thereby enhancing the aesthetic look environment inside the plant complex. Improvement works taken up during the year were completed to further improve the quality of storm water in the Ecological Park.

RISK MANAGEMENT

Your Company is constantly assessing the risks that are being faced by the Company and is taking required measures for minimisation of such risks.

Your Company is having comprehensive insurance coverage for its assets. Loss against terrorist attack is also covered.

Your Company evaluates its business opportunities based on predictability, sustainability and profitability with a view to minimise probability of adverse impact of unforeseen risk.

HUMAN RESOURCES

Employee Profile

The strength of the employees as on 31.03.2004 was 1761. These included 526 officers.

Welfare of Weaker Sections

The Presidential Directives and Govt. guidelines issued from time to time in the matters of recruitment and promotion of SCs/STs and in direct recruitment of OBCs, persons with disabilities and ex-servicemen are being followed scrupulously. Your company has been constantly promoting welfare of weaker sections of the society. Overall representation of weaker sections as on 31st March 2004 is given below :

[A] Scheduled Castes and Scheduled Tribes	-	Overall representation is 26.80% (which was 26.56% as on 31.03.2003)
[B] Other Backward Classes	-	Overall intake has been 28.07% in all Groups combined after 8.9.93 when reservation for OBCs were made applicable.
[C] Persons with disabilities (PWD)	-	The overall representation tation is 1.65% (2.10% in Group 'C' & 'D' posts).

The annual statement showing the representation of SCs, STs and OBCs and number of appointments made during the preceding calendar year 2003 and the annual statement showing the representation of SCs, STs and OBCs in various Group "A" services as on 1st January 2004 and number of appointments made in the service in various grades in the preceding calendar year 2003 are enclosed as Annexure-II and Annexure-III respectively.

Women Employment

The number of women executives in your Company is 15 out of total 526 executives and women non-executives is 62 out of total 1235 non-executive employees. The overall representation is 4.37%.

Your company provides adequate facilities to its women employees and also encourages them in leadership roles. Training in developmental/functional programmes, including participation in seminars and workshops, is being imparted.

Employment of Minority

The overall representation of minorities is 10.62%.

Employment of Ex-servicemen (ESM)

Overall representation is 2.73% (3.72% in target Group 'C' & 'D' posts).

Industrial Relations

The overall industrial relations climate in your Company continued to remain peaceful, harmonious & cordial during the year and no plant interruption was caused due to any industrial relations issue. This was possible due to proactive human resource management and support received from collectives. Both Management and collectives made efforts to maintain harmonious industrial relations based upon mutual understanding and trust, respecting each other's rights and obligations.

Welfare of the employees

Your Company believes that its employees are its main strength and has been making all efforts towards continuous improvement in their welfare.

Human Resources Development & Training

Training of employees has been one of the thrust areas for organisational growth in your Company. The Company has been deputing employees to participate in relevant training programmes, seminars, conferences, workshops, etc., which are aimed at skill upgradation, competency building & attitudinal change. These are useful in equipping the employees with the necessary knowledge & skills for enhanced performance on the job as well as keep them well informed regarding the latest advances in their respective fields, which would ultimately promote overall organisational effectiveness. In this regard, the Company has also been deputing employees for foreign training wherever need arises.

The Company has, during the year 2003-04, imparted training to 389 executives and 748 non-executives and achieved 3193 mandays of training.

Use of Hindi

The Company has been complying with the provisions of the Official Language Act, 1963 and Official Language Rules, 1976 and orders issued by the Government of India from time to time regarding the implementation of the Official Language, in letter and spirit. Continuous efforts were made for implementation of the policy and directives of the Govt. of India with regard to the

Official Language Implementation in the Company.

With a view to enthuse the employees to perform more effectively in the Official language, the Company continued to organise competitions among the employees and award those who excelled in these competitions. At the macro-level the Company anchored the activities of the various Central Government Offices in the implementation of the Official Language under the aegis of the Town Official Language Implementation Committee by holding two of its meetings.

To encourage students in use of Hindi, cash awards were given to the two top scorers of Hindi subject in the district in the Class X Board examination of the CBSE.

The Company has also been appreciated by the Govt. of India, Ministry of Home Affairs, Official Language Deptt., for its efforts in its implementation of the Official Language during an inspection carried out during July 2003.

Sports

The Company has been in the forefront in the North East in giving a fillip to promotion of Sports and sport activities among the employees, children of neighbouring areas by organising various tournaments and coaching camps. Inter-departmental tournaments in Chess, Bridge, Carrom, Football, Table Tennis, Badminton, Volleyball, Cricket, Basketball, Tennis and Athletics were conducted over the year with active participation from all employees.

The Company's team participated in the various PSPB Tournaments viz. Carrom, Badminton, Basketball and Football.

One of the highlights of the year was the XV PSPB Inter Unit Chess Tournament organised by the Company from 24th to 28th November 2003 at Dhaligaon. Grand Masters and International Masters including national players from the member organisations participated in the tournament. An exhibition match was also organised with the Grand Masters to give an exposure to the children of BRPL township and neighbouring areas.

With a view to promoting sports at the grassroot level, the Company organised various tournaments among the neighbouring schools. These include the Nehru Cup School Football tournament, Inter School Athletic Meet, Kabaddi & volleyball tournaments the girls, All Assam Invitation Volleyball tournaments for Clubs, Badminton tournaments for schools & colleges, etc.

COMMUNITY DEVELOPMENT

The Company is aware of its corporate responsibility towards the upliftment of the quality of life of the society in and around its operational area, predominantly inhabited by SC/ST communities. The Company considers them as one of the main stakeholders in the growth of the Company and would like to have their whole-hearted support in all its future activities. With a view to win their confidence and maintain good relations with them, the Company has undertaken various welfare schemes under Special Component Plan (SCP) and Tribal Sub-Plan (TSP). These schemes essentially aim at providing basic amenities and spreading a sense of well being among the target population and include:

- Providing infrastructure like wells, tube wells etc so that drinking water could reach the villages and schools nearby
- Construction of Community Halls
- Providing equipment to the farmers for tilling, irrigation etc.
- Plantation schemes for income generation among unemployed youth as well as to encourage the local farmers/entrepreneurs in engaging themselves in new areas of income generation
- Providing scholarships to deserving SC/ST candidates for various courses, implementing adult education, renovation of buildings of educational institutions etc.
- Providing free primary medical services and medicines and holding health check up camps
- Imparting vocational training among the unemployed youth to enable them to be economically independent
- Encouraging sports among the nearby schools by sponsoring various tournaments etc.

MEMORANDUM OF UNDERSTANDING (MoU)

Your Company has been rated Excellent under the MoU system of rating for 2002-03.

Your Company has signed a Memorandum of Understanding for 2004-05 with the holding Company IOCL on 29th March 2004. The MoU outlines performance targets covering various fields of activities that the Company is engaged in.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

Your Company is having well-laid down internal control systems and procedures to safeguard all its assets and prevent the misuse of assets and funds. Procedures for various functions has been systematised and standardised through written manuals like Contract Manual, Marketing Manual, Accounts Manual etc. The presence of streamlined Delegation of Power ensures scrutiny and approval for procurement at fairly high levels for high value items. Besides, your Company, being a Public Sector Enterprise, follows various Government guidelines including guidelines of the Department of Public Enterprises and Central Vigilance Commission.

Your Company has an Internal Audit department, which carries out extensive audits of various areas of Company's operation throughout the year. A Management Audit Committee consisting of Chairman & Managing Director and Functional Directors reviews periodically the findings of the Internal Auditors and suggests areas of concern where further control is necessary.

The Audit Committee at the Board level inter-alia reviews the report of the Management Audit Committee and the adequacy of internal control systems of the Company.

ISO Certifications

The Company had earlier been certified for ISO 9002:1994 Quality Management System and ISO 14001:1996 Environmental Management System in 1998 and 2001 respectively. The International Organisation for Standardisation (ISO) had revised the Quality Management System standard in the year 2000. The Company was required to change over to the revised quality standard by December 2003. In the process of change over, the Company took further steps to integrate Quality Management System with the Environmental Management System. As a result of the unstinted efforts taken by the Company, M/s Det Norske Veritas (DNV) has once again awarded the coveted ISO 9001:2000 and ISO 14001:1996 certificates in October 2003. Both the certificates will remain valid for a period of three years.

Further, the company has initiated steps to implement the Occupational Health & Safety Assessment Series, OHSAS 18001 in 2004-05. The Implementation of OHSAS 18001 will demonstrate concern of the Company for the occupational health of the employees and also ensure highest level of safety of the employees, environment and installation.

Vigilance

The Company has a full-fledged Vigilance Department whose activities are meant to inculcate a sense of integrity among the employees and ensure observance of various procedures in line with the rules of the Company. It has been the endeavour of the Company to ensure expeditious disposal of disciplinary cases, timely disposal of complaints with a view to have transparency in the operations of the department.

Your Company conducted a Vigilance Awareness Week during November 2003 to create awareness regarding the need to observe vigilance in every sphere of activity among the employees. The activities of the Department were reviewed by the Board of Directors in line with the instructions of the CVC and Ministry of Petroleum & Natural Gas.

CORPORATE GOVERNANCE

BRPL recognises the inalienable rights of the shareholders as true owners of this Company and the role of the management as trustees on behalf of the shareholders. It recognises its commitment to the values and ethical conduct of business in a transparent manner. Towards this end, the Company has complied with all the provisions of the Corporate Governance as specified from time to time in clause 49 of the listing agreement. A separate report on Corporate Governance is incorporated in the Annual Report. A management discussion and analysis on the performance of the company, industry scenario, opportunities and threats, risk and concerns, future outlook, etc forms an integral part of the Directors' Report.

The certificate of the statutory auditors regarding compliance of corporate governance code is annexed as Annexure-V.

DIRECTORS

In the 29th Annual General Meeting held on 10th September 2003 Shri N.K. Singh, Shri P.K. Atreya, Shri P.S. Rao and Shri P.K. Chakraborti were re-appointed as Directors of the Company. On retirement of Shri P.K. Atreya from IOCL on 31.03.2004 on reaching the age of superannuation, IOCL has nominated Shri C.P. Joshi, Executive Director (Supplies), IOCL Mktg. HO, as Director of the Company in place of Shri P.K. Atreya. The Board of Directors has appointed Shri C.P. Joshi as additional Director of the Company w.e.f. 1st April 2004 in place of Shri P.K. Atreya. IOCL has also nominated Shri K.K. Acharya, Executive Director (Operations), Refineries Division, IOCL as Director of the Company in place of Shri P.S. Rao. The Board of Directors has appointed Shri K.K. Acharya as an additional Director of the Company w.e.f. 19.07.2004 in place of Shri P.S. Rao.

Shri P.C. Sharma, Principal Secretary to the Govt. of Assam has been appointed as a Director of the Company in place of Shri H S Das w.e.f. 16th December 2003.

Government of India has recently partially restructured the Board of Directors of the Company. Consequent upon this re-structuring, Shri N.K. Singh and Shri R.C. Mahajan cease to be Directors of the Company w.e.f. 20.04.2004.

In terms of the provisions of the Companies Act, 1956 Shri P.C. Sharma, Shri Ajay Tyagi and Shri C.P. Joshi will hold office of Directors upto the date of the ensuing 30th Annual General Meeting of the Company. The Company has meanwhile, received notices pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing Shri P.C. Sharma, Shri Ajay Tyagi and Shri C.P. Joshi as candidates for the office of Directors. Necessary resolutions in this regard have been incorporated in the notice for the 30th Annual General Meeting.

Your Directors place on record their deep appreciation for the valuable guidance and contributions made by Shri H.S. Das, Shri N.K. Singh, Shri R.C. Mahajan, Shri P.K. Atreya and Shri P.S. Rao during the tenure of their association as Directors of the Company.

Shri R.M. Hazarika shall retire by rotation at the 30th Annual General Meeting and being eligible offers himself for re-appointment as Director at the said meeting.

STATUTORY INFORMATION

Particulars of Employees

Statutory statement of particulars of employees under section 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules) 1975, as amended, is attached as Annexure-IV and forms an integral part of this Report.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and outgo

Information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is attached as Annexure-I and forms an integral part of this Report.

STATUTORY AUDITORS

The Comptroller & Auditor General of India has appointed M/s S. Ghose & Co., Chartered Accountants, Kolkata as the Statutory Auditors of the Company for the financial year 2003-04.

As authorised by the shareholders in the 28th Annual General Meeting, the Board of Directors of the Company has fixed the remuneration of the Statutory Auditors for the year 2003-04 at Rs. 2,00,000 (Rupees two lakh only) plus service tax plus actual TA and out of pocket expenses as may be mutually agreed between the Company and the Statutory Auditors.

COST AUDITORS

The Government of India has approved the appointment of M/s R.J. Goel & Co., Cost Accountants, New Delhi, as Cost Auditors of the Company relating to manufacture of Polyester Staple Fibre for the financial year 2003-04.

DIRECTORS' RESPONSIBILITY STATEMENT

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

a) **THAT** in the preparation of the annual accounts, the applicable accounting standards had been followed;

b) **THAT** the Directors had selected such accounting policies and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2003-04 and of the Profit & Loss of the Company for that period;

c) **THAT** the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) **THAT** the Directors had prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors thank the Company's clients, suppliers, vendors,

investors, bankers and other stakeholders for their continued support during the year.

Your Directors are grateful for guidance and support received from Indian Oil Corporation Limited, the Holding Company, Ministry of Petroleum & Natural Gas and other Ministries and organisations of Govt. of India & Govt. of Assam throughout the year.

Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels.

Your Directors thank all the shareholders for the trust reposed in the Board.

For & on behalf of the Board of Directors

Bongaigaon Refinery & Petrochemicals Ltd.

Sd/-

Place : New Delhi
Date : 27th July 2004

B.K.GOGOI
Chairman & Managing Director

BRP

ANNEXURE-I

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken

(i) Various energy conservation measures have been adopted in plants to make the operations more efficient, which are outlined below:

1. BRPL prepared a Road Map to achieve the specific energy consumption of 110 MBTU/BBL/NRGF.
2. To give due importance to the energy management, BRPL opened the "Energy Management Cell" under the Technical Services Department and designated a full time "Energy Manager" required under the Energy Conservation Act, 2001.
3. A training programme on Energy & Hydrocarbon Loss minimisation was organised on 26.09.2003.
4. Furnace/Boiler efficiency and Insulation effectiveness of Furnace/Boiler survey was conducted by external members, constituted by the Centre of High Technology, New Delhi during Oil Conservation Fortnight 2004.
5. Steam & Condensate survey of the refinery has been awarded to M/s Forbes Marshall, Pune in March 2004 to carry out a detailed audit of the system.
6. Increase of coker chamber cycle from 24 hrs to 30 hrs in DCU-I & II w.e.f. 19.07.2003 resulting in reduction of energy consumption and loss due to extended chamber cycle on account of lower steam consumption, power consumption, slop generation and flare loss.
7. Isolation of steam to the tank base coils of 3 RCO tanks in August 2003 resulted in the steam savings of 21.5 MTPD.
8. Taking service water as once-through wash medium against DM water in Coker Naphtha Wash column (C-007) in DCU-I &II resulted in 8400 M^3 of DM water saving and power saving in pumping the DM water.
9. Reduction of stack temperature of hot oil furnace from 285°C to 270°C by optimising the flow resulted in the reduction of fuel consumption in hot oil furnace and power saving in the Hot oil pump.
10. Optimisation of Pretreater Furnace by reducing the operating stack temp. from 320°C to 286°C and reduction of separator pressure from 21 kg/cm² to 19 kg/cm² leading to the reduction of fuel firing in the Pretreater Furnace and also reduction of power in the Reformer compressor.

(ii) The following energy conservation schemes were commissioned during the year:

1. Destaging of wash water pump (11-9-160B) from 12 to 9 stage in CDU-I was done in March, 2004 which has resulted in a drop of current by 16 amp.
2. Destaging of Crude Charge Pump-E (from 4 stage to 3 stage) was done in April '03 which has resulted in a drop in current by 7 Amp.
3. Installation of Fuel oil mass flow meter in Boiler-IV in April 2004 for correct accounting of fuel consumption.
4. Condensate recovery from the steam heater (E-30) of CDU-II furnace, which has been diverted to wash water tank of Desalter, resulting in the saving of 12 M^3/day of raw water consumption. The scheme was implemented in September 2003.
5. Diversion of FD/ID fan (CDU-II furnace) lube cooler & bearing cooling water to wash water tank of Desalter, resulting in the saving of 230 M^3/day raw water consumption. The scheme was implemented in November 2003.
6. Replacement of 1151 indicating filament lamps with LED lamps.

(b) Additional investments and proposals, if any, being implemented for reduction of energy consumption

Following energy conservation schemes are being implemented:

1. Destaging of wash water pumps (11-P-161A/B) from 12 stage to 9 stage in CDU-II.
2. Diversion of DCU Reboiler SM steam condensate to V-003 (Steam drum) instead of Captive Power Plant.
3. Installation of Fuel Oil mass flowmeter in supply & return line of CDU-I,CPP & Petrochemicals.
4. Replacement of process steam line insulation in phased manner.
5. Reinsulation of RCO tank.
6. Diversion of condensate ex-flare knock out drum to crude tanks.
7. Replacement of metallic fin fan air cooler blades with FRP blades in DCU-I.

(c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

Actual savings for schemes under (a) (i) & (ii) is Rs. 211 lakh during 2003-04 based on fuel price of Rs. 9345.76 per MT which was the weighted average cost of fuel during 2003-04.

(d) Total energy consumption and energy consumption per unit of production

FORM-A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	2003-04	2002-03
A. Power & Fuel Consumption		
1. **Electricity**		
(a) Purchased - Unit (MWH)	**347.94**	74.80
Total Amount (Rs. in Lakh)	**131.66**	116.68
(The amount represents the minimum Demand Charges paid to Assam State Electricity Board which is a fixed amount)		
(b) Own generation :		
(i) Through Diesel Generator -Units (MWH)	–	–
Units/Ltr. of Diesel	–	–
Cost per unit (Rs./MWH)	–	–
(ii) Through Steam Turbine Generator-Units (MWH)	**128,186**	102,300
Liquid Fuel used for power generated ('000 MTs)	**40.821**	30.827
Fuel Gas used for power generated ('000 MTs)	**4.723**	8.676
Liquid Fuel Oil & Fuel Gas for power generated (in MWH/SRFT)	**2.841**	2.547
Cost per unit (Rs./KWH)	**3.694**	4.516
2. **Coal Quantity :**		
Quantity ('000 MTs)	–	–
Average Rate (Rs./MT)	–	–
3. **Liquid Fuel (LSHS) (For steam consumed in process and as direct fuel) :**		
Quantity ('000 MTs)	**62.091**	42.666
Total Cost (Rs. in Lakh)	**5802.88**	4069.19
Average Rate (Rs./MT)	**9345.76**	9537.32

	2003-04	2002-03
4. **Fuel Gas (For steam consumed in process and as direct fuel) :**		
Quantity ('000 MTs)	**37.884**	31.992
Total Cost (Rs. in Lakh)	**3540.55**	3051.18
Average Rate (Rs./MT)	**9345.76**	9537.32
B. Consumption per unit of production		
1. **Refinery Sector:**		
(a) Electricity (including purchased power), MWH/MT of crude throughput	**0.0334**	0.0392
(b) Fuel (Fuel oil/gas) for Steam & direct fuel SRFT/MT of crude throughput	**0.0435**	0.0498
(c) Coal	–	–
(d) Others	–	–
2. **Petrochemicals Sector :**		
(a) Electricity (including purchased power), MWH/MT of DMT production	**5.0205**	–
(b) Fuel (Fuel oil/gas) for Steam & direct fuel SRFT/MT of DMT production	**0.9356**	–
(c) Coal	–	–
(d) Others	–	–
3. **Polyester Staple Fibre Sector:**		
(a) Electricity (including purchased power), MWH/MT of PSF production	**2.8106**	–
(b) Fuel (Fuel oil/gas) for Steam & direct fuel SRFT/MT of PSF production	**0.6261**	–
(c) Coal	–	–
(d) Others	–	–

Note:

During the year 2003-04, DMT & PSF Plants were under operation from 18.12.2003 and 26.12.2003 respectively. Hence, specific energy consumption of DMT and PSF were high.

B. TECHNOLOGY ABSORPTION

FORM-B

I. RESEARCH & DEVELOPMENT

1. Specific areas in which R&D has been carried out by the Company:

(a) Optimisation of Reformer Feed Naphtha cut to reduce the Benzene content in MS and enhancing the production of high value (realisation) MS product by in-house study.

(b) Upgradation of LSHS components to LDO by using suitable chemical additives.

(c) Study was carried out to examine the possibility of producing Low Viscosity Furnace Oil (LVFO), from LSHS components namely CFO and RFO.

2. Benefits derived as a result of the above R&D:

(a) Benzene content reduced to about 1.2 – 1.6 %. Increase in MS production from the level of 160 TMTpa to 195 TMTpa resulting in value addition.

(b) LSHS components have been upgraded successfully to LDO by using suitable chemical additives resulting in improvement in distillates yield and value addition.

(c) The production of LVFO established and sale of LVFO commenced from January 2004. There has been value addition due to production of LVFO instead of LSHS, which has lower market demand.

3. Future plan of action :

BRPL plans to continue R & D activities through its limited in-house resources primarily for product quality upgradation and value addition. However, since BRPL is a subsidiary company of Indian Oil Corporation Limited (IOCL), who is having well-equipped R & D division, BRPL shall utilise the R & D facilities of IOCL for optimising other related R & D benefits.

4. Expenditure on R & D :

(Rs. in Lakh)

		2003-04	2002-03
(a)	Capital	**Nil**	Nil
(b)	Revenue	**5.15**	5.16
	TOTAL	**5.15**	**5.16**

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts made towards technology absorption, adaptation and innovation:

Implementation of advanced process control system is in progress in the refinery units for process optimisation and for maximising value addition. Also, instrument modernisation of petrochemical instruments is being implemented which would help in better reliability and process control.

2. Benefits derived as a result of the above efforts:

Implementation of Advanced Process Control System would improve value addition by process optimisation.

3. Imported Technology, year of import and absorption of the imported technology: NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of foreign exchange earnings and outgo during the year 2003-04 in comparison to 2002-03 are given below:

(Rs. in Lakh)

			2003-04	2002-03
I]	**Earnings in Foreign Exchange:**			
	a]	Exports	–	–
	b]	Others (Recovery of Platinum)	–	249.98
II]	**Foreign Exchange Outgo:**			
	a]	Capital goods	**82.12**	51.10
	b]	Stores & spares	**144.10**	254.76
	c]	Royalty/know-how	–	–
	d]	Professional consultation	–	–
	e]	Travelling	**14.18**	2.34
	f]	Registration fees	–	–
	g]	Ravva Crude	**53441.03**	–
	h]	Other expenses	–	–

ANNEXURE - II

Annual Statement showing the representation of SCs, STs and OBCs on 1st January 2004 and number of appointments made during the preceding calendar year 2003

Groups	Representation of SCs/STs/OBCs (as on 01.01.2004)				Number of appointments made during the calendar year 2003									
					By Direct Recruitment				By Promotion			By Deputation/ Absorption		
	Total number of employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	*530	70	43	37	2	1	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group B	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group C	1150	95	219	183	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group D (Excluding Sweepers)	79	*10	29	9	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Group D (Sweepers)	8	7	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	1767	182	291	229	3	1	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil

In Group "A" 1 SC and 1 ST candidates were recruited against unreserved vacancies.
* Excluding Chairman & Managing Director and Functional Directors.

ANNEXURE - III

Annual Statement showing the representation of SCs, STs and OBCs in various Group "A" services as on 1st January 2004 and number of appointments made in the service in various grades in the preceding calendar year 2003

Pay Scale (in rupees)	Representation of SCs/STs/OBCs (as on 01.01.2004)				Number of appointments made during the calendar year 2003									
					By Direct Recruitment				By Promotion			By Deputation/ Absorption		
	Total number of employees	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
12,000-17,500	137	13	16	12	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
13,750-18,700	157	23	8	14	1	*1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
16,000-20,800	119	20	16	4	1	**1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
17,500-22,300	56	5	3	2	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
18,500-23,900	37	6	Nil	2	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
19,000-24,750	12	2	Nil	2	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
19,500-25,600	9	Nil	Nil	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
20,500-26,500	3	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	530	70	43	37	2	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note: The above pay scale is IDA pattern for Oil Sector Companies (Revised w.e.f. 1.7.1997)
* SC candidates appointed against unreserved vacancy.
** ST candidate appointed against unreserved vacancy.

BRP

ANNEXURE - IV

Particulars of employees forming part of Directors' Report for the year ended 31st March 2004 in terms of Section 217 (2A) of the Companies Act, 1956

Name	Designation	Age (Years)	Qualification	Total Experience (Years)	Date of joining	Last Employment		Remuneration
						Designation	Organisation	
1	2	3	4	5	6	7	8	9
Persons employed throughout the financial year who were in receipt of remuneration for the financial year which in aggregate was not less than Rupees Twenty Four Lakhs								
				NIL				
Persons employed for a part of the financial year who were in receipt of remuneration for the part of the financial year which in aggregate was not less than Rupees two lakhs per month								
Abdul Motin Hazarika	Fire Fighting Operator	60	Read Upto Class X	40	25.05.1978	Crane Operator	Indian Air Force	4,14,241/-
H.R. Chopra	Sr. Manager (CTD)	60	BE (Elect.)	40	08.06.1981	Superintendent (Elect & Mech.)	Indian Army	6,77,543/-
Phani Gogoi	Sub Engineer	49	HSCL, ITI-Elect, NAC	23	26.03.1981	–	–	3,75,617/-

ANNEXURE - V

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To the Members of Bongaigaon Refinery & Petrochemicals Ltd.

We have examined the compliance of conditions of Corporate Governance by M/s Bongaigaon Refinery & Petrochemicals Ltd. for the year ended 31st March 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company, with Stock Exchanges.

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 conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- We state that no investors' grievance is pending for a period exceeding one month against the Company as per the record maintained by the Shareholders/Investors Grievance Committee.
- 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 S. GHOSE & CO.
Chartered Accountants

Sd/-
CHANDAN CHATTOPADHYAY
Partner

Place : New Delhi
Date : 25th May 2004

Auditors' Report

TO THE MEMBERS OF BONGAIGAON REFINERY & PETROCHEMICALS LTD.

We have audited the attached Balance Sheet of M/S BONGAIGAON REFINERY AND PETROCHEMICALS LIMITED as at 31st March 2004, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date 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.

We conducted our audit in accordance with 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.

2. Further to our comments in the Annexure referred to above, we report that:

   (i) 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;

   (ii) 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;

   (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion and subject to our comments in Para 2(v) and 2(vi) below, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards as referred to in sub-section (3C) of Section 211 of the Companies Act 1956;

   (v) As indicated in schedule 'R', para 1.6, the Company's Kerosene Treating Unit (KTU), under its refinery segment, has been retired from active use w.e.f 21-6-03 and this has no adverse effect on Company's operation.

   (vi) As indicated in Schedule 'R', para 4.1.1, there is additional reduction in the profit of the Company by Rs. 4.23 lakh for amortisation of "Technical know-how Fees" (PSF Modernisation Project) as stated in the newly introduced Accounting Policy No.3.1.2 (Schedule "Q") as per requirement of the Accounting Standard-26 (effective from 1-4-2003) of the Institute of Chartered Accountants of India.

   (vii) On the basis of Extraordinary Gazette Notification No. G.S.R. 829(E) dated 21-10-2003 issued by the Department of Company Affairs, Govt. of India, the provision of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956, regarding "Disqualification of Directors" for appointment as director of a Government Company shall not apply to BRPL being a Govt. company.

   (viii) As indicated in Schedule 'R', para 4.1.6, balances of Advances, Sundry Debtors, Creditors, Deposits and Stores lying with contractors are not confirmed by the parties. Hence we are not in a position to express any opinion about these balances appearing in the financial statements.

   (ix) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Schedules "A" to "T" enclosed thereto and subject to our comments in Para 2(viii) above, 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 :

      a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2004;

      b. in the case of the Profit & Loss Account, of the profit for the year ended on that date; and,

      c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. GHOSE & CO.
Chartered Accountants

Sd/-
CHANDAN CHATTOPADHYAY
Partner

Place : New Delhi
Date : 25th May 2004

BRP

Annexure To The Auditors' Report

TO THE MEMBERS OF BONGAIGAON REFINERY AND PETROCHEMICALS LIMITED

(Referred to in Paragraph 1 of our report of even date)

(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets are physically verified once in every three years, which is considered reasonable in relation to the size of the company. Discrepancies found on verification have been properly dealt with in the account.

(c) The Company has not disposed of substantial part of fixed assets during the year.

(ii) (a) Physical verification has been conducted by the Management at reasonable intervals in respect of finished goods and raw-materials except in case of such finished goods and raw-materials that were lying with other parties.

(b) The procedure of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and discrepancies found in physical verification have been properly dealt with in the accounts. As stated by the Company in clause 2.2(iv) of Notes on Accounts (Schedule R), obsolete and unserviceable items amounting to Rs. 58.16 lakh have been identified and written off.

(iii) (a) As per information and explanation given to us, the Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act.

(b) As the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, the clause 4(iii)(b) of the Companies (Auditor's Report) Order 2003 is not applicable.

(c) Not applicable.

(d) Not applicable.

(iv) In our opinion and according to the Information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in Internal Control.

(v) (a) According to the information and explanations given to us, we are of the opinion that there were no transactions during the year that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

(b) Not applicable.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public during the year.

(vii) In our opinion, and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained.

(ix) (a) In our opinion and according to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31-03-2004 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues outstanding over six months in respect of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute except as stated as contingent liability in para (1) of 'Schedule S' enclosed.

(x) In our opinion since the Company has neither any accumulated loss nor incurred cash losses in the current financial year and in the immediately preceding financial year, the clause 4 (x) of the Companies (Auditor's Report) Order 2003 is not applicable.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank. The Company has not issued any debenture.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures. However, the Company has granted house-building loans to the employees against security/ mortgage of title deeds of the property. It has been observed that in 186 number of cases of house building loans so granted by the Company, certified copies of title deeds have been placed by the Company with the notified authority, for creation of equitable mortgage, in the absence of original title deeds. In these cases, original IGRs should have been kept in the safe custody of the Company for which necessary action is being initiated.

(xiii) In our opinion, the Company is not a chit fund or a *nidhi/* mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report)

Order, 2003 are not applicable to the Company.

(xiv) In our opinion and according to the information and explanations given to us, the company is not engaged in dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) In our opinion and according to information and explanations given to us, the term loans have been applied during the year for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that neither any short-term funds have been used for long-term purposes nor any long-term funds have been used to finance short-term assets except permanent working capital.

(xviii) According to the information and explanations given to us, during the period covered by our audit report, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) The Company has not issued any debenture during the year covered by our audit report.

(xx) The Company has not raised any fund by public issue during the year covered by our audit report

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. GHOSE & CO.
Chartered Accountants

Sd/-
CHANDAN CHATTOPADHYAY
Partner

Place : New Delhi
Date : 25th May 2004

BRP

BALANCE SHEET as at 31st March 2004

(Rs. in Lakh)

	Schedule		March, 2004	March, 2003
SOURCES OF FUNDS:				
1. Shareholders' Funds				
a) Capital	"A"	19981.79		19981.79
b) Reserves & Surplus	"B"	35311.77		22294.31
			55293.56	42276.10
2. Loan Funds				
a) Secured	"C"	2596.62		0.60
b) Unsecured	"D"	4485.38		17774.75
			7082.00	17775.35
3. Deferred Tax Liability (Net)			7970.62	5511.98
TOTAL			70346.18	65563.43
APPLICATION OF FUNDS:				
1. Fixed Assets	"E"			
a) Gross Block		92399.60		88450.19
b) Less : Depreciation		52590.45		49561.80
c) Net Block		39809.15		38888.39
d) Dismantled Capital Stores		–		–
e) Capital Work-in Progress	"F"	1229.43		4951.25
			41038.58	43839.64
2. Intangible Assets	"E1"			
a) Gross Carrying Amount		358.59		–
b) Less : Accumulated Amortisation		8.96		–
				–
c) Net Carrying Amount			349.63	
3. Investment	"G"		6615.77	6519.17
4. Current Assets, Loans & Advances				
a) Inventories	"H"	47126.37		25791.42
b) Sundry Debtors	"I"	9013.50		12633.86
c) Cash & Bank Balance	"J"	278.54		11021.00
d) Other Current Assets - Interest accrued	"K-1"	2.23		224.50
e) Loans and Advances	"K"	12037.33		28291.89
TOTAL		68457.97		77962.67
5. Less:				
a) CURRENT LIABILITIES	"L"	33958.97		56067.47
b) PROVISIONS		12443.95		7075.47
NET CURRENT ASSETS (4-5)			22055.05	14819.73
6. Miscellaneous Expenditure (To the extent not written-off or adjusted)	"L-1"		287.15	384.89
TOTAL			70346.18	65563.43
7. Statement of Significant Accounting Policies	"Q"			
8. Notes on Accounts	"R"			
9. Statutory Information	"S"			
10. Segment Reporting	"T"			

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-
V. N. Murthy	**R.N. Das**	**B.K. Gogoi**
Co. Secretary	Director (Finance)	Chairman & Managing Director

This is the Balance Sheet referred to in our report of even date.

For S. Ghose & Co.
Chartered Accountants

Sd/-
Chandan Chattopadhyay
Partner

Place : New Delhi
Date : 25th May 2004

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2004

(Rs. in Lakh)

		Schedule		March, 2004	March, 2003
	INCOME:				
1.	Sale of Products		284916.27		186169.46
	Less : Commission & Discounts		49.13		16.49
			284867.14		186152.97
	Less : Excise Duty		26826.79		14051.32
				258040.35	172101.65
2.	Net claim from Industry Pool Account			(774.52)	168.44
3.	Increase/(Decrease) in Stock	"M"		9755.54	984.43
4.	Interest and Other Income	"N"		37763.82	21718.19
	TOTAL INCOME			304785.19	194972.71
	EXPENDITURE :				
1.	Manufacturing, Administrative, Selling and Other Expenses	"O"		254871.40	158236.67
2.	Duties applicable on Products (Net)			1300.60	21.06
3.	Depreciation and Amortisation	"P-1"		3011.43	3064.43
4.	Deferred Revenue Expenditure Written-off	"L-1"		97.74	97.74
5.	Interest Payments on :				
	a) Fixed period loans from OIDB		1154.39		1294.33
	b) Short term loans from Banks		332.73		316.33
	c) Others		40.02		1001.86
			1527.14		2612.52
	Less : Interest Capitalised		11.05		23.67
				1516.09	2588.85
	TOTAL EXPENDITURE			260797.26	164008.75
	PROFIT/(-)LOSS FOR THE YEAR			43987.93	30963.96
	Income / (Expenses) pertaining to previous year (net)	"P"		(0.66)	(193.39)
	PROFIT/(-)LOSS BEFORE TAX			43987.27	30770.57
6.	Less : Provision for Income Tax -				
	Current Year		11154.11		2002.35
	Previous Year		–	11154.11	–
	Less : Deferred Tax				
	Current Year			2458.64	10923.61
				13612.75	12925.96
	PROFIT/(LOSS) AFTER TAX			30374.52	17844.61
	Add : Balance brought forward from last year's Account			–	9536.03
	DISPOSABLE PROFIT			30374.52	27380.64
	APPROPRIATION :				
	Interim Dividend		5395.09		
	Proposed Final Dividend		9990.89	15385.98	5395.08
	Corporate Dividend Tax on -				
	Interim Dividend		691.25		–
	Final Dividend		1279.83	1971.08	691.25
	General Reserve			13017.46	21294.31
	Profit and Loss Account			–	–
				30374.52	27380.64
7.	Statement of Significant Accounting Policies	"Q"			
8.	Notes on Accounts	"R"			
9.	Statutory Information	"S"			
10.	Segment Reporting	"T"			
	Earning Per Share (Rupees) (Basic and Diluted)			15.20	8.93
	Face Value per Share (Rupees)			10.00	10.00

The Schedules referred to above and Significant Accounting Policies attached form an integral part of the Profit & Loss Account.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-
V. N. Murthy	**R.N. Das**	**B.K. Gogoi**
Co. Secretary	Director (Finance)	Chairman & Managing Director

This is the Profit & Loss Account referred to in our report of even date.

For **S. Ghose & Co.**
Chartered Accountants

Sd/-
Chandan Chattopadhyay
Partner

Place : New Delhi
Date : 25th May 2004

BRP

SCHEDULE "A" - CAPITAL

(Rs. in Lakh)

	March 2004	March 2003
AUTHORISED:		
20,00,00,000 Equity Shares of Rupees ten each	**20000.00**	20000.00
ISSUED, SUBSCRIBED AND PAID-UP :		
19,98,17,900 Equity Shares of Rupees ten each fully paid-up	**19981.79**	19981.79
Out of the above shares, 14,87,93,826 shares (74.46%) of Rupees ten each are held by Indian Oil Corporation Limited, the Holding Company.	**19981.79**	19981.79

SCHEDULE "B" - RESERVES AND SURPLUS

(Rs. in Lakh)

		March 2004	March 2003
1. **General Reserve -**			
As per last account	**22294.31**		1000.00
Add : Transfer from Profit & Loss Account	**13017.46**	**35311.77**	21294.31
2. **Profit and Loss Account**			
As per Annexed Account		**-**	-
		35311.77	22294.31

SCHEDULE "C" - SECURED LOANS

(Rs. in Lakh)

	March 2004	March 2003
Secured by hypothecation of inventories, book debts and other assets (both present and future)		
1. **Loans and Advances from Banks :**		
(i) Cash Credit		
a) State Bank of India	**1672.46**	0.60
b) United Bank of India	**717.87**	-
c) State Bank of Hyderabad	**206.29**	-
	2596.62	0.60

SCHEDULE "D" - UNSECURED LOANS

(Rs. in Lakh)

	March 2004	March 2003
1. **Other Loans and Advances**		
(i) From Banks/Financial Institutions : OIDB Loans*	**4485.38**	17774.75
	4485.38	17774.75
* Out of which due for repayment within one year	**1039.00**	13289.00

SCHEDULE "E" - FIXED ASSETS AS AT 31st March 2004

(Rs. in Lakh)

Sl No	Particulars	Gross Cost As on 1-4-2003	Additions/ Adj during the Year	Sold/Trans during the Year	Gross Block As on 31-03-2004	Depreciation Upto 31-3-2003
1.	Land - Freehold	82.38	–	–	**82.38**	–
	Land - Leasehold	401.58	7.63	–	**409.21**	–
2.	Buildings, Roads & Culverts	7253.34	199.86	–	**7453.20**	1891.36
3.	Railway Sidings	57.75	–	–	**57.75**	53.37
4.	Plant & Machinery	*76696.12	3592.92	(0.78)	**80288.26**	45320.08
5.	Furniture & Fixtures	350.15	3.95	(3.34)	**350.76**	271.59
6.	Equipments & Appliances	3075.42	135.33	(14.85)	**3195.90**	1737.60
7.	Transport Equipments	98.52	21.57	(8.24)	**111.85**	52.43
8.	Const. Site Requirements	53.05	–	–	**53.05**	53.05
9.	Other Capital Expenditures	374.18	15.36	–	**389.54**	174.62
10.	Sundry Assets	7.70	–	–	**7.70**	7.70
	Grand Total	88450.19	3976.62	(27.21)	92399.60	49561.80
	Previous Year	83239.79	5217.51	(7.11)	**88450.19**	46390.56

(Rs. in Lakh)

SL No	Particulars	Adjustment of Depreciation for Previous Year	Depreciation Adjustment on Sold/Trans	Depreciation for the year	Total Depreciation upto 31-03-2004	Net Block as on 31-03-2004	Net Block as on 31-3-2003
1.	Land - Freehold	–	–	–	–	**82.38**	82.38
	Land - Leasehold	–	–	–	–	**409.21**	401.58
2.	Buildings, Roads & Culverts	–	–	137.17	2,028.53	**5424.67**	5361.98
3.	Railway Sidings	–	–	1.04	54.42	**3.33**	4.38
4.	Plant & Machinery*	(31.73)	71.42	2582.82	47942.61	**32345.65**	31376.04
5.	Furniture & Fixtures	–	(2.80)	14.20	282.99	**67.77**	78.56
6.	Equipments & Appliances	–	(9.97)	181.80	1909.43	**1286.47**	1337.82
7.	Transport Equipments	–	(6.94)	7.70	53.19	**58.66**	46.09
8.	Const. Site Requirements	–	–	–	53.05	–	–
9.	Other Capital Expenditures	6.17	–	77.74	258.53	**131.01**	199.56
10.	Sundry Assets	–	–	–	7.70	–	–
	Grand Total	(25.56)	51.71	3002.47	52590.45	**39809.15**	38888.39
	Previous Year	112.19	(5.38)	3064.43	49561.80	**38888.39**	36849.23

Note:

* Plant & Machinery includes Rs. 1006.62 Lakh - Gross Block (KTU under Refinery segment) retired from active use and provision made against net asset value. Refer Schedule-"R" para no. 1.6

BRP

SCHEDULE "E-1" INTANGIBLE ASSETS

(Rs. in Lakh)

	Gross carrying amount As on 1.4.2003	Additions during the Year	Transfer from CWIP	Retirement and Disposals during the Year	Gross carrying amount As on 31.03.2004	Amortisation during the year	Accumulated Amortisation As on 31.03.2004	Impairment losses	Accumulated impairment losses	Net carrying amount As on 31.03.2004
Technical Know-how fees (PSF Modernisation Projects)	–	–	358.59	–	358.59	8.96	8.96	–	–	349.63
Grand Total	**–**	**–**	**358.59**	**–**	**358.59**	**8.96**	**8.96**	**–**	**–**	**349.63**
Previous Year	–	–	–	–	–	–	–	–	–	–

SCHEDULE "F" CAPITAL WORK-IN PROGRESS

(Rs. in Lakh)

	Note		March 2004		March 2003
1. Construction Work-in Progress (Including unallocated Capital expenditure, material at site)		**918.73**		4314.35	
Less : Provision		**186.03**	**732.70**	186.03	4128.32
2. Advance for Capital Expenditure		**195.11**		180.39	
Less : Provision for Doubtful Advances		**43.33**		43.33	
			151.78		137.06
3. Capital Stores	A	**278.33**			345.81
Less : Provisions for losses		**11.53**	**266.80**		
4. Capital Stores lying with Holding Company			–		18.09
5. Capital Goods-in-transit			**20.14**		–
6. Construction Period Expenses pending allocation:					
Opening Balance		**321.97**		784.56	
Add : Expenditure during the year - (Schedule- "F-1")		**28.05**		23.67	
		350.02		808.23	
Less : Allocated to Assets during the year		**292.01**	**58.01**	486.26	321.97
			1229.43		4951.25

Note:

	March 2004	March 2003
A. (i) Includes stores pending inspection	**47.13**	25.88
(ii) Includes stores lying with contractors	**0.58**	54.15

SCHEDULE "F-I" CONSTRUCTION PERIOD EXPENSES DURING THE YEAR

(Rs. in Lakh)

		March 2004		March 2003
1. Interest:				
a) Current year	**11.05**		23.67	
b) Previous year	**17.00**	**28.05**	–	23.67
2. Management Expenses		–		–
		28.05		23.67

SCHEDULE "G" - INVESTMENT

(Rs. In Lakh)

	March 2004	March 2003
1. QUOTED:	–	–
2. UNQUOTED:		
A. Trade Investments:		
i) Petroleum India International (Association of Person - Oil Companies) Seed Capital	5.00	5.00
Share in accumulated surplus	1010.77	914.17
B. Fully Paid 6.96% Oil Companies Govt. of India Special Bond 2009	5600.00	5600.00
	6615.77	6519.17

SCHEDULE "H" - INVENTORIES

(Rs. In Lakh)

	Note		March 2004		March 2003
1. In Hand					
a. Stores, Spares etc.	A	3490.45		3795.41	
Less : Provision for Losses		232.12		186.74	
			3258.33		3608.67
b. Raw Materials	B		22056.46		9842.53
c. Finished Products			18749.44		10393.02
d. Stock-in-process			2997.65		1598.52
			47061.88		25442.74
2. Stores with others			–		249.98
3. In Transit:					
a. Stores & Spares			64.49		98.70
TOTAL			47126.37		25791.42
Note: Includes					
A. Stores, Spares includes stores under inspection			108.88		71.21
Stores lying with Holding Company			3.92		–
B. (i) Crude lying in pipeline/Tanks owned by Indian Oil Corporation Ltd.			12956.04		1691.66
(ii) Crude lying in pipeline owned by Oil India Ltd.			5502.46		5109.39
(iii) Paraxylene in transit			776.60		–

BRP

SCHEDULE "I" - SUNDRY DEBTORS

(Rs. in Lakh)

	Note		March 2004		March 2003
1. Over Six Months:					
(i) Unsecured, Considered Good		-		1.14	
(ii) Unsecured, Considered Doubtful		641.01		730.13	
Total (1)			641.01		731.27
2. Other Debts:					
a) From Holding Company -					
Unsecured Considered Good			8111.04		11905.42
b) From Others -					
(i) Secured Considered Good		816.77		726.70	
(ii) Unsecured Considered Good		85.69		0.60	
			902.46		727.30
Total (2)			9013.50		12632.72
Total (1+2)			9654.51		13363.99
Less : Provisions for Doubtful Debts			641.01		730.13
TOTAL			9013.50		12633.86

SCHEDULE "J" - CASH AND BANK BALANCES

(Rs. in Lakh)

	Note		March 2004		March 2003
1. Cash Balances:					
a) Cash Balances including imprest		2.05		6.52	
b) Cheques in hand and in transit		196.73	198.78	39.88	46.40
2. Bank Balances with Scheduled Banks:					
a) Current Accounts			56.06		6867.54
b) Unclaimed Dividend			23.45		6.81
c) Short Term Deposit			-		4100.00
d) Fixed Deposit			0.25		0.25
TOTAL			278.54		11021.00

SCHEDULE "K" - LOANS AND ADVANCES

(Rs. in Lakh)

		March 2004		March 2003
1. Advances recoverable in cash or in kind or for value to be received:				
a) From Holding Company -				
(i) Unsecured, Considered Good	6.39		6.39	
Total (a)	6.39		6.39	
b) From Others:				
(i) Secured, Considered Good	2950.64		2789.37	
(ii) Unsecured, Considered Good	44.44		44.06	
(iii) Unsecured, Considered Doubtful	72.47		65.76	
Total (b)	3067.55		2899.19	
Total (a+b)	3073.94		2905.58	
Less : Provisions for doubtful Loans & Advances	72.47		65.76	
		3001.47		2839.82
2. Amount recoverable from Industry Pool Account (net)		1981.88		3516.73
3. Claims Recoverable:				
a) From Holding Company				
Unsecured - Considered Good	5939.62		20955.19	
b) From Others				
(i) Unsecured - Considered Good	96.53		82.86	
(ii) Unsecured - Considered Doubtful	–		–	
	6036.15		21038.05	
Less : Provisions for Doubtful Claims	–	6036.15	–	21038.05
4. Balances with Customs, Port Trust and Excise Authority:				
(i) Unsecured - Considered Good		127.82		29.26
5. Advance Tax	14545.62			
Less : Provision for Taxes	13745.74	799.88		651.79
6. Material given on Loan				
a) To Holding Company				
(i) Unsecured - Considered Good		–		–
b) To others				
(i) Secured - Considered Good	4.55		2.62	
(ii) Unsecured - Considered Good	19.96		128.18	
		24.51		130.80
7. Deposits				
a) To Holding companies				
i) Secured, Considered Good	2.37		5.29	
ii) Unsecured, Considered Good	–		–	
b) To Others				
i) Secured - Considered Good	1.86		1.86	
ii) Unsecured - Considered Good	61.39		78.29	
iii) Unsecured - Considered Doubtful	–	65.62	–	85.44
		12037.33		28291.89

SCHEDULE "K-1" - OTHER CURRENT ASSETS

(Rs. In Lakh)

		March 2004		March 2003
Interest accrued on investment/bank deposits -				
Interest accrued on STD with Canfina	347.13		347.13	
Less. Provision	347.13	–	347.13	–
Interest accrued on STD with Banks/Investments		2.23		224.50
		2.23		224.50

SCHEDULE "L" - CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lakh)

		March 2004		March 2003
1. Current Liabilities:				
a) Sundry Creditors -				
(i) Total dues of small scale industrial undertaking(s)	**24.37**		3.06	
(ii) Total dues of creditors other than small scale industrial undertaking(s)	**2137.47**		866.73	
Total (a)	**2161.84**		869.79	
b) Other Liabilities	**5559.85**		2912.35	
c) Security Deposits	**197.27**		373.84	
d) Unclaimed Dividend	**23.46**		6.81	
e) Raw Materials - To Others	**24158.68**		25963.61	
2. Dues to Holding Company	**1857.87**		25941.07	
3. Crude Oil taken on Loan From Holding Company	**–**		–	
Less : Deposits given	**–**		–	
Total current liabilities		**33958.97**		56067.47
4. Provisions:				
a) Provision for Retirement benefit		**1159.79**		982.15
b) Provision for Taxation	13745.74		2591.62	
Less : Advance Tax	**13745.74**	**–**	2591.62	–
c) Provision for Wealth Tax	**49.81**		36.38	
Less : Advance Payment	**36.38**	**13.43**	29.39	6.99
d) Proposed Dividend	**9990.90**		5395.08	
Corporate Dividend Tax	**1279.83**	**11270.73**	691.25	6086.33
		46402.92		63142.94

SCHEDULE - "L 1" MISCELLANEOUS EXPENDITURE

(Rs. in Lakh)

		March 2004		March 2003
Deferred Revenue Expenditure :				
As per last Account :				
a) Expenditure for EDP softwares etc.	**–**		–	
b) Reformer Catalysts	**286.28**		358.12	
c) Voluntary Retirement Scheme	**98.61**		-	
		384.89		358.12
Add : Expenditure during the year -				
Expenditure for EDP softwares etc.	**–**		–	
Voluntary Retirement Scheme		**–**	124.51	124.51
Less : Written-off during the year -				
EDP Software	**–**		–	
Reformer Catalysts	**72.84**		72.84	
Voluntary Retirement Scheme	**24.90**	**97.74**	24.90	97.74
		287.15		384.89

SCHEDULE "M" - DETAILS OF INCREASE/(DECREASE) IN STOCK

(Rs. in Lakh)

			March 2004		March 2003
1.	Closing stock				
	a) Finished Products	18749.44		10393.02	
	b) Stock-in-process	2997.65		1598.52	
			21747.09		11991.54
2.	Opening Stock				
	a) Finished Products	10393.02		8650.85	
	b) Stock-in-process	1598.52		2356.26	
			11991.54		11007.11
	TOTAL (1-2)		9755.55		984.43

SCHEDULE "N" - INTEREST AND OTHER INCOME

(Rs. in Lakh)

			March 2004		March 2003
1.	Interest on :				
	a) Loans and advances	81.21		90.75	
	b) Customers Outstandings (including Tax deducted at source Rs. 3.09 lakh, Previous year Rs. 4.19 lakh)	15.13		30.90	
	c) Others (including Tax deducted at source Rs. 6.33 lakhs, Previous year Rs. 21.09 Lakhs)	29.00		135.99	
			125.34		257.64
2.	Interest on Bonds		389.55		389.76
3.	Income from Investment		146.60		162.86
4.	Recovery for Power Supply		145.52		89.08
5.	Reimbursement of Infrastructure Cost		1051.88		620.51
6.	Sales of Scraps		27.52		12.77
7.	Recoveries from Employees		39.74		40.21
8.	Recoveries from Outsiders		169.25		176.63
9.	Recovery of Platinum		–		249.98
10.	Duty drawback on export		–		313.69
11.	Provisions for Doubtful Debts written back		89.12		–
12.	Other Liabilities written back		41.15		21.64
13.	Provision for Stores written back		11.79		36.72
14.	NE Refinery benefits		35526.36		19346.70
			37763.82		21718.19

BRP

SCHEDULE "O" - MANUFACTURING, ADMINISTRATIVE, SELLING AND OTHER EXPENSES

(Rs. in Lakh)

			March 2004		March 2003
1. Raw Materials Consumed:					
Opening Balance		**9842.53**		8652.83	
Add : Receipts -					
Purchase		**238501.60**		137255.04	
		248344.13		145907.87	
Less : Closing Stock		**22056.46**		9842.53	
			226287.67		136065.34
2. Consumption:					
a) Stores, Spares and Consumables (Chemicals Rs. 652.37 lakh)		**1492.81**		1403.99	
b) Packing Materials & Others		**123.82**		123.12	
			1616.63		1527.11
3. Power and Fuel		**14183.06**		11059.83	
Less : Fuel for own production		**13986.53**		10887.97	
			196.53		171.86
4. Fees and Other Charges			**91.90**		95.87
5. Octroi, other levies and Taxes			**8146.43**		1251.05
6. Repairs and Maintenance:					
Building		**210.21**		157.49	
Plant and Machinery		**420.13**		250.06	
Others		**140.67**	**771.01**	183.28	590.83
7. a) Freight and Transportation Charges		**5410.78**		7832.72	
b) Demurrage		**-**	**5410.78**	-	7832.72
8. Payments to and Provisions for Employees:					
a) Salaries, Wages and Other Benefits		**7992.98**		6266.59	
b) Contribution to Provident Fund & Other Funds		**551.43**		552.95	
c) Welfare Expenses :					
(i) Medical Expenses	**294.48**			260.27	
(ii) Other Welfare Expenses	**889.78**			710.46	
(iii) Group Insurance	**14.50**			37.73	
(iv) Gratuity	**234.18**	**1432.94**	**9977.35**	366.76	8194.76
9. Office Administration, Selling and Other Expenses (Schedule O-1)			**2373.10**		2507.13
TOTAL			**254871.40**		158236.67

SCHEDULE "O-I" - OFFICE ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. in Lakh)

			March 2004		March 2003
1.	Rent		27.10		32.07
2.	Insurance Premium		467.66		405.23
3.	Rates and Taxes		19.21		13.27
4.	Donations		21.15		0.14
5.	Payments to Auditors				
	a) Statutory Audit Fee	2.00		1.75	
	b) Tax Audit Fee	0.50		0.50	
	c) Cost Audit Fee	0.50		0.20	
	d) Other Services	1.73		1.09	
	e) Service Tax	0.38		0.29	
	f) Out of Pocket Expenses	5.82	10.93	6.55	10.38
6.	Travelling and Conveyance		285.39		269.66
7.	Communication Expenses:				
	a) Postage and Telegram	1.74		1.78	
	b) Telephone and Telex	30.15	31.89	29.27	31.05
8.	Vehicle Running Expenses		105.80		93.26
9.	Printing and Stationery		29.18		28.66
10.	Electricity & water		–		–
11.	Bank Charges		83.23		80.27
12.	Bad Debts, Advances & Claims Written off		–		–
13.	Project Expenditure Written-off		–		–
14.	Assets/Stores Written off		63.95		77.26
15.	Provision for Doubtful Debts, Advances, Claims etc.		6.70		474.62
16.	Provision against Assets		71.42		–
17.	Provision for Stores Shortages/Obsolescence (Net)		68.70		186.74
18.	Industrial Security Expenses		558.11		545.99
19.	Others Expenses :				
	a) Community Development	82.02		58.48	
	b) Training Expenses	65.11		26.76	
	c) Hire Charges	11.57		15.12	
	d) Claims/Advances written-off	75.60		0.20	
	e) Others	142.08		108.76	
	f) Books and Periodicals	3.87		4.34	
	g) Advertisement Expenses	30.74		15.03	
	h) Publicity and Public Relations	68.81		6.52	
	i) Entertainment	5.21		7.83	
	j) R&D Expenses	5.15		5.16	
	k) Provision for Wealth Tax	13.43		6.99	
	l) Octroi, Cess etc.	1.04		0.95	
	m) Other Selling Expenses	18.05	522.68	2.39	258.53
			2373.10		2507.13
20.	Less: Project Management Expenses		–		–
	TOTAL		2373.10		2507.13

BRP

SCHEDULE "P" - INCOME/EXPENSES RELATING TO PREVIOUS YEARS

(Rs. in Lakh)

	March 2004	March 2003
INCOME:		
Consumption of raw materials	–	30.99
Depreciation and Amortisation	25.56	–
Interest	17.00	–
Sale of Products	–	(17.98)
Total Income	42.56	13.01
EXPENDITURE:		
Consumption of raw materials	34.84	–
Stores & Spares	8.38	–
Rent	–	12.78
Chemicals	–	56.63
Depreciation and Amortisation	–	112.19
Others	–	24.80
Total Expenses	43.22	206.40
NET INCOME/(EXPENDITURE)	(0.66)	(193.39)

SCHEDULE "P-1" - DETAILS OF DEPRECIATION AND AMORTISATION

(Rs. in Lakh)

	March 2004	March 2003
1. Depreciation & Amortisation of Fixed Assets	3002.47	3064.43
2. Amortisation of Intangible Assets	8.96	–
	3011.43	3064.43

SCHEDULE "Q" - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.0 BASIS OF PREPARATION

1.1 The financial statements are prepared under historical cost convention in accordance with the mandatory accounting standards issued by The Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

2.0 FIXED ASSETS

2.1 Land

2.1.1 Cost of land deposited with the State Government of Assam is treated as long term leasehold land pending execution of the deeds.

2.2 Construction Period Expenses on Projects

2.2.1 Revenue expenses exclusively attributable to projects incurred during construction period are capitalised. However, such expenses in respect of capital facilities being executed along with the simultaneous production/operations are charged to revenue.

2.2.2 Financing cost incurred during the construction period on loans specifically borrowed for projects is capitalised at the actual borrowing rates.

2.2.3 Financing cost incurred on General Borrowings used for projects is capitalised. The amount of such borrowings is determined after setting off the amount of internal accruals.

2.2.4 Fixed assets are verified once in three years. Discrepancies, if any, on verification are adjusted in the books of accounts.

2.3 Depreciation/Amortisation

2.3.1 Depreciation on fixed assets is provided in accordance with the rates as specified in Schedule XIV to the Companies Act, 1956, on straight-line method up to 95% of the cost of the assets. Depreciation is charged pro-rata on quarterly basis on assets from/up to the quarter of capitalisation/sale, disposal and/or dismantled.

2.3.2 Assets costing up to Rs. 5000/- are depreciated fully in the year of capitalisation.

2.3.3 Capital expenditure on items like railway siding, roads, culverts etc., the ownership of which is not with the Company, are amortised/written off in five equal annual instalments.

3.0 INTANGIBLE ASSETS

3.1 Technical know-how and license fee

3.1.1 Costs incurred on technical know-how/license fee relating to production facilities and processes are charged to revenue.

3.1.2 Costs incurred on technical know-how/license fee relating to process design/plants/facilities are accounted for as "Intangible Assets pending Amortisation" during the construction period of the said plant/facility. At the time of capitalisation of the said plant/facility, such costs are also capitalised as intangible asset and amortised on a straight line basis over a period of ten years or life of the said plant/facility, whichever is lower, beginning from the quarter in which the said plant/facility is capitalised.

3.2 Research and Development costs

3.2.1 All expenditure, other than on capital account, on research and development are charged to the Profit & Loss Account.

3.2.2 Expenditure incurred on capital account are capitalised as fixed assets and is depreciated accordingly.

3.3 Computer Software

3.3.1 Costs incurred on computer software, resulting in future economic benefits, are amortised over a period of three years.

4.0 FOREIGN CURRENCY TRANSLATION

4.1 Transactions in foreign currency are recorded at exchange rates prevailing on the date of transactions.

4.2 Monetary items denominated in foreign currencies (such as cash, receivables, payables etc.) outstanding at the year-end, are translated at exchange rates applicable as of that date.

4.3 Any gains and losses arising due to exchange differences at the time of translation or settlement are charged to the Profit & Loss Account, except in respect of Fixed Assets, where any gains and losses arising due to exchange differences at the time of settlement are adjusted to the cost of such assets till they are fully depreciated.

5.0 INVESTMENTS

5.1 All long term investments are valued at cost and provision for diminution in value, thereof is made, wherever such diminution is not temporary.

5.2 All current investments are valued at lower of cost or fair market value.

6.0 INVENTORIES

6.1 Raw Materials

6.1.1 Crude Oil is valued at cost on first-in first-out basis or net realisable value, whichever is lower.

6.1.2 Paraxylene (purchased), Mono-Ethyl Glycol and Methanol (purchased) are valued at cost on first-in first-out basis or net realisable value, whichever is lower.

6.1.3 Stock-in-Process is valued at raw material cost plus 50% of the estimated conversion costs as applicable or net realisable value, whichever is lower.

6.2 Stock-in-Trade

6.2.1 Finished Products are valued at cost on first-in first-out method or net realisable value, whichever is lower.

6.2.2 By-products are valued at net realisable value.

6.2.3 Cost of Finished Products internally consumed is determined based on -
Para xylene - at net variable cost (net of sale value of byproducts);
Molten DMT -at cost or net realisable value, whichever is lower reduced by cost of flaking and packing.
Methanol (recovered) – at net realisable value (basic price).

6.3 Stores and Spares

6.3.1 Stores and Spares (including capital stores) are valued at weighted average cost. In case of declared surplus/obsolete stores and spares, provision is made for likely loss on sale/disposal and charged to revenue. Further, an adhoc provision @ 5% is also made on the balance stores & spares towards likely diminution in the value.

6.3.2 Stores & Spares in transit are valued at cost.

7.0 DEBTORS

7.1 Specific provision is made on sundry debtors specially dealt with and adhoc provision is made on other debtors.

8.0 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

8.1 Contingent Liabilities are disclosed in each case. Show Cause Notices issued by various Government Authorities are not considered as contingent liabilities. However, when the demand notices are raised against such show cause notices after considering Company's views, these demands are either paid or treated as liabilities if accepted by the Company and are treated as contingent liability if disputed by the Company.

8.2 Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above Rs. 5 lakh.

9.0 REVENUE RECOGNITION

9.1 Gross sales are net of trade discounts and include inter-alia excise duties.

9.2 Claims on Petroleum Planning and Analysis Cell (formerly Oil Coordination Committee)/Government arising on account of erstwhile Administered Pricing Mechanism are booked on acceptance in principle thereof. Such claims and provisions are booked on the basis of available instructions/clarifications subject to final adjustment as per separate audit.

9.3 Adjustments pertaining to purchase of raw materials/finished products, sales and others as admissible under the erstwhile Administered Pricing Mechanism are accounted for as "Net claim from/(surrender to) Industry Pool Account".

9.4 Other claims (including interest on outstanding) are accounted for generally at cost when there is certainty that the claims are realisable.

9.5 Income and expenditure up to Rs. 5 lakhs in each case pertaining to previous years are accounted for in the current year.

9.6 Pre-paid expenses up to Rs. 50,000/- in each case are charged to revenue.

9.7 Expenditure incurred on Voluntary Retirement Schemes is treated as Deferred Revenue Expenditure and is amortised over a period of five years beginning from the year the expenditure is incurred.

10. RETIREMENT AND EMPLOYEE'S BENEFITS

10.1 Liability towards gratuity is paid to a Fund maintained by a separate trust set up by the Company. Difference between the fund balance and the accrued liability, determined based on the actuarial valuation, is charged to Profit & Loss Account.

10.2 Provision towards leave encashment and post retirement benefits to employees is made based on the actuarial valuation as at the end of the year.

Sd/-	Sd/-	Sd/-
V.N. Murthy	**R.N. Das**	**B.K. Gogoi**
Company Secretary	Director (Finance)	Chairman & Managing Director

EXPLANATORY NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2004

SCHEDULE – "R"

1.0 FIXED ASSETS

1.1 Cost of land measuring 1084.54 acres (previous year 1084.54 acres) which is deposited with the Government of Assam is treated as long-term leasehold land and shown as such in Schedule-E, pending execution of deeds.

1.2 Fixed Assets do not include the value of 17 Nos. of quarters estimated at Rs. 41.76 lakh built for the Indian Oil Corporation Limited against equivalent amount received from them.

1.3 Gross block of fixed Assets include an asset (Hook-up facilities for imported crude at Barauni) amounting to Rs. 389.53 lakh (previous year Rs. 374.18 lakh) constructed in the premises of Barauni Refinery of Indian Oil Corporation Ltd. This is being charged of in five years (refer Significant Accounting Policy no. 2.3.3).

1.4 Technical know-how amounting to Rs. 358.59 lakh (previous year nil) relating to PSF Modernisation plant completed during the year has been shown as 'intangible assets' under Schedule "E-1" as per Accounting Standard - 26 issued by The Institute of Chartered Accountants of India (refer Significant Accounting Policy no. 3.1.2).

1.5 The operation of LPG Bottling Plant has been started by M/s IOCL, the Holding Company under an operation agreement.

1.6 The Kerosene Treating Unit (KTU) of the Company under the Refinery segment has been retired from active service with effect from 21st June 2003. Accordingly a provision of Rs. 71.42 lakh (net book value) has been made in the account.

1.7 The interest (on specific and general borrowings) allocated against capital items amounting to Rs. 28.05 lakh (Previous year Rs. 23.67 lakh) during the year in accordance with the Accounting Standards - 16 on 'Borrowing Cost' issued by The Institute of Chartered Accountants of India (refer Significant Accounting Policy nos. 2.2.2.).

2.0 CURRENT ASSETS, LOANS AND ADVANCES

2.1 Raw Materials, Intermediates and Finished Products:

(i) All items of stock of raw materials, intermediates and finished products are based on physical verification carried out as at the year-end except for Polyester Staple Fibre (PSF) Waste.

(ii) For valuation of finished/semi-finished stocks, fixed overheads have been allocated on the basis of installed capacity.

2.2 Stores and Spares include:

(i) Stores valuing Rs. 1635.84 lakh (Previous year Rs. 1448.61 lakh) have not moved for more than 3 years of which Rs. 1156.35 lakh (Previous year Rs. 1062.99 lakh) not moved for more than 5 years.

(ii) Stores valued at Rs.742.73 lakh (Previous year Rs. 315.59 lakh) have been identified as surplus as at the end of the year. During the year surplus valuing Rs. 36.53 lakh (Previous year Rs. 18.86 lakh) has been disposed off leaving items worth of Rs. 3.18 lakh (Previous year Rs. 3.18 lakh) reserved for maintenance/projects.

(iii) A provision @ 5% of Rs. 174.95 lakh (previous year Rs. 178.40 lakh) on balances of stores and spares at the year end has been made for likely loss on sale/disposal of surplus/ obsolete/ non-moving stores and spares in addition to specific provision of Rs. 68.70 lakh (previous year Rs. 8.34 lakh) made under Accounting Policy no. 6.3.1.

(iv) An action plan has been drawn for identification of obsolete/ damaged/ unserviceable items and for making necessary adjustment thereof. During the year obsolete/ unserviceable items amounting to Rs. 58.16 lakh (previous year Rs. 10.37 lakh) have been identified and written off.

2.3 Loans and advances recoverable from employees include an amount of Rs. 0.74 lakh due from Directors and Ex-Director (Previous year Rs.1.55 lakh); maximum balance outstanding at any time during the year was Rs. 1.55 lakh (Previous year Rs. 2.71 lakh).

2.4 As at the year end provision of Rs. 641.01 lakh (previous year Rs. 730.13 lakh) has been made for all doubtful debts as per Accounting Policy no. 7.

2.5 Liquidated damages and late delivery charges/penalty recovered from the parties are adjusted with related contracts/ works.

2.6 The names of small scale industrial undertakings to whom the Company owe sum which is outstanding for more than 30 days are as under:

Applied Engineers, Capitol Engineering Works, Capitol Machine Tools Pvt. Ltd., Esardsons, Filtech (India), Fix Fit Fasteners Mfg. Pvt. Ltd, Industrial Associates, J.J.Lal & Co., Jain Traders, Kalyani Engineers Works, Retort Chemicals Ltd., Sigma Engineering, TFE Coating Industries, Weston Engineers and Zenith Fire Service.

2.7 Amount receivable from and payable to M/s Indian Oil Corporation Ltd. (Holding Company) as on 31st March 2004 have been disclosed under relevant accounts.

2.8 Related party disclosure as per Accounting Standard - 18 issued by The Institute of Chartered Accountants of India is given in Annexure (page - 37) (See facing page here).

3.0 PROFIT & LOSS ACCOUNT

3.1 Sales include inter-alia, Excise Duty and Freight wherever applicable but exclude sales tax. Accordingly sales tax amounting to Rs. 9446.15 lakh (previous year Rs. 5124.55 lakh) is not included in the Sale of Products.

3.2 Government of India has issued an extraordinary gazette notification dated March 28, 2002 announcing the dismantling of APM in the Hydrocarbon sector w.e.f. April 1, 2002. Accordingly, the prices of petroleum products (except PDS Kerosene and domestic LPG) as well as indigenous crude are being determined by free market mechanism w.e.f. April 1, 2002.

3.3 Net claim from Industry Pool Account of Rs. (-) 774.52 lakh (previous year Rs.168.44 lakh) is relating to previous years.

3.4 Government of India has announced 50% Excise Duty concessions for products cleared from North-East refineries w.e.f. 1st March 2002, which has enhanced the profit for the year 2003-04 by Rs. 35526.36 lakh (previous year Rs. 19346.70 lakh).

3.5 In the absence of schemes for reimbursement of irrecoverable taxes by Government of India, during the current year the company has suffered under recovery of Rs. 6689.97 lakh towards CST on LPG, SKO, HSD and MS.

3.6 Transportation cost of Ravva Crude is being shared by all the four refineries of North East, i.e., Guwahati and Digboi refineries of IOCL, NRL and BRPL as per instruction of the Ministry of Petroleum & Natural Gas vide letter no. P-20029/67/02-PP dated 18th February 2003. The settlement is provisionally done and accounted for pending finalisation of pipeline tariff by PPAC (refer Ministry of Petroleum & Natural Gas letter no. P-20029/67/02-(Pt) dated 10th April 2003).

3.7 Production in Petrochemicals and PSF units remained suspended since October 2001 and has been restarted under an alliance agreement with M/s Reliance Industries Ltd. from 26th December 2003. However, Reformer Unit of Xylene Plant continue to run to produce MS.

3.8 Provision for interest on Short Term Deposit with CanBank Financial Services Limited (Canfina) pertaining to previous period stands at Rs. 347.13 lakh. Considering the uncertain situation of recovery, provision was made in the accounts of 2002-03.

3.9 The Gross Liabilities for employees up to 31-3-2004 on account of gratuity Rs. 2309.11 lakh (previous year Rs. 1996.58 lakh) leave encashment Rs. 950.64 lakh (previous year Rs. 803.97 lakh), medical benefits of ex-employees Rs. 97.15 lakh (previous year Rs. 74.18 lakh) and other benefits to employees on retirement Rs. 112.00 lakh (previous year Rs. 104.00 lakh) have been determined on actuarial valuation basis.

3.10 Rs. 62 lakhs has been released as adhoc lumpsum amount to non-executive employees of the company pending negotiation for revision of Perquisites for which an estimated further liability of Rs. 400 lakh has also been provided for in the accounts.

3.11 Proposal for revision of perquisites to Executives has been approved by the Board on 27-04-04. An estimated liability of Rs. 234 lakh towards arrears upto 31-03-04 has been provided in the accounts.

3.12 The Company, in the absence of any notification as required under Section 441A (1) of the Companies Act, 1956 has not provided any amount towards cess for Rehabilitation and Revival Fund.

3.13 (a) Deferred Tax liability (net) as on 31.03.04 has been determined at Rs. 7971 lakh.

The break-up of this major component comprises as hereunder:

(Rs. in Lakh)

	2003-04	**2002-03**
Deferred Tax Assets:		
· Carried forward losses	–	2167
· Unabsorbed depreciation	–	–
· Under Section 43B of the Income Tax Act	282	229
- Other Provisions	550	559
	832	2955
Deferred Tax Liability:		
- Depreciation on account of timing difference	8616	8261
- Others	187	206
	8803	8467
Deferred Tax Liability (Assets) (net) as on 31.03.04	7971	5512

(b) The net effect of setting off Deferred Tax assets and liabilities during the year amounting to Rs. 2458.64 lakh (previous year Rs. 10923.61 lakh) has been taken as Deferred Tax Expenses in the Profit & Loss Account.

3.14 Calculation of Earning Per Share:

	Current Year	Previous year
Net Profit/(Loss) as per Profit & Loss Account - Rs. lakhs	**30374**	17845
Share Capital (face value Rs 10/- each) Nos.	**199817900**	199817900
Basic earning per Share Rs.	**15.20**	8.93
Diluted earning per Share Rs.	**15.20**	8.93

4. **GENERAL**

4.1.1 There is no such change in the Accounting Policy followed by the Company during the year, as may have any material effect in the financial statements of the Company, except in the additional reduction of profit by Rs. 4.23 lakh being the enhanced amortised amount of "Technical know-how fees" (PSF Modernisation project) pursuant to AS - 26 made effective from 1.4.2003 by The Institute of Chartered Accountants of India (refer Accounting Policy no. 3.1.2 in Schedule "Q").

4.1.2 The Company is a member of Petroleum India International, an Association of Persons (AOP), where other members are BPCL, HPCL, CPCL, KRL, IBP, IPCL and EIL as on 31st March 2004.

4.1.3 The Company does not have any subsidiary or associated company. It is a subsidiary of Indian Oil Corporation Limited. The Company has not made any investment in its own shares.

4.1.4 The Company has not given any loans and advances in the nature of loans to its holding company and companies or firms in which Directors of the Company are interested.

4.1.5 The Company has not given any loans and advances in the nature of loans to any company, firm, body or person (excluding employees of the Company).

4.1.6 Confirmations of balance(s) in respect of Advances, Deposits, Creditors and Debtors have not been received.

4.2 Figures for previous year have been regrouped/rearranged wherever necessary.

Annexure to Schedule "R" (item no. 2.3 and 2.8) Related Party Disclosures [as per AS-18] 31.03.2004

(Figures in Rupees)

Name of the related Party		Nature of Transaction	Amount of Transaction	Outstanding Balance As at 31.03.2003	Outstanding Balance As at 31.03.2004
Shri B.K. Gogoi	**C&MD**	Salaries & Allow	869,949	–	–
		HBA [P]	–	–	–
		HBA [I]	–	–	–
		Recovery on Furniture on Hire	8,896	–	–
Shri R.M. Hazarika	**D[Opn]**	Salaries & Allow	774,165	–	–
		HBA [P]	–	–	–
		HBA [I]	–	36,157	–
		Recovery on Furniture on Hire	8,190	–	–
Shri R.N. Das	**DFN**	Salaries & Allow	728,010	–	–
		HBA [P]	–	37,000	–
		HBA [I]	–	81,959	73,666
		Recovery on Furniture on Hire	8,010	–	–
Shri R.D. Shira	**Ex-DPN**	Salaries & Allow	57,689	–	–
		HBA [P]	–	–	–
		HBA [I]	–	–	–
		Recovery on Furniture on Hire	–	–	–

BRP

STATUTORY INFORMATION PURSUANT TO PART - I AND PART - II OF SCHEDULE VI OF THE COMPANIES ACT 1956

SCHEDULE "S"

(Rs. in Lakh)

		2003-2004		2002-2003
1. Contingent Liabilities not provided for:				
a. Claims not acknowledged as debts:				
(i) Income Tax Demand lying with:				
a) Commissioner of Income Tax (Appeal)	–		1670.51	
b) Income Tax Appeallate Tribunal Guwahati Bench	**3786.35**		4245.81	
c) Supreme Court of India	**1064.61**	**4850.96**	–	5916.32
(ii) Sales Tax Demand lying with Supreme Court		**3287.00**		3287.00
(iii) Excise Duty demand lying with:				
a) Commissioner of Excise, Shillong	**271.16**		10.45	
b) Commissioner of Appeals, Guwahati	–		30.40	
c) CESTAT, Kolkata	**521.54**	**792.70**	473.30	514.15
(iv) Custom Duty demand lying with:				
a) Asstt./Dy. Commissioner of Customs, Kolkata	**124.19**		112.88	
b) Commissioner of Customs, Kolkata	**106.27**	**230.46**	106.27	219.15
(v) Service Tax		–		–
(vi) Legal Claims lying with:				
a) High Court, Guwahati	**72.30**		73.94	
b) High Court, Kerala	**0.42**		0.42	
c) District Judge, Bongaigaon	**54.38**		0.27	
d) Civil Judge, Bongaigaon	**52.28**		56.40	
e) Tribunal, Bongaigaon	**5.00**		7.50	
f) Consumer Dispute, Kamrup	**2.82**		–	
g) Sole Arbitrator, Bongaigaon	–		8.44	
h) ICA, New Delhi	–		83.26	
i) Sole Arbitrator, Guwahati	**19.62**	**206.82**	37.13	267.36
(vii) Other claim		**5434.00**		–
a. Bill Discounting		–		–
b. Outstanding Letter of Credit		**65.38**		31.89
c. Counter Guarantee to SBI/UBI		–		–
		14867.32		10235.87
2. Estimated amount of Contracts remaining to be executed on capital Account		**244.11**		147.87
3. Directors' Remuneration:				
a. Salaries & Allowances		**19.74**		29.39
b. Contribution to PF/Pension Fund		**1.94**		2.94
c. Other Perquisites		**2.62**		6.65
d. Gratuity		–		3.50

In addition, the full-time Directors are entitled to free medical treatment, children education allowance, leave travel concession, gratuity and also use of company's car for non-duty journeys up to 9,000 Km per annum on a payment of Rs. 3,000/4,800 per annum recovered in instalment of Rs. 250/400 per mensem.

SCHEDULE "S" (Contd.)

		2003-2004	2002-2003
4.	**C.I.F. Value of Imports:**		
	a. Capital Goods	**82.12**	51.10
	b. Stores and Spares	**144.10**	254.76
5.	**Expenditure in Foreign Currency (on accrual basis):**		
	a. Royalty/Know-how	–	–
	b. Professional Consultation Fees	–	–
	c. Travelling	**14.18**	2.34
	d Registration Fees	–	–
	e. Ravva Crude payment	**53441.03**	–
	f. Other Expenses	–	–
6.	**Earnings in Foreign Exchange (on accrual basis):**	–	249.98
7.	**Installed Capacity and Licensed Capacity (MT):**		
	a. Crude throughput	**2,350,000**	2,350,000
	b. Paraxylene	**29,000**	29,000
	c. Orthoxylene	**6,000**	6,000
	d. Dimethyl Terephthalate	**45,000**	45,000
	e. Polyester Staple Fibre	**30,000**	30,000
	f. Methanol	**10,500**	10,500
8.	**Production (MT):**		
	A. REFINERY:		
	1. Light Distillates	**416,412**	274,700
	2. Middle Distillates	**1,408,750**	936,328
	3. Heavy Ends	**176,485**	202,532
	TOTAL	**2,001,647**	1,413,560
	B. PETROCHEMICALS:		
	1. Return Stream Naphtha	**108,626**	95,815
	2. Paraxylene	–	–
	3. Orthoxylene	–	–
	4. Cee-Nine	–	136
	5. Cee-Seven	–	–
	6. D.M.T.	**7,696**	–
	7. Nitrogen	–	94
	8. Mixed Xylene	–	781
	TOTAL	**116,322**	96,826
	C. POLYESTER STAPLE FIBRE:		
	1. Polyester Staple Fibre	**6,666**	–
	2. Methanol	**2,395**	–
	3. Waste Fibre	**409**	46
	TOTAL	**9,470**	46
	TOTAL (A+B+C)	**2,127,439**	1,510,432

SCHEDULE "S" (Contd.)

9. Opening Stock of Goods Produced:

A. REFINERY:

	2003-2004 MT	2003-2004 Rs. in Lakh	2002-2003 MT	2002-2003 Rs. in Lakh
1. Light Distillates	20,428	2746.70	16,310	1891.97
2. Middle Distillates	38,164	5259.75	31,825	2860.22
3. Heavy Ends	19,333	1612.45	14,188	941.79
TOTAL	77,925	9618.90	62,323	5693.98

B. PETROCHEMICALS:

	2003-2004 MT	2003-2004 Rs. in Lakh	2002-2003 MT	2002-2003 Rs. in Lakh
1. Return Stream Naphtha	249	29.05	131	13.14
2. ParaXylene	1,661	390.23	1661	390.23
3. OrthoXylene	63	19.50	77	25.37
4. Cee-Nine	55	14.16	138	33.62
5. Cee-Seven	9	1.65	124	21.69
6. D.M.T. + Molten DMT	200	54.64	708	184.75
7. Mixed Xylene	42	10.63	322	73.33
TOTAL	2,279	519.87	3,161	742.13

C. POLYESTER STAPLE FIBRE:

	2003-2004 MT	2003-2004 Rs. in Lakh	2002-2003 MT	2002-2003 Rs. in Lakh
1. Polyester Staple Fibre	109	61.29	3,833	2000.11
2. Methanol	1,025	112.80	1,025	112.80
3. Waste Fibre	363	80.16	537	101.83
TOTAL	1,497	254.25	5,395	2214.74
TOTAL (A+B+C)		10393.02		8650.85

10. Closing Stock of Goods Produced:

A. REFINERY:

	2003-2004 MT	2003-2004 Rs. in Lakh	2002-2003 MT	2002-2003 Rs. in Lakh
1. Light Distillates	28,030	3910.83	20,428	2746.70
2. Middle Distillates	71,418	10107.54	38,164	5259.75
3. Heavy Ends	31,271	2212.64	19,333	1612.45
TOTAL	130,719	16231.01	77,925	9618.90

B. PETROCHEMICALS:

	2003-2004 MT	2003-2004 Rs. in Lakh	2002-2003 MT	2002-2003 Rs. in Lakh
1. Return Stream Naphtha	330	37.48	249	29.05
2. ParaXylene	–	–	1661	390.23
3. OrthoXylene	63	19.67	63	19.50
4. Cee-Nine	–	–	55	14.16
5. Cee-Seven	–	–	9	1.65
6. D.M.T. + Molten DMT	548	197.69	200	54.64
7. Mixed Xylene	–	–	42	10.63
TOTAL	941	254.84	2,279	519.87

SCHEDULE "S" (Contd.)

	2003-2004 MT	2003-2004 Rs. in Lakh	2002-2003 MT	2002-2003 Rs.in Lakh
C. POLYESTER STAPLE FIBRE:				
1. Polyester Staple Fibre	3135	1967.55	109	61.29
2. Methanol	765	107.12	1025	112.80
3. Waste Fibre	772	188.92	363	80.16
TOTAL	4,672	2263.59	1,497	254.25
TOTAL (A+B+C)		18749.44		10393.02
11. Sale of Goods Produced:				
A. REFINERY:				
1. Light Distillates	289,079	41085.25	165,036	23024.26
2. Middle Distillates	1,375,496	187995.47	929,988	121760.30
3. Heavy Ends	126,644	10112.65	137,852	10921.71
NET SALES:	1,791,219	239193.37	1,232,876	155706.27
EXCISE DUTIES		26607.30		13800.87
Gross Sales Refinery	1,791,219	265800.67	1,232,876	169507.14
B. PETROCHEMICALS:				
1. Return Stream Naphtha (Sold as MS)	108,545	16510.60	95,697	13960.24
2. Cee-Seven (sold as MS)	9	1.43	114	16.68
3. OrthoXylene	–	–	12	3.28
4. Cee-Nine (sold as MS)	55	8.31	219	51.79
5. Cee-Seven	–	–	–	–
6. D.M.T.	–	–	508	132.72
7. Nitrogen	–	–	94	5.83
8. Mixed Xylene (sold as MS)	42	6.37	1,062	240.60
9. MR Naphtha (sold as MS)	74	11.22	–	–
NET SALES:	108,725	16537.93	97,706	14431.14
EXCISE DUTIES		–		35.05
Gross Sales Petrochemicals	108,725	16537.93	97,706	14466.19
C. POLYSTER STAPLE FIBRE:				
1. Regular Fibre	3,640	2342.37	3,723	1948.99
2. Methanol	90	15.81	–	–
3. Waste Fibre	–	–	220	31.74
NET SALES	3,730	2358.18	3,943	1980.73
EXCISE DUTIES		219.49		215.40
GROSS SALES PSF	3,730	2577.67	3,943	2196.13
TOTAL NET SALES		258089.48		172118.14
TOTAL EXCISE DUTIES		26826.79		14051.32
TOTAL SALES		284916.27		186169.46

SCHEDULE "S" (Contd.)

	2003-04 MT	2002-03 MT
12. Inter Unit Transfer of products:		
a. Reformer Naphtha to Petrochemicals (Net)	11006	9735
b. Raw Petroleum coke to Calcination Unit	6061	36748
c. Low Sulphur Heavy Stock :		
1. To Coke Calcination Unit	109	377
2. To Petrochemicals Unit	16910	14249
3. To Polyester Staple Fibre	9952	2981
d. Paraxylene to DMT	1661	–
e. Refinery Gas :		
1. To Coke Calcination Unit	55	327
2. To Petrochemicals Unit	1988	3946
3. To Polyester Staple Fibre	828	839
f. DMT to PSF Unit	7348	–
g. Methanol to Petrochemicals	2565	–

13. CONSUMPTION OF RAW MATERIALS:

	2003-2004		2002-2003	
	MT	Rs. In Lakh	MT	Rs.in Lakh
a. Crude Oil - Indigenous	2,063,968	216986.82	1,463,130	136065.34
b. Crude Oil - Imported	62,715	6908.56	–	–
c. Methanol (Purchased)	1,113	170.51	–	–
d. Mono Ethylene Glycol	2,632	986.04	–	–
e. Paraxylene (Purchased)-Indigenous	1,891	567.28	–	–
f. Paraxylene (Purchased)-Imported	1,969	657.21	–	–
g. MR Naphtha (Purchased)	74	11.26	–	–
		226287.67		136065.34
	%	Rs. Lakhs	%	Rs. Lakhs
Imported	3.34	7565.76	–	–
Indigenous	96.66	218721.91	100.00	136065.34
	100.00	226287.67	100.00	136065.34

14. CONSUMPTION OF STORES AND SPARES:

Imported	17.57	142.52	21.12	173.06
Indigenous	82.43	668.51	78.88	646.46
	100.00	811.03	100.00	819.52

SCHEDULE VI TO THE COMPANIES ACT 1956

PART-IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:

Registration No.	1470 of 1973-74	State Code	02
Balance Sheet Date	31 03 2004		

II. Capital raised during the year (Amount in Rs. '000):

PUBLIC ISSUE	RIGHTS ISSUE
NIL	NIL
BONUS ISSUE	**PRIVATE PLACEMENT**
NIL	NIL

III. Position of Mobilisation and Deployment of Funds:

Total Liabilities	Total Assets
7034618	7034618

Sources of Funds:

Paid-Up Capital	Reserves & Surplus
1998179	3531177
Secured Loans	**Unsecured Loans**
259662	448538

Application of Funds:

Net Fixed Assets	Investments	Net Current Assets
4138821	661577	2205505
Misc. Expenditure	**Accumulated Losses**	**Deferred Tax Liability**
28715	NIL	797062

IV. Performance of Company (Amount in Rs. '000):

Turnover	Total Expenditure
28486714	26079726
+/- Profit/Loss Before Tax	**+/- Profit/Loss After Tax**
+ 4398727	+ 3037452
Earning per share in Rs.	**Dividend Rate %**
15.20	77.00

V. Generic Names of Three Principal Products/Services of Company(As per monetary terms)

Item Code No. (ITC Code)	27090000
Product Description	PETROLEUM PRODUCTS
Item Code No. (ITC Code)	29173700
Product Description	DIMETHYL TEREPHTHALATE
Item Code No. (ITC Code)	316515000
Product Description	POLYESTER STAPLE FIBRE

Note : ITC code of products as per Indian Trade Classification based on harmonised commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics.

BRP

To,
The Board of Directors,
Bongaigaon Refinery & Petrochemicals Limited,
P.O. Dhaligaon, Dist. Bongaigaon,
Assam. Pin-783 385

We have examined the attached Cash Flow Statment of M/s Bongaigaon Refinery & Petrochemicals Limited for the period ended 31.3.2004. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of even date to the members of the Company.

For S. GHOSE & CO.
Chartered Accountants

Sd/-
CHANDAN CHATTOPADHYAY
Partner

Dated, the 25th May 2004
Place : New Delhi

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH 2004

(Rs. In Lakh)

		2003-04		2002-03
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before Tax and Extraordinary Items		43987		30771
Adjustment for :				
Depreciation & W/O	3155		3274	
Investment	-		-	
Interest Income	(147)		-	
Interest Expenses	1516	4524	2036	5310
Operating Profit before Working capital changes		48511		36081
Adjustment for :				
Trade and Other receivables	20245		(30745)	
Inventories	(21335)		(2218)	
Trade Payables	(21937)	(23027)	6651	(26312)
Cash Generated from Operation		25484		9769
Direct Tax paid	(11309)	(11309)	(1307)	(1307)
Cash Flow before Extraordinary Items		14175		8462
Extraordinary Items		-		-
Net Cash Flow from Operating Activities		14175		8462
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets	(586)		(411)	
Sales of Fixed Assets	-		-	
Acquisitions of Companies	-		-	
Purchase of Investments	-		-	
Increase in accumulated Investments (PII)	(97)		(163)	
Interest Received	147		553	
Dividend Received	-		-	
Net Cash Flow from Investing Activities		(536)		(21)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Proceeds from issue of Share Capital	-		-	
Proceeds from borrowings	(10693)		5101	
Repayment of Finance Lease Liabilities	-		-	
Dividend Paid	(12173)		-	
Interest Paid	(1516)		(2589)	
Net cash used in Financing Activities		(24382)		2512
NET INCREASE IN CASH AND CASH EQUIVALENTS		(10742)		10953
CASH AND CASH EQUIVALENTS AS AT 01.04.2003		11021		68
CASH AND CASH EQUIVALENTS AS AT 31.03.2004		279		11021

Sd/-
V.N. MURTHY
Company Secretary

Sd/-
R.N. DAS
Director (Finance)

Sd/-
B.K. GOGOI
Chairman & Managing Director

SCHEDULE "T" - BUSINESS SEGMENTS REPORT FOR THE YEAR ENDED ON 31st MARCH 2004

(Rs. in Lakh)

	Refinery Segment		Petrochemicals Segment		Polyester Staple Fibre Segment		Consolidated BRPL-Total	
	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
REVENUE:								
External Revenue	204260	318586	762	54	2207	2555	207229	321195
Inter-segment Revenue	3894	2892	4145	10008	1	372	8040	13271
Total Revenue	**208154**	**321478**	**4907**	**10063**	**2208**	**2926**	**215269**	**334466**
RESULT:								
Segment Results	37154	47609	(994)	1166	(3417)	(3932)	32743	44843
Unallocated Corporate Expenses	–	–	–	–	–	–	–	–
Operating Profit / (loss)	37154	47609	(994)	1166	(3417)	(3932)	32743	44843
Interest Expenses	–		–		–		(2589)	(1516)
Interest / Dividend Income							810	661
Income Taxes							(2002)	(11154)
Deferred tax-liability							(10924)	(2459)
Profit from Ordinary Activities	–	–	–	–	–	–	–	–
Extraordinary Items	–	–	–	–	–		(193)	(1)
Net Profit	**37154**	**47609**	**(994)**	**1166**	**(3417)**	**(3932)**	**17845**	**30374**
OTHER INFORMATION:								
Segment Assets	91160	86296	7826	8220	6165	13021	105151	107536
Unallocated Corporate Assets							18219	7696
Total Assets	**91160**	**86296**	**7826**	**8220**	**6165**	**13021**	**123370**	**115233**
Segment Liabilities	54908	32306	809	1183	1333	1630	57050	35119
Unallocated Corpoate Liabilities							6093	11284
Total Liabilities	**54908**	**32306**	**809**	**1183**	**1333**	**1630**	**63143**	**46403**
Capital Expenditure	612	227	10	13	278	32	899	272
Depreciation	2034	2219	258	263	773	529	3064	3011
(Non-cash Expenses other than Depreciation)	–	–	–	–	–	–	–	–

RECONCILIATION STATEMENT WITH AGGREGATE FINANCIAL RESULTS:

		Rs. in Lakh
	2002-03	**2003-04**
Income		
External Sales	186153	258040
Net Claim from Industry Pool Account	168	(775)
Other Income (excluding Interest)	20908	37102
	207229	**294368**
Operating Expenses	(171324)	(246416)
Depreciation	(3064)	(3011)
Amortisation	(98)	(98)
Interest Income	810	661
Interest Expenses	(2589)	(1516)
Prior period Income (net)	(193)	(1)
Corporate tax (incl. Deferred Tax)	(12926)	(13613)
	17845	**30374**

Notes :

1. Since the Company is operating in India, there is no geographical segment.
2. Segment Revenue comprises of the following :
   a) Turnover
   b) Net claim/(surrender to) Industry pool account
   c) North East benefit
   d) Other income (excludng interest income, dividend income)
3. Segment Revenue results, assets and liabilities include the respective amounts identifiable to each of the segment and common facilities/amounts allocated on a reasonable basis.

BRP

SOCIAL OVERHEAD
INCOME AND EXPENDITURE ON SOCIAL OVERHEADS AS ALLOCATED AND COMPUTED BY MANAGEMENT FOR THE YEAR ENDED ON 31st MARCH 2004

(Rs. in Lakh)

	CURRENT YEAR	PREVIOUS YEAR
INCOME:		
Rent for quarters	30.27	31.44
Charges for Electricity and Water	17.22	17.78
Excess of Expenditure over Income	1209.34	1140.79
	1256.83	1190.01
EXPENDITURE:		
Repairs and Maintenance	270.67	232.81
Medical Facilities	537.38	506.32
Educational Facilities	186.44	172.88
Social and Cultural Activities	25.35	17.80
Club and Recreation Facilities	7.22	5.63
Depreciation	144.07	204.93
Transport Hire (Bus)	11.40	8.69
Security Expenses	50.59	33.34
Others	23.71	7.61
	1256.83	1190.01

AS ALLOCATED AND COMPUTED BY MANAGEMENT AS AT 31st MARCH 2004

(Rs. in Lakh)

	GROSS BLOCK			DEPRECI-ATION	NET BLOCK	
DESCRIPTION	AS AT 01.04.03	ADDITION/ TRANSFER	AS AT 31.03.04	UPTO 31.03.04	AS AT 31.03.04	AS AT 31.03.03
LAND	68.92	7.63	76.55	–	76.55	68.92
BUILDINGS, ROADS ETC.	4406.94	16.83	4423.77	1110.84	3312.93	3369.14
PLANT AND MACHINERY	986.84	8.16	995.00	683.34	311.66	358.97
FURNITURE AND FIXTURES	77.40	0.95	78.35	69.52	8.83	9.80
EQUIPMENT AND APPLIANCES	523.64	3.00	526.64	358.61	168.03	180.84
TRANSPORT EQUIPMENT	4.22	1.91	6.13	1.72	4.41	0.33
CAPITAL WORK-IN-PROGRESS	–	1.44	1.44	–	1.44	–
TOTAL	6067.96	39.92	6107.88	2224.03	3883.85	3988.00
Previous Year	6027.52	40.44	6067.96	2079.96	3988.00	4093.87

Review of Accounts of Bongaigaon Refinery & Petrochemicals Ltd. for the year ended 31st March 2004 by the Comptroller & Auditor General of India

(Review of accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualifications contained in Statutory Auditors' Report.)

1. FINANCIAL POSITION

(Rs. in Crore)

	2001-02	2002-03	**2003-04**
Liabilities			
(a) Paid-up capital			
Government	148.79	148.79	**148.79**
Others	51.03	51.03	**51.03**
(b) Reserves & Surplus			
(i) Free Reserves & Surplus	105.36	222.94	**353.12**
(c) Borrowings from :			
(i) Oil Industry Development Board	61.35	177.74	**44.85**
(ii) Banks (cash credit)	65.39	0.01	**25.97**
(d) Current Liabilities & Provision	504.06	631.43	**464.03**
(e) Deferred tax liability	–	55.12	**79.71**
TOTAL	935.98	1287.06	**1167.50**
Assets			
(f) Gross block	832.40	884.50	**924.00**
(g) Less: Cumulative Depreciation	463.91	495.62	**525.90**
(h) Net Block	368.49	388.88	**398.10**
(i) Construction Work-in-Progress and capital goods in stock	98.75	49.51	**12.29**
(j) i) Intangible Assets (Gross carrying amount)	-	-	**3.59**
ii) Less: Accumulated amortisation	-	-	**0.09**
iii) Net carrying amount	-	-	**3.50**
(k) Misc. Expenditure to the extent not written off	3.58	3.85	**2.87**
(l) Investments	63.56	65.19	**66.16**
(m) Current Assets, Loans and Advances	347.48	779.63	**684.58**
(n) Deferred tax	54.12	-	**-**
TOTAL	935.98	1287.06	**1167.50**
(o) Working Capital (m-d)	(-) 156.58	148.20	**220.55**
(p) Capital Employed (h+o)	211.91	537.08	**618.65**
(q) Net Worth [a+b-j (iii)-k]	301.60	418.91	**548.57**
(r) Net Worth per rupee of paid up capital (In Rupees)	1.51	2.10	**2.74**

2. WORKING RESULTS

(Rs. in Crore)

	2001-02	**2002-03**	**2003-04**
(i) Sales	1195.19	1861.69	**2849.16**
(ii) Less: Excise Duty	170.26	140.51	**268.27**
(iii) Net Sales	1024.93	1721.18	**2580.89**
(iv) Other Income	25.55	217.18	**377.64**
(v) Claim from Industry Pool Account	130.79	1.68	**(-) 7.75**
(vi) Profit (Loss) before Tax and Prior Period Adjustment	(310.21)	309.64	**439.86**
(vii) Prior Period Adjustment	0.95	(1.93)	**(0.01)**
(viii) Profit (Loss) before Tax	(309.26)	307.71	**439.87**
(ix) Tax provision	(110.65)	129.26	**136.13**
(x) Profit after Tax	(198.61)	178.45	**303.74**
(xi) Proposed Dividend including Tax on Dividend	–	60.86	**173.57**

Profit for the year may be viewed in the light of 50% excise duty exemption available for products cleared from North Eastern Refineries amounting to Rs. 355.26 crore as against Rs. 193.47 crore for 2002-03.

3. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the company at the end of last three years as under:

(In percentage)

		2001-02	2002-03	2003-04
A.	Liquidity Ratio			
	Current Ratio	69	123	**147**
B.	Debt Equity Ratio			
	Long term Debt to Equity	17.49	10.71	**6.30**
C.	Profitability Ratio			
	a) Profit before Tax to			
	i) Capital Employed	–	56.26	**71.10**
	ii) Net worth	–	73.45	**80.48**
	iii) Sales	–	16.51	**15.44**
	b) Profit after tax to Equity Capital	–	89.31	**152.01**
	c) Earnings per share (Rupees)	–	8.93	**15.20**

4. SOURCES AND UTILISATION OF FUNDS

Funds amount to Rs. 359.68 crore from internal and external sources were generated and utilised during the year as shown below:

Sources of Funds :		**(Rs. In Crore)**
Funds Generated from Operations :		
Profit after tax	303.74	
Add: Deferred tax	24.59	
Add: Depreciation & amortisation	30.37	**358.70**
Miss. Expenditure written off		**0.98**
Total fund inflow during the year		**359.68**
Utilisation of Funds:		
Addition to Fixed Assets (including Capital Work-in-Progress)		**2.28**
Intangible Assets acquired		**3.59**
Increase in Investment		**0.97**
Dividend paid		**121.72**
Repayment of borrowed fund		**106.93**
Increase in working capital		**124.19**
Total fund outflow during the year		**359.68**

5. INVENTORY LEVELS

The inventory level at the close of the last three years are given below: **(Rs. In Crore)**

	2001-02	2002-03	2003-04
i) Raw materials	86.53	98.43	**220.56**
ii) Stores & spares	39.14	37.07	**33.23**
iii) Finished goods	86.51	103.93	**187.49**
iv) Work-in-progress	23.56	15.99	**29.98**

6. SUNDRY DEBTS

The Sundry debts vis-a-vis sales in the last three years are given below:

(Rs. in Crore)

Year ended as on	Sundry Debts			Sales during the year	% of total sundry debts to sale
	Considered Good	Considered Doubtful	Total		
31.03.2002	36.41	6.03	42.44	1326.95	3.90
31.03.2003	124.34	7.30	131.64	1864.23	7.06
31.03.2004	**90.14**	**6.41**	**96.55**	**2842.66**	**3.40**

Sd/-

(S.B. Pillay)

Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-I,
KOLKATA

Dated : Kolkata
The 26th July 2004

ANNEXURE - II

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Bongaigaon Refinery & Petrochemicals Limited for the year ended 31st March 2004 and the reply of the Management thereon.

<table>
<tr><th>COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA</th><th>REPLY OF THE MANAGEMENT</th></tr>
<tr><td>

Balance Sheet

Schedule E 1 - Intangible Assets

Net Carrying Amount - Rs. 349.63 lakh

The above is overstated by Rs. 267.81 lakh due to:

1. Non-adjustment of unviable/non-implemented portion of technical know-how fee by Rs. 236.75 lakhs and of available technology by Rs. 29.59 lakhs for the period prior to 1.4.2003 from Revenue Reserve as required under provisions of Accounting Standard 26.
2. Under amortisation of available technology by Rs. 1.47 lakh during the year

This has resulted in overstatement of General Reserve by Rs. 266.34 lakh as well as overstatement of profit for the year by Rs. 1.47 lakh.

Sd/-
(S.B. Pillay)
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-I,
KOLKATA

Dated, Kolkata,
The 26th July 2004

</td><td>

BRPL entered into an agreement with M/s EI DuPont De Nemours & Co. (DuPont) in 1995 for supply of various technologies and extension of existing PSF agreement for a total fee of US$ 850,000 (Rs. 358.59 lakh including other charges). The amount is a lump sum consideration for all the services and no break up is spelt out in the agreement against these technologies. As the fee is not determinable separately for each of the technologies, the amount has been accounted for as "Intangible assets" (as per AS-26) on completion and commissioning of the main cost intensive Annealer Unit in January 2004.

For and on behalf of the Board of Directors of Bongaigaon Refinery & Petrochemicals Ltd.

Sd/-
B.K. Gogoi
Chairman & Managing Director

Dated, the 27th July 2004

</td></tr>
</table>

ANNUAL REPORT
2003-2004

IBP CO. LIMITED

(A Subsidiary of
Indian Oil Corporation Limited)

Board of Directors

Shri M.S. Ramachandran	Chairman
Dr. N.G. Kannan	Managing Director
Shri A.K. Sinha	Director (Finance)
Shri Prabh Das, I.A.S.	Director
Shri A.K. Srivastava	Director
Shri N K Nayyar	Director
Prof. Sougata Ray	Director
Shri Amit Ghosh	Company Secretary

Directors' Report
Including Management Discussion & Analysis

The Board of Directors has pleasure in submitting for adoption the 96th Annual Report of the Company with the Audited Accounts for the year ended 31st March 2004.

1. SIGNIFICANT ACHIEVEMENTS IN 2003-04

The significant achievements of your Company during the year under review are as follows:

FINANCIALS:

- The Turnover of Rs. 10,667 crore was the highest ever representing a growth of more than 19% over the previous year turnover of Rs. 8,957 crore.
- Total dividend for 2003-04 is an all-time high of 350% as against 140% dividend paid in the previous year.
- Profit Before Tax and Profit After Tax at Rs. 332.60 crore and Rs. 214.66 crore respectively represented increase of 136% and 145% over the previous year.
- The Return on Capital Employed was 47% as compared to the corresponding figure of 25% in 2002-03.
- The internal resource generation at about Rs. 168 crore was about 73% higher than Rs. 97 crore in the previous year.
- The year witnessed continuation of the debt-free status despite increase in operations.
- The Earnings Per Share as on 31st March, 2004 at Rs. 96.92 reflected a growth of almost 145% as compared to Rs. 39.62 at the previous year closing.

BUSINESS STRATEGIES:

- 688 new Retail Outlets, including 119 Company Owned Company Operated Outlets (COCOs), were commissioned during the year.
- Retail sales registered impressive growth rates of 15.8% and 10.9% in Motor Spirit and High Speed Diesel respectively outstripping the corresponding industry growth rates of 5.3% in Motor Spirit and 1.7% in High Speed Diesel.
- Retail expansion led to an increase of the Company's share of Retail Outlets to 12.05% in March 2004 as against 10.48% in March 2003.
- Market Share for Motor Spirit and High Speed Diesel went up from 7.5% and 9% in 2002-03 to 8.2% and 9.8% respectively in 2003-04.
- With the enrolment of 58,380 new customers, the customer base for LPG crossed 3,20,000.
- Successful negotiations have paved the way for an Agreement with internationally reputed American firm, Chart Industries Inc. for marketing of LNG adopting Cryogenic technology.

2. FINANCIAL HIGHLIGHTS

The financial highlights are as under:

Rs. In Crore

	2003-04	2002-03
Profit after providing for depreciation but before tax	**332.60**	140.74
Provision for taxation	**117.94**	52.99
Profit after Tax and Depreciation	**214.66**	87.75
Transfer to Burma Current Account	**(0.07)**	0.06
Amount available for Appropriation	**214.59**	87.81
Transfer from Devaluation Exchange Difference Reserve	**(0.07)**	0.06
Balance available	**214.66**	87.75
Transfer to General Reserve	**127.21**	52.77
Available for distribution as Dividend	**87.45**	34.98
Payment of Interim Dividend @100%	**22.15**	Nil
Provision for Final Dividend recommended @ 250%	**55.37**	31.01
Corporate Dividend Tax	**9.93**	3.97
Total	**87.45**	34.98

3. OPERATING RESULTS

(a) Turnover

The year 2003-04 witnessed your Company recording its highest ever Turnover with sales crossing the Rs.10,000 crore mark and touching Rs.10,667 crore as against Rs. 8,957 crore during the previous financial year, registering a growth of 19%.

The increase in turnover though achieved primarily through higher retail volumes, was also attributable to productivity improvement, continuous value addition to the product range, strengthening of the Company's brand equity and quality up-gradation.

(b) Profit

The excellent profit track of the Company is attributable to the persistent efforts to step up profitability through accelerated growth accompanied by effective fiscal and cost management.

During the year under review, the Company earned its highest ever Profit Before Tax and Profit After Tax aggregating Rs. 332.60 crore and Rs. 214.66 crore respectively as compared to the corresponding figures of Rs. 140.74 crore and Rs. 87.75 crore in the year 2002-03 recording an impressive growth of 136% and 145% respectively.

(c) Cost of Funds

The Company continued to be debt-free despite increase in the scale of operations. The interest cost fell further from

Rs. 0.49 crore in 2002-03 and Rs. 29.54 crore in 2001-02 to Rs. 0.07 crore for the year under review. Treasury Management has contributed to the enhancement of profitability of the Company through reduction of interest on the one hand and earning of interest against effective investment of surplus funds on the other.

The interest cost during the last five years was as under:

Interest Cost

Financial Year	(Rs. In Crore)
1999-00	76.36
2000-01	82.56
2001-02	29.54
2002-03	0.49
2003-04	**0.07**

(d) Shareholder Value Enhancement

Your Company's spectacular financial performance would be evident from the under noted details:

(i) Book Value of Shares

The Book Value per share of your Company has risen about 85% over the last five years touching Rs. 283 at the close of 2003-04 from the level of Rs.153 in the year ending 1999-2000.

Book Value per Share

Financial Year	(Rs.)
1999-00	153.16
2000-01	166.63
2001-02	201.37
2002-03	225.22
2003-04	**282.62**

(ii) Market Capitalization & Enterprise Value

Your Company has continued to lay thrust on Enterprise Value Management and, accordingly, created and implemented business and financial strategies to enhance corporate value. The real worth of your Company, which had been amply reflected during the disinvestment in 2001-02, was re-confirmed in March 2004 at the time of the 26% divestment of its equity holding by the Government of India through an Offer for Sale which, in effect, was the first ever public offer of the shares of the Company. The value during 2003-04 and thereafter has been driven by various strategic measures taken by your Company including the fast-track retail expansion. The stock exchange statistics contained elsewhere in the Annual Report indicate that the market capitalization and the enterprise value of your Company were relatively high amongst the Oil Sector Companies as compared to the volume of shares constituting the paid-up capital.

(iii) Earnings per Share

The Company's effort to enhance Shareholder Value based on its sound fundamentals is evident from the rising year-wise Earnings Per Share (EPS) as tabulated below:

Year	1999-2000	2000-01	2001-02	2002-03	2003-04
Nominal Value Per Share (Rs.)	10.00	10.00	10.00	10.00	10.00
Earnings per Share (Rs.)	18.83	24.48	88.40*	39.62	96.92

*EPS for the financial year 2001-02 works out to Rs.42.82 on a like-to-like basis that is considering normal profit.

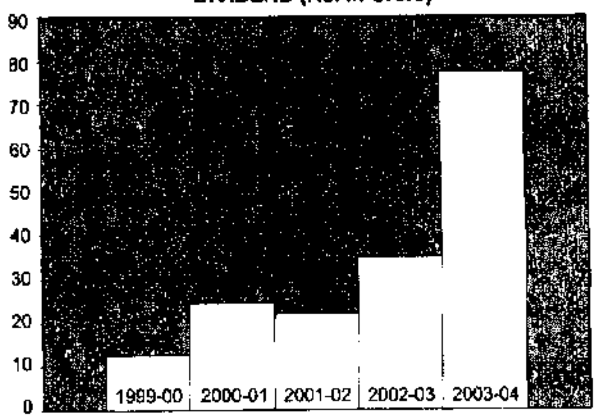
The EPS at the close of 2003-04 has been enhanced by almost two- and-a-half times to reach Rs.97 as compared to the previous year.

(iv) Dividend Payment & Retention of Earnings

Maintaining the inherent investor-friendliness of the Company, your Directors recommend the highest-ever dividend of 350% (previous year 140%) on the Share Capital for the year ended 31st March 2004 aggregating Rs.77.52 crore, inclusive of 100% interim dividend already paid during the year under review.

The progressively higher dividend payout over the last five financial years is depicted in the graph.

DIVIDEND (Rs. In Crore)



* Figure for 2003-04 includes Interim Dividend paid.

Out of a disposable profit of Rs. 214.59 crore for 2003-04, your Board has recommended retention of Rs. 127.21 crore in the General Reserve for creating greater competitive edge in the market.

(e) Economic Value Addition

The Economic Value Addition (EVA) for your Company for the year 2003-04 is Rs.113.24 crore as against the EVA of Rs.47.90 crore for the financial year 2002-03 representing a growth of more than 136%.

4. DIVESTMENT OF 26% HOLDING OF PRESIDENT OF INDIA

The year witnessed the successful divestment of 57,58,290 equity shares representing the residual stake of 26% of the President of India in the Equity Share Capital of the Company through 100% Book Building process. The resultant Offer for Sale was made by the Government, adopting the framework enshrined in the SEBI (Disclosure & Investor Protection) Guidelines, 2000.

The Offer was oversubscribed by more than three times and the confirmation of allocation was inter-alia made in consultation with National Stock Exchange of India Limited being the Designated Stock Exchange for the Offer.

Consequent upon the divestment, the total number of shareholders of your Company has now gone up to 78,013.

The Shareholding stake of Indian Oil Corporation Limited in the share capital remains unchanged at 53.58%.

5. CORPORATE GOVERNANCE

The Company firmly believes in and has consistently practised good corporate governance. For the information of our stakeholders a separate section on Corporate Governance, duly audited by the Statutory Auditors as per legal requirement, is included in the Annual Report.

6. MERGER WITH INDIAN OIL CORPORATION LIMITED

In the current financial year, your Board of Directors has given its consent for the proposed merger of your Company with IndianOil.

A Scheme of Merger - with detailed methodology - would in due course and after requisite due diligence exercise, be placed before the Shareholders for recommending the Scheme to the Department of Company Affairs, Government of India for confirmation pursuant to the provisions of Sections 391 to 394 and other applicable provisions of the Companies Act, 1956.

7. OPERATIONAL PERFORMANCE

(A) Business Group (Petroleum)

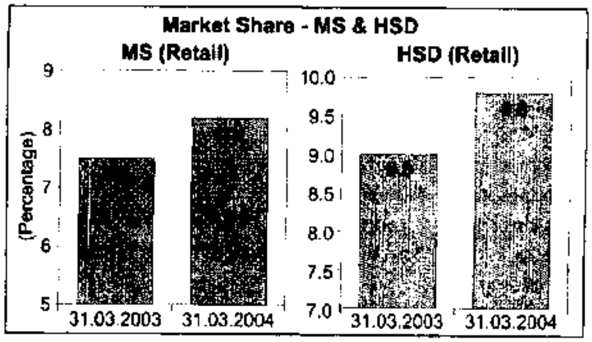
The Business Group (Petroleum) constitutes the mainstay of the Company's operations and accounts for bulk of the Company's turnover and profitability. The year 2003-04 was the second year after dismantling of the Administrative Pricing Mechanism. The year witnessed smooth supply and distribution under the Multi-lateral Agreements executed between Public Sector Oil Marketing Companies enabling mutual sharing of product and infrastructure. No significant dry-outs occurred during the year in any market segment served by the Company on account of disruption in supplies.

The Company has continued to focus on strengthening its corporate image through higher productivity, optimal resource utilization, up-gradation of quality, introduction of innovative products and services, modernization of facilities and inculcation of cost competitiveness. The consistent focus has helped to further strengthen the acknowledged credentials of your Company as a stand-alone Petroleum Marketing Company.

(I) Retail Marketing

During the year 2003-04, the Company attained an overall growth rate of 10.5% against the Industry growth of 3.5% in marketing of Petroleum Products. The growth in retail sales of Motor Spirit and High Speed Diesel at 15.8% and 10.9% respectively during 2003-04, was significantly higher than the corresponding industry growth rate which stood at 5.3% and 1.7% respectively.

The increase in market share as compared to the previous year is graphically depicted below:



(II) Retail Expansion

During the financial year 2003-04, your Company concentrated on the strategy of aggressive retail expansion adopted in 2002-03 in order to counter emerging competition. Consequently, 688 new Retail Outlets were commissioned in a single year to positively impact the retail volumes. Cumulatively, the Company's retail network at the close of the year stood at 2765 Retail Outlets and 378 Superior Kerosene Oil (SKO) / Light Diesel Oil (LDO) dealerships excluding the de-commissioning.

The retail expansion has culminated in increase of the Company's share of Retail Outlets to 12.05% in March 2004 as against 10.48% in March 2003. The Retail market share of your Company vis-à-vis the other Oil Marketing Companies is shown below:

Retail Market Share of OMCs

Oil Marketing Companies	MS 2002-03	MS **2003-04**	HSD 2002-03	HSD **2003-04** (%)
Indian Oil Corporation Limited*	35.3	**35.5**	39.9	**39.6**
Bharat Petroleum Corporation Limited	32.0	**31.3**	27.6	**27.7**
Hindustan Petroleum Corporation Limited	25.2	**25.0**	23.5	**22.9**
IBP Co. Limited	7.5	**8.2**	9.0	**9.8**
INDUSTRY	100.0	**100.0**	100.0	**100.0**

* includes Assam Oil Division of IndianOil

The Region-wise break-up of the Retail Outlets and SKO-LDO Dealerships as on 31st March 2004 is shown below:

	Northern Region	**Eastern Region**	**Western Region**	**Southern Region**	**Total Nos.**
COCO	97	33	81	164	375
JRO	19	4	19	14	56
Others	1010	425	370	529	2334
Total Retail Outlets	1126	462	470	707	2765
SKO / LDO	91	134	118	35	378

(III) LPG MARKETING

During the year nine new LPG Distributorships under the brand "IBP Gas" were commissioned. The Distributorship network at the close of 2003-04 totalled 73 catering to 3.21 lakh customers - a 22% increase as compared to 2.63 lakh customers during the previous year. Sale of LPG during the year stood at a high of 33,723 metric tonnes (MTs) representing an increase of about 35% over the last year. The Company introduced 5 Kilogram cylinders in the States of Uttar Pradesh and Uttaranchal to popularize LPG amongst the low income group in urban, semi-urban and rural pockets and also extend reach to hilly terrains and interior areas.

The state-wise distribution of the LPG network as at the close of 2003-04 is shown below:

State	No. of Distributors	No. of Consumers
Punjab	12	72,219
Haryana	8	47,616
Uttar Pradesh	18	47,485
Uttranchal	1	1,217
West Bengal	8	27,873
Gujarat	6	12,049
Maharashtra	7	11,901
Tamil Nadu	9	78,316
Andhra Pradesh	4	22,618
Total	73	3,21,294

The growth in physical sales of LPG could have been higher but for the acute shortage of equipments viz., cylinders and regulators as a sequel to the steep hike in steel prices. During the year, the Company received Letter of Intent from Sahara India Limited for setting up LPG reticulated piped gas system in their upcoming townships, which is under development.

(IV) Sale of Lubricants

The Company's presence in the lubricant market under the "IBP RED" umbrella brand continued to receive customer patronage. During the financial year under review, the Company recorded a sales volume of 32,566 MTs of Lubricants and Greases as against 29,601 MTs of Lubricants in the previous year. Thus the sales reflected a growth of 10% over the last year as against the industry growth of 4.7% and the market share for lubricants also registered a marginal increase to touch 3.7%.

With the continued thrust on consumer business, the Company successfully executed orders to major parties.

New Initiatives were taken for pushing up sales in the Bazaar segment. Accordingly, 45 new Consignment Agents were appointed thus increasing the total number of Consignment Agents to 111 all over India.

(V) Quality & Quantity Assurance Scheme

The theme campaign of IBP - "Pure Bhi, Poora Bhi" - rejuvenated our efforts to address customers' concern for high quality and right quantity. At the end of the year under review, the total outlets covered under the scheme on an all-India basis numbered 2393 representing 86.5% of the retail network.

Several awareness programmes were conducted besides sampling and test checks for ensuring true implementation of Q&Q.

The Company introduced special tamper-proof 'Abloy Lock' in place of the conventional plastic seal at the Depots and Terminals for the purpose of sealing Tank Trucks carrying Petrol and Diesel to the Retail Outlets. Survey response indicates customer satisfaction with the new sealing system since it ensures safe transit of fuel and obviates enroute pilferage and / or adulteration.

(VI) Strengthening of Storage & Distribution Network

With the Company now under the IndianOil umbrella, the storage and distribution network available has been significantly strengthened. From the standpoint of Group synergy, the Company proposes to transfer the Black Oil Terminal at Asoj, Gujarat - having a tankage capacity of 10,585 kilolitres (KL) - to IndianOil for its use.

The project for augmentation of the tankage facilities at Cherlapally, currently under implementation, is expected to be completed by the middle of 2005. With this augmentation, the total tankage capacity owned by the Company would reach 4,27,000 KL.

(B) Business Group (Explosives)

Your Company is the only Central Public Sector Undertaking amongst 38 major players in India engaged in the manufacture of Industrial Explosives. Current production consists of two main varieties viz., Slurry and Emulsions. Both the varieties have two sub-categories viz., Bulk Explosives and Cartridged Explosives.

Bulk Explosives

During 2003-04 the Company recorded physical sales of 44,983 MTs of Bulk Explosives as against 49,500 MTs sold in 2002-03. The 9% reduction was mainly on account of stiff competition prevailing in the market and increase in the number of suppliers. Despite reduction in the sales volume, the Bulk Explosives produced by the Company continue to be the preferred choice of major corporates like TISCO and Hindustan Zinc.

Cartridged Explosives

Sale of Cartridged Explosives aggregated 7,291 MTs as against 6,425 MTs in 2002-03 reflecting a growth of more than 13%, which was largely due to introduction of Emulsion Cartridges. Introduction of Emulsion Cartridges has opened up the possibility of penetration into new market segments such as hydroelectric projects and infrastructure development. Aggressive marketing contributed to the development of new customers, especially, in cement, iron and copper industries.

The Company possesses the prestigious ISO 9001 accreditation for manufacture of Cartridged Explosives at Korba and Bulk

Explosives at Singrauli, Kusmunda and Block II, Dhanbad.

(C) Business Group (Cryogenics)

The Business Group (Engineering), which has been re-christened Business Group (Cryogenics), continues to be a major player in the field of Cryogenics and Vacuum Technology. Your Company manufactures and markets quality aluminium Cryogenic Containers under the trade name "CRYOCANS". The product range varies from aluminium Cryogenic Containers with capacity of up to 55 litres to Stainless Steel Industrial Containers with capacity up to 20,000 litres.

The Sales Turnover of the Business Group during 2003-04 was Rs.16.37 crore as against Rs.19.15 crore in the previous year. In physical terms, 8,163 Cryocontainers and 58 Cryovessels totaling 13471 equivalent Cryocan units were sold in 2003-04 as against 8696 cryocontainers and 56 Cryovessels aggregating 15376 equivalent Cryocan units in the preceding year. The drop in sales was mainly attributable to reduction in the Government outlay under the Cattle and Buffalo Breeding Programme as also due to paucity of orders from the Gas industry.

Despite the decline in sales, your Company retained its market share of 58% in Cryocans and 27% in Cryovessels and achieved 53% growth in exports. As per survey results, more than 94% of our customers were satisfied with the quality of the products and the services rendered by the Company.

The Business Group (Cryogenics), which was accredited with ISO 9001 since 1998, has earned for itself the upgraded accreditation of ISO 9001: 2000 from BVQI covering both locations viz., Nasik and Sewri.

Entry into the market of LNG

Your Company is on the verge of entering the upcoming fuel market of Liquefied Natural Gas (LNG) adopting the Virtual Pipeline concept aimed at distribution of LNG primarily in areas not covered by Pipeline network. Accordingly, an Agreement has been entered into with Chart Industries Inc., USA, a reputed global player in the field of Cryogenics.

8. JOINT VENTURE

Petronet India Limited

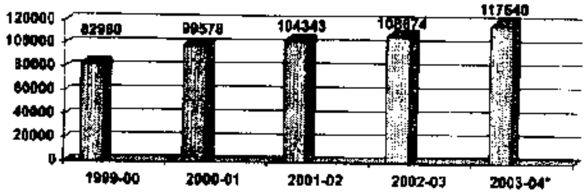
The Company's only Joint Venture is Petronet India Limited (PIL) in which the Company holds 20,00,000 Equity Shares of Rs.10/- each, representing 2% share in the paid-up capital of PIL. Besides the Company, other Public Sector Oil Marketing Companies viz., Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited each have equity participation of 16% whereas Infrastructure Leasing & Financial Services Limited has equity participation of 50% in PIL.

9. INDUSTRY OVERVIEW

(A) Industry Structure & Development

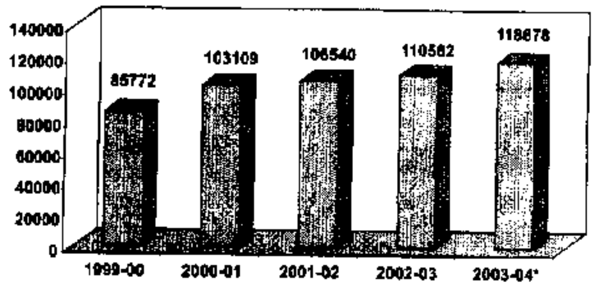
The significance of the petroleum sector in India springs from the fact that production of petroleum products and refinery crude thru'put during the period 1999-2000 to 2003-04 has been one of consistent growth as would be evident from the following charts:

PRODUCTION OF PETROLEUM PRODUCTS
(In '000 Tonnes)



* Provisional

REFINERY CRUDE THROUGHPUT



Consumption of petroleum products in India - consisting of light distillates such as LPG, Motor Spirit and Naphtha, middle distillates such as Aviation Turbine Fuel, Superior Kerosene Oil and High Speed Diesel and heavy ends such as Furnace Oil, Bitumen, Lubes/Greases and Paraffin Wax - grew by more than 86% at CAGR (Compounded Annual Growth Rate) of 4.2% during the period 1990-91 to 2003-04 which was far in excess of the annual growth rate of oil consumption globally. Despite the growth, the per capita consumption level of the country is far less compared to the developed nations. An increase in the consumption at the macro level is expected with progressive industrialization.

Consumption of petroleum products in India has exceeded the indigenous refinery production till 2000-01 necessitating imports. This trend has been reversed from the year 2001-02 with increased indigenous production though certain products like LPG continue to be imported to bridge the supply-demand gap.

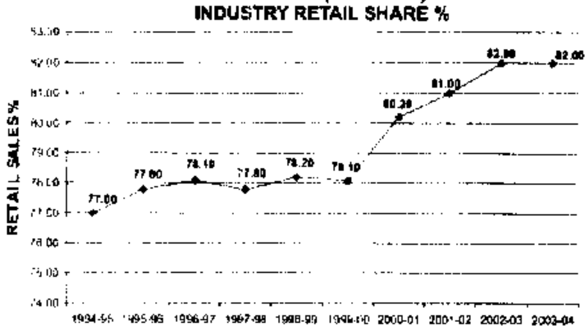
During the fiscal 2003-04, crude oil internationally was on a steady increase especially since December 2003 and has recently even breached the US$ 40 per barrel mark. This portends to seriously affect the world Gross Domestic Product (GDP) growth rate and simultaneously push up inflation.

The Marketing segment - which forms the core business of your Company - essentially comprises four major activities viz., Retail, Consumer, Lubes and LPG. The four Public Sector Oil Marketing Companies dominate the marketing segment, accounting for almost 86% of the aggregate sale of petroleum products in India. Pricing of all petroleum products except SKO (PDS) and LPG (Domestic) have been de-controlled by the Government of India. The Oil Co-ordination Committee (OCC) has been abolished and Petroleum Planning and Analysis Cell

(PPAC) has been created under the Ministry of Petroleum & Natural Gas to assist the Government in overseeing implementation of the guidelines and policies in the post Administered Pricing Mechanism (APM) scenario.

Retail marketing accounts for more than 80% of the total auto-fuel (Motor Spirit and High Speed Diesel) consumption and the same is on the increase over the last few years in response to economic growth and progressive urbanization.

AUTOFUEL (MS & HSD) INDUSTRY RETAIL SHARE %



On the supply front, near stagnant crude oil production is expected to add to the import bill of the country, in view of increasing consumption. The Government of India has already implemented a New Exploration Licensing Policy (NELP) for augmenting the crude oil reserves of the country.

The explosives industry in India is characterized by intense competition and low entry barriers, both in terms of capital and technology. Demand for industrial explosives has largely been stagnant over the past five years, other than limited growth in bulk explosives. Consequently, the focus of the Company had to be placed more on inculcating higher levels of operational efficiency. With more than 38 players mostly belonging to the small scale sector in the industry, the Company is faced with a competitive situation arising out of under-cutting by the small players, more so because while evaluating tenders, the sole criterion for major customers is unit price without considering advantages such as technical efficiency offered by the Company.

In cryogenics, while the major customers of the cryocontainers produced by your Company are the State Governments' Animal Husbandry departments which use cryo-containers in the artificial insemination process for cattle breeding, the demand for cryovessels mostly originate from companies transporting and storing liquefied gases such as oxygen, nitrogen and argon. Foreign manufacturers, especially from China, are providing stiff competition to the existing players. To counter competition, your Company is planning to intensify exports.

(B) Opportunities & Threats

In the emerging competitive market speed of action and quality of service have become the *sine qua non* for business growth. Realizing that the new market entrants would strive to achieve a niche for themselves in the market at the cost of the existing players, your Company has adopted an aggressive marketing strategy focusing on retail expansion to position itself strongly. Accordingly, the Company set up nearly half of the total retail outlets set up by the petroleum industry in 2002-03 and almost a quarter of the industry outlets in 2003-04. Increased competition and dismantling of the APM have impelled the Company to embark on expansion of its product range and tactically renew its marketing efforts into newer products. To convert threats into opportunities, your Company aims to satisfy customer needs at competitive costs, through product differentiation and providing increased brand value through tie-ups / alliances with reputed firms to enhance the value chain.

(C) Segment-wise/Product-wise Performance

A synopsis of segment-wise / product-wise performance has already been presented under Sl. Nos. 7(A), (B) and (C) respectively for the three Business Groups of the Company.

(D) Risks & Concerns

The risks & concerns of the Company are pre-dominantly petroleum focused since petroleum is a strategic resource to the nation and the prime source of revenue to the Company. The key concerns of the Company bearing linkage with the industry and having wide ramifications are (a) intense competition from the existing players, some of whom have better resources and brand recognition, (b) potential competition from the new marketers in petroleum retailing, (c) movements in international prices affecting the margins and (d) emergence of alternate / substitute fuels such as CNG and bio-fuels.

Considering the above factors, the Company has taken a number of initiatives such as aggressive retail expansion to consolidate itself. With the Company on the threshold of merger with IndianOil, source of supply for your Company would be assured. An ancillary benefit expected would be the cushioning of the Company's marketing margins due to the refinery margins from the merged entity.

(E) Future Outlook

With the Government having announced the Union Budget 2004-05, a conducive environment has been created for enhanced consumer demand and higher agricultural and industrial productivity, tempered with a human face. Liberalization of the economy and market orientation in the petroleum industry are expected to stay within this broad paradigm. The Future Outlook of the Company has been structured keeping to the fore the emerging dynamic environment, without losing sight of the values such as investor friendly approach, need for customer delight, optimal resource utilization and inculcation of competitive edge which have since long been nurtured by your Company.

- **Aggressive Retail Expansion:** Your Company today has successfully established itself as a Retailer with a difference. Being a stand-alone petroleum marketing company, the Company has vigorously pursued a policy of rapid expansion of its retail network.

  Positioning of retail outlets being extremely critical for the petroleum retailing business, the future organizational strategy would continue to focus on identification of strategic locations with high growth potential for pre-empting competition. The objective would be to identify emerging growth centres such as highways and prime junctions in the urban belt and simultaneously expand in the suburban and rural markets. The Company's strategy would also take into account the need for modernization and up-gradation of existing retail outlets.

- **Pursue Retail Excellence through enhanced Customer Care:** Way back in 1997, your Company had launched the Quality & Quantity Scheme to address customer concern for high quality and right quantity. This trend-setting scheme has since been further reinforced to attract and retain customers. Recently "We Care Programme" has been introduced to welcome the customer as he enters the retail outlet. The future would witness more such innovative initiatives designed to promote customer satisfaction.

- **Strengthening the Brand:** The Company has, in the recent past, launched branded value-added fuels such as "Josh" for Motor Spirit and "Shakti" for High Speed Diesel which offers to the customer improved fuel economy, reduced detrimental emission, increased engine life and reduced maintenance cost. It has also set up flagship retail outlets with excellent ambience in the metropolitan and other major cities to achieve greater brand recall.

- **Tapping Opportunities In Consumer Marketing:** Your Company has always been a retailer par excellence. Recent initiatives have additionally focused on expanding the direct sales of petroleum products to a small segment of direct consumers who may not have received adequate attention from the other oil marketing companies.

- **Retail Merchandising:** To create competitive advantage, the Company has developed a strategy aimed at offering multiple products and value added services to the customers at its retail outlets. This has been in the form of strategic alliances and marketing tie-ups, which typically use the retail outlets for promotion of the products – particularly non-fuel products – and services to generate additional non-fuel revenue from the customer base of the Company.

  Such business alliances have been entered into with Valvoline Cummins Limited for marketing car care products, IFTEX Petrochemicals Limited for marketing fuel additives for enhancing vehicle performance, Gujarat Co-operative Milk Marketing Federation Limited for marketing Amul products, State Bank of India for providing Petro-card facilities to our customers, Tourism Departments of various State Governments to provide re-fuelling and other facilities for tourists, along with wayside amenities and highway plazas.

- **Tapping Export Opportunity:** With the objective of accomplishing export-driven growth, the future could witness renewed forays into the export market for products of the Company.

- **Synergy with IndianOil:** On the synergy front conscious endeavour was made for exploring areas of synergy with IndianOil as annotated elsewhere in the Report. Special mention may be made here of your Company adopting Policy Guidelines for selection of Retail Outlet Dealers, Superior Kerosene Oil / Light Diesel Oil Dealers and for LPG Distributors in line with the Guidelines adopted by IndianOil. The future is likely to result in considerable synergistic co-operation and co-ordination between your Organization and IndianOil to create a world-class petroleum corporate.

- **Securing cost efficient operations:** The Company continues to focus on optimal resource utilization and cost competitiveness in its business operations.

- **Information Technology Re-engineering:** The Company's ambitious Information Technology programme is structured to effectively harness the opportunities emerging from the prevalent cutthroat competitive environment. Keeping this in view, the Company has formally launched the Enterprise Resource Planning (ERP) project under the name "AMRIT" which is expected to synergize well with the "MANTHAN" programme instituted by IndianOil. Successful implementation of ERP would create a dependable information base uniformly available across the Company for instant and aggressive decision making in a dynamic business scenario.

- **Consolidation of the non-petroleum Business Groups:** The Company is actively ascertaining ways and means for turning around the Business Group (Explosives) and Business Group (Cryogenics). The Business Group (Explosives) has developed explosives for use in sectors like cement, hydro-electricity, road building and non-coal mining applications, besides the mining sector, in order to build a diversified customer base. Input costs have been substantially reduced through intensive R&D efforts and efforts aimed at securing more cost-effective product formulations. The establishment costs too have been brought down over the last few years by manpower rightsizing and streamlining of operations. Further steps are also under consideration for rationalizing operations.

  The Business Group (Cryogenics) has been developing new application areas for its Cryocontainers and Cryovessels. The recent signing of a Collaborative Agreement with Chart Industries Inc., USA, for collaboration in the field of LNG transportation and application constitutes a major milestone for your Company in its effort to turn-around / consolidate its non- petroleum activities.

10. RESEARCH & DEVELOPMENT

The R&D efforts of the Company have increased concomitant to the increasing level of competition. Building up on R&D capabilities continue to form an integral part of the Company's endeavour to remain current and to maintain and upgrade its competitive edge. During the year under review, R&D work was carried out to improve upon the efficacy of existing products and nurture the development of new products and applications. The R&D Centre at Nasik under the Business Group (Cryogenics) enjoys recognition from the Department of Scientific & Industrial Research (DSIR). Details of R&D are set out in Form B attached to the Report.

11. FOREIGN EXCHANGE EARNINGS

During the year 2003-04, the foreign exchange earnings of the Company as a result of higher revenue from exports was Rs.4.48 crore representing a growth of 300% over Rs.1.12 crore earned in the previous year.

The Business Group (Cryogenics) continued its efforts for promoting sales in the export market by export of cryocans to a number of countries including the West. During 2003-04, the Company began exporting larger-sized cryogenic containers up to 500 litres capacity.

During the year under review, explosives and explosive accessories were exported to Jordan, Kenya and Malaysia.

12. GREEN FUELS, ENVIRONMENTAL CONSERVATION AND SAFETY

With the objective of intensifying implementation of the Green Fuel Policy of the Government of India, the Company is actively participating in setting up Auto LPG Dispensing Units at a number of Retail Outlets located in urban areas. The Company has introduced unleaded, extra-low Sulphur and low-Benzene Petrol and extra-low-Sulphur High Speed Diesel in urban markets in a phased manner.

During the year under review, the Company has -- from the perspective of safety -- complied with applicable safety norms while receiving, storing and delivering petroleum products from its depots and terminals. No significant accident or damage causing loss to products, properties or human lives was reported during 2003-04. For promoting safety consciousness, necessary inspections, safety drills and fire drills were observed at the installations of the Company from time to time. As many as 48 safety clinics were organized to acquaint the customers with safety norms.

The Oil Industry Safety Directorate, Ministry of Petroleum & Natural Gas has announced the Safety Awards for the year 2002-03. The Western and Southern Regions of your Company won the first and second Safety Awards respectively under the category Liquid Petroleum Product Marketing Terminals.

The availability of Compressed Natural Gas (CNG) as automotive fuel has been extended to three more Retail Outlets, taking the total number of Retail Outlets equipped with CNG to seven.

13. ENERGY CONSERVATION

Your Company accords high priority to energy conservation and energy audit. In the year under review, the Petroleum Conservation Research Association carried out Energy Audit at the sixteen Depots and Terminals of the Company. The recommendations of Energy Audit would contribute significantly towards reduction of operating cost by an estimated Rs. 50 lakh per annum.

14. TECHNOLOGY ABSORPTION

Form B annexed to this report sets out details of technology absorption by the Company in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

15. PARTICULARS OF EMPLOYEES

During the financial year under review, the Company did not have any employee who received remuneration of Rs. 24,00,000 or more per annum or at a rate of Rs. 2,00,000 or more per month. Therefore, the disclosure pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, has not been made.

16. HUMAN RESOURCE MANAGEMENT

Your Company has always recognized the role and contribution of its Human Resource as a critical input in achieving organizational excellence. The Human Resource philosophy of the Company recognizes the need for nurturing its people and leveraging talent to promote high quality performance and achieve excellence, keeping in view the dynamics of the competitive environment.

With the focus on converting its people from 'performers' to 'achievers', numerous workshops and training programmes were conducted for the employees both in functional as well as developmental areas. The functions covered under training were Marketing, Finance, Human Resource, Operations, Supply & Distribution, Lube Marketing, Projects, LPG Marketing, Quality Control, Information Technology, Self-Development and Communication. Training Programmes were also organized on Presidential Directives / Government Orders on Reservation and Concessions for SC, ST and OBC employees.

As part of IndianOil-IBP synergy, a number of actions, as mentioned hereunder, were pursued during the year for upgrading skills by way of Training & Development:

- Your Company exchanged with IndianOil its training calendars and obtained faculty assistance for in-house training programmes.
- Employees of your Company were nominated for training programmes at IndianOil Institute of Petroleum Management, Gurgaon and IndianOil Management Academy, Haldia. Similarly, employees of IndianOil were also nominated for in-house training programmes organised by IBP.
- IndianOil shared its well-equipped training infrastructure with IBP including the facilities at IndianOil Management Centre for Learning, Mumbai for upgrading functional knowledge and imparting behavioural training to prepare executives for functioning effectively in a cross-functional multi-unit environment. Your Company too shared its training facilities at Wadala with IndianOil.

Industrial Relations in all establishments during 2003-04 continued to remain harmonious and peaceful. The conducive and congenial work atmosphere was attributable to the support and co-operation of the Trade Unions and the Officers' Association.

17. SPORTS PROMOTION

Your Company continued its policy to nurture and promote sports and games as an active member of the Petroleum Sports Promotion Board (PSPB).

In November 2003, the Company hosted the prestigious Merchant Cup Tennis Competition at Kolkata in which tennis teams from leading Corporate Houses participated. The Company has the enviable distinction of winning the Merchants Cup Tennis Competition for the 13th occasion in a row following its inception in 1988.

In February 2004, the Company hosted, on behalf of PSPB, the 23rd Inter-Unit Tennis Tournament at Kolkata, which was a resounding success, especially with the Company finishing third in the prestigious Men's Team event. During the year, the employees of the Company also actively participated in PSPB Golf, Bridge, Cricket, Football, Carrom and Chess tournaments.

It is worthwhile to mention that three of our Officers continue to be prominently associated with Tennis activities of the Country. One is a famous player in the national circuit with number of awards to his credit, another is a coach of national repute who is currently associated with the Indian Women's Tennis Team and the third is closely associated with the Sports Authority of India and is also the Honorary Director (Tech) of Bengal Tennis Association.

18. COMMUNITY DEVELOPMENT & SOCIAL WELFARE

Your Company accords high priority towards improving the quality of life of people in the lower strata of society. The Community Development programmes focus on the key areas of health care, education, child welfare and medical aid. Notable socio-economic projects undertaken under the Special Component Plan and Tribal Sub-Plan include:

- Financial assistance for non-formal educational centres run by Ramakrishna Mission in the 24 Parganas (North) and Burdwan Districts of West Bengal.
- Construction of low cost houses for SC/ST persons in rural areas near Bangalore, under associated rural development programme.
- Construction of workshops & class rooms for training in Tailoring Trade at Lucknow in Uttar Pradesh, primarily catering to the SC/ST community.
- Constructions of Students' Hostel and installation of drinking water station at Nasik.
- Erection of assembly hall in colleges in different villages including at Korba in Chhattisgarh to meet space requirements for cultural activities.
- Distribution of hearing aids & blankets to physically challenged children and destitutes at Rambagh and other places at Srinagar in Jammu & Kashmir.

19. WELFARE OF WEAKER SECTIONS

Your Company has diligently followed the Presidential Directives and the guidelines issued by the Government of India in regard to reservation in services for SCs / STs / OBCs / Physically Handicapped / Ex-Servicemen, etc. It has been the endeavour of the Company to utilize the community development funds to augment the needs of the weaker sections.

20. WOMEN EMPOWERMENT

The Company believes in the development of women employees for tapping their latent "Shakti" to yield organizational benefits. During 2003-04, the women employees associated themselves with the rejuvenated WIPS (Women in Public Sector) Forum and organized a variety of activities having social relevance such as donation of edible items for girl children, providing life-saving medicines for thalassaemic children, donation of old clothes for flood victims, organizing programme on de-addiction from drugs and alcohol, adoption of a Government Girls' Secondary School etc.

21. OFFICIAL LANGUAGE IMPLEMENTATION

The Company continued to lay stress on progressive usage of Hindi in its Official work in line with the policy of the Government of India.

In all offices of the Company, Hindi workshops and Hindi training classes were organized to train the employees of the Company in Hindi usage. Quarterly meetings of Official Language Implementation Committee have been organized during 2003-04 to review the progress of Hindi implementation as per the Government Policy.

The Company celebrated Hindi fortnight during the month of September 2003 by organizing various competitions and cultural programmes to promote use of Hindi amongst its employees. An all-India Rajbhasha Sammelan for Hindi Officers was also organized in November 2003 where region-wise Official Language Shields were distributed to the Best Performing Offices of the Company.

Emphasis has been laid on use of Hindi in business communications, company advertisements and publication of House Journals.

22. INVESTOR SERVICE

The Shares of your Company continue to be traded with both the Depositories in India viz., National Securities Depository Limited and Central Depository Services (India) Limited. Investors may note that the Company's website contains a mine of information such as Un-audited Quarterly Results, Audited Annual Accounts and pattern of Shareholding, which could be of much use to the investor.

23. VIGILANCE

The Vigilance function plays a vital role in maintenance of clean and healthy environment within the organisation. The ultimate aim of the Vigilance Department is to assist the Company and its Management to achieve the highest standards of stewardship of shareholders' funds and the best possible use of resources, thereby helping to maintain an environment of transparency within the organisation. The Vigilance machinery acted effectively on complaints and information from other sources with the purpose of safeguarding the interest of stakeholders, ensuring in the process that motivated complaints, if any, were effectively weeded out.

Attention was focused on the preventive side of misuse of power and position with a view to eliminate the causative factors contributing to malpractices. Preventive and surprise inspections were carried out in selected areas of operations and steps needed for system improvement were formulated and put into effect.

24. RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that

a) In the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;

b) They have / had 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 at the end of the financial year and of the profit or loss of the Company for that period;

c) They have / had 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; and

d) They have / had prepared the annual accounts on a going concern basis.

25. REVIEW OF ACCOUNTS

Review of Accounts of the Company for the year ended 31st March 2004 by the Comptroller and Auditor General of India along with his comments thereon under Section 619(4) of the Companies Act, 1956 is to be deemed as an annexure to the Directors' Report.

26. DIRECTORS

Shri A.K. Srivastava, Joint Secretary in the Ministry of Petroleum & Natural Gas (MOP&NG), Government of India has been appointed with effect from 19th September, 2003 as a Government Nominee Director under Section 260 of the Companies Act, 1956 read with Articles 97B(1) and 98 of the Articles of Association of the Company ("the Articles"). In accordance with the provisions of the said Section, the term of office of Shri A.K. Srivastava, would expire at the forthcoming Annual General Meeting and he is eligible for appointment as a Director.

Dr. N.G. Kannan, Director(Marketing) - IndianOil was appointed as Purchaser Nominee Director with effect from 23rd October 2003 - pursuant to Section 262 of the Companies Act,1956 read with Article 113 of the Articles -- to fill the casual vacancy caused by Shri P.K. Agarwal, ceasing to be a Director of the Company. On the relinquishment of office by Shri Arun Jyoti as Managing Director of the Company upon his attaining the age of superannuation on 30th April 2004, Dr. N.G. Kannan has been assigned with the additional charge of the posts of Managing Director and Director (Marketing) of the Company with effect from 1st May 2004 pursuant to a directive from the MOP&NG. Dr. Kannan will hold office only up to the date to which Shri Agarwal would have held office i.e., up to the date of the ensuing Annual General Meeting under Section 262 and he is eligible for appointment as Director.

Shri Prabh Das, Joint Secretary, MOP&NG, who was appointed as a Director with effect from 31st March 2003 to fill the casual vacancy caused by Shri Shivraj Singh ceasing to be a Director, will also hold office up to the ensuing Annual General Meeting and he is eligible for appointment as a Director.

The Company has received due Notices under Section 257 of the Companies Act, 1956, wherever applicable, for appointments to be made at the Annual General Meeting.

The Board would like to record its appreciation of the excellent services rendered by Shri Arun Jyoti as well as Shri R.S. Guha in securing spectacular growth during their tenure whereby the retail network of the Company had almost doubled from 1551 in February 2002 to 2765 at the end of 2003-04 with consequential increase of market share. The Board also places on record the valuable contributions made by the other outgoing Directors namely, Shri S. Vijayaraghavan and Shri P.K. Agarwal during their tenure in office.

In accordance with Article 108 of the Articles, Prof. Sougata Ray, Part-time Independent Director retires by rotation at the ensuing Annual General Meeting and he is eligible for re-election.

27. AUDITORS

The Auditors of the Company have been appointed by the Government of India on the advice of the Comptroller and Auditor General of India in terms of Section 619(2) of the Companies Act, 1956 for auditing the Books of Account of the Company for the financial year ended 31st March 2004.

The Members, at the 94th Annual General Meeting held on 21st August 2002, had authorized the Board of Directors to fix the remuneration of the Statutory and Branch Auditors as per the provisions of the Companies Act, 1956, as applicable to the Government companies, after the appointment is made by the Comptroller and Auditor General of India. A remuneration of Rs. 3,60,000/- inclusive of fees for audit of the Cash Flow Statement plus service tax, along with reimbursement of out-of-pocket expenses, has been paid by the Company to the Auditors for the financial year 2003-04.

28. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's focal objectives, expectations or anticipations may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from the expectations. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of products, input availability and prices, changes in government regulations/ tax laws, economic developments within the country and factors such as litigation and industrial relations.

29. ACKNOWLEDGEMENT

The Board of Directors wishes to place on record its special appreciation for the excellent contribution made by the members of the IBP family consisting of its employees at all levels as well as the dealers, suppliers, customers, shareholders, bankers and other stakeholders for their unstinted and spontaneous support leading to the significant achievements of your Company during the year under review.

The Directors of your Company are also thankful to the controlling stakeholder viz., IndianOil and to the Government of India for their valuable guidance and support.

For and on behalf of the Board

Sd/-

M.S. Ramachandran

Chairman

Place : New Delhi

Dated : 30th July 2004

Annexure to Directors' Report

FORM B

Form for disclosure of particulars with respect to R&D and Technology Absorption

A. Research & Development (R&D)

1) Specific areas in which R&D carried out by the Company

a) Basic and applied research work in bulk delivery and packaged slurry and emulsion industrial explosives for meeting the requirement of mining industries both in India and abroad. The specific areas include:

i) Reduction in raw material cost and performance improvement of bulk delivery slurry and emulsion explosive products.

ii) Development of new cost effective, non-permitted small diameter (a) slurry explosive products tailor-made for specific customers and (b) emulsion explosive products for re-seller market.

iii) Stablisation of commercial manufacture and product improvement in relation to small diameter non-permitted emulsion explosives for tunnelling and related civil application.

iv) Development of new commercial sources of raw materials for reducing input costs.

v) Development of formulations for technology export relating to bulk delivery emulsion explosives for the Malaysian market.

vi) Setting up of pilot plant facility for more advanced research and development having application inter alia in equipment for petroleum testing.

vii) Development of formulations for anti-freeze coolants as per specification laid down by the Bureau of Indian Standards, American Society for Testing & Materials and Japanese Industrial Standard.

viii) Development of formulations for fire-resistant Hydraulic Fluids and metal working fluids.

b) Research activities concerning field trials & validation of Vapour Shipper containers development by the Business Group (Cryogenics) in the preceding year.

2) Benefits derived as a result of the above R&D

The benefits derived from the R&D efforts by the Business Group Explosives) may be viewed under the under-noted sub-heads:

I. Packaged Explosives

i) Increase in market share of non-permitted small diameter emulsion explosive products as a result of introduction of emulsion products.

ii) Formulation of new low cost non-permitted product [Geomines (E)] for catering to the re-seller market.

iii) Formulation of Alternate Indomite-80 (Slurry Explosive) formulations having high performance properties for specific applications.

II. Bulk Delivery Explosives

i) Introduction and implementation of cost effective formulations for mines around Korba/Kusmunda and at Hindustan Zinc Limited for enhanced performance.

ii) Introduction of new low cost bulk delivery repumpable emulsion formulations using alternate fuels in the Singrauli and Dhanbad areas resulting in saving of cost.

iii) Introduction of new formulations at the Ramagundam Plant to achieve better performance.

III. Other Activities

i) Partial completion of the work relating to procurement and commissioning of equipment required for Research & Development work in petroleum activities/related pilot plant.

3) Future plan of action

The future plan of action of the Business Group (Explosives) would focus on:

1. Development of high shelf-life repumpable emulsion explosives for export market and enhancement of shelf-life of non-permitted small diameter emulsion explosives products.
2. Introduction/Commercialisation of permitted emulsion explosive products.
3. Continuance of efforts for reduction of cost of bulk delivery emulsion slurry and explosive products.
4. Development of new series of cost-effective slurry and emulsion non-permitted small diameter products.
5. Development of neat cutting oils and soluble cutting oils.
6. Development of fire-resistant hydraulic fluids, coolants for railway and defence applications and marker system for lubricating oils.

The future plan of action of the Business Group (Cryogenics) would focus on:

1. Development of new models of Cryocans and Cryovessels to satisfy customer requirements.
2. Indigenisation of items currently imported.

4) Expenditure on R&D

(Rs. in Lakh)

a.	Capital	11.70
b.	Revenue	281.89
c.	Total	293.59
d.	Total R&D Expenditure as a percentage of total turnover	0.03

B. **Technology Absorption, Adaptation and Innovation**

1) **Efforts in brief made towards Technology Absorption and Innovation:**

The efforts in technology absorption/innovation by the Business Group (Explosives) were briefly as under:

i) Technology of packaged and bulk delivery slurry explosives has been fully absorbed and further improvements have been made to existing technology. Further improvement to existing technology was made while exporting slurry explosive technology to Jordan and bulk emulsion technology to Malaysia.

ii) While Packaged and bulk delivery emulsion explosive technology has been absorbed through in-house R&D, the small diameter emulsion explosive manufacturing technology is in the process of being upgraded.

iii) Efforts towards upgradation of the manufacturing technology of emulsion explosives in respect of small diameter products.

The efforts in technology absorption/innovation by the Business Group (Cryogenics) were mainly geared to product improvement, import substitution and product and process development.

2) **Benefits derived as a result of above efforts:**

The benefits derived by the Business Group (Explosives) were:

i) Cost reduction inter alia through raw material substitution in packaged and bulk delivery explosives.

ii) Introduction of small diameter emulsion products due to successful upgradation of technology for manufacture of packaged emulsion explosives.

iii) Support to export as well as marketing and technical services for tailor-made products.

The benefits derived by the Business Group (Cryogenics) were:

i) Product improvement in the form of lower cost, lower breakage, reduction in cycle time and saving of energy.

ii) Product development for reduction of vacuum losses and improvement of life of cryovessels.

iii) Import substitution consequent to lower cost, easy availability, reduction in evacuation period and saving of energy.

iv) Process Development in the form of each assembly, reduction of process time for detection of leakage and/or better protection.

3) **In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information is furnished:**

i) Details of technology imported and year of import:

No technology was imported during the last five years.

ii) Has technology been fully absorbed:
Vide comments hereinbefore.

iii) If not fully absorbed, area where this has not taken place, reasons therefore and future plan(s) of action:

Not applicable.

Auditors' Report

Auditors' Report to the Members of IBP Co. Limited

1. We have audited the attached Balance Sheet of IBP Co. Limited as at 31st March, 2004 and also the Profit & Loss Account of the above Company for the year ended on that date annexed thereto and Cash Flow Statement for the period ended on that date, in which are incorporated the accounts of Business Group (Petroleum) of which the accounts of Eastern Region thereof audited by us and of such accounts of the Northern, Southern, Western Regions and LPG Department thereof audited by different Branch Auditors and the accounts of Business Group (Explosives) and Business Group (Cryogenics) audited by other Branch Auditors as per allocation of assignment for audit in terms of appointment.

2. 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.

3. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the aforesaid financial statements are free of material misstatement. An audit includes, examining on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for expressing our opinion on the financial statements of the Company on the basis of allocation of assignment of audit of consolidation of accounts of Business Group (Petroleum), being of major portion of activities of the Company, to one of the Branch Auditors.

4. As required by the Companies (Auditor's Report) Order, 2003 called as CARO 2003, vide notification No. GSR 480(E) dated 12th June 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

5. Further to our comments in the annexure referred to above, we report that:

   i) 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.

   ii) 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 those books. The Branch Auditors' reports have been forwarded to us and have been appropriately dealt with.

   iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report together with Notes on Accounts (Schedule-Q) and other notes appearing in various schedules and Significant Accounting Policies (Schedule-P) of the Company comply with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956.

   v) On the basis of written declarations received from the Directors which were taken on record by the Board of Directors at its meeting held on 30th March, 2004, none of the Directors of the Company is disqualified from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts of the Company together with the Significant Accounting Polices (Schedule-P) and read with Notes on Accounts (Schedule-Q) and other notes appearing in various schedules annexed thereto, the said accounts 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: -

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2004.

      (b) in the case of the Profit & Loss Account, of the Profit for the year ended on that date; and

      (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For SARMA & CO.
Chartered Accountants

Sd/-
(R.L. Das Sarma)
Partner

Camp : New Delhi
Date : 20th May 2004

Companies (Auditors' Report) Order, 2003

Queries	Comments
(i) (a) Whether the Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.	The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.
(b) Whether these fixed assets have been physically verified by the Management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of accounts.	The fixed assets have been physically verified on periodic basis by the Management during the year and no material discrepancies were noticed on such verification.
(c) If a substantial part of fixed assets have been disposed off during the year, whether it has affected the going concern.	No substantial parts of fixed assets have been disposed off during the year.
(ii) (a) Whether physical verification of inventory has been conducted at reasonable intervals by the Management.	Physical verification of inventory has been made at reasonable intervals.
(b) Are the procedures of physical verification of inventory followed by the Management reasonable and adequate in relation to the size of the Company and the nature of its business? If not, the inadequacies in such procedures should be reported.	The procedure and interval of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
(c) Whether the Company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of account.	The Company maintains proper records of inventory. The discrepancies noticed on verification between the physical stock and book record were not material and it has been properly dealt with in the accounts.
(iii) (a) Has the Company either granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act? If so, give the number of parties and amount involved in the transactions.	The registers required under Section 301 have been maintained by the Company, and the Company has neither granted nor taken any loan to/from companies, firms and other parties covered under section 301 of the Companies Act.
(b) Whether the rate of interest and other terms and conditions of loans given or taken by the company, secured or unsecured, are prima facie prejudicial to the interest of the Company.	Loan is given only to employees and they are not prima facie prejudicial to interest of Company.
(c) Whether payment of the principal amount and interest are also regular.	Yes, employees are regularly making payments of principal and interest.
(d) If overdue amount is more than one lakh, whether reasonable steps have been taken by the Company for recovery/payment of the principal and interest.	No such cases have come to our notice
(iv) Is there an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods? Whether there is a continuing failure to correct major weaknesses in internal control.	In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of the business for the purchase of inventory and fixed assets and sale of goods.
(v) (a) Whether transactions that need to be entered into a register in pursuance of Section 301 of the Act have been so entered.	On the basis of information made available to us, there was no such transaction which needs to be entered in the register maintained under Section 301 of the Act during the year.
(b) Whether each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. (This information is required only in case of transactions exceeding the value of five lakh rupees in respect of any party and in any one financial year).	Not applicable.
(vi) In case the Company has accepted deposits from the public, whether the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and the rules framed there under, where applicable.	The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956, read with the directives issued by the Reserve Bank of India.

<table>
<tr><th></th><th>Queries</th><th>Comments</th></tr>
<tr><td></td><td>have been complied with. If not the nature of contravention should be stated, if an order has been passed by the Company Law Board whether the same has been complied with or not.</td><td></td></tr>
<tr><td>(vii)</td><td>In the case of listed companies and/or other companies having a paid-up capital and reserves exceeding Rs.50 lakh as at the commencement of the financial year concerned, or having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, whether the company has an internal audit system commensurate with its size and nature of its business.</td><td>The Company has its own internal audit department which conducts the internal audit of the Company and in our opinion, the present internal audit system is generally commensurate with its size and the nature of its business.</td></tr>
<tr><td>(viii)</td><td>Where maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Act, whether such accounts and records have been made and maintained.</td><td>The Company has made and maintained the prescribed accounts and records.</td></tr>
<tr><td>(ix)</td><td>(a) Is the company regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, income-tax, sales-tax, wealth Tax, custom duty, excise duty, cess and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated by the auditor.</td><td>The Company is regularly making payment for Provident Fund and ESI and all other statutory dues with appropriate authorities. According to information and explanation given to us, no undisputed amount in respect of income tax, sales tax, wealth tax, customs duty, cess and excise duty and no other statutory liabilities were outstanding for a period more than six months as on 31st March 2004.</td></tr>
<tr><td></td><td>(b) In case dues of sales tax/income tax/custom tax/wealth tax/excise duty/cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending may please be mentioned.
(A mere representation to the Department shall not constitute the dispute).</td><td>Disputed claims pending before different Appellate Forums are as under:
<table>
<tr><th>Item</th><th>Amount (Rs./Lakh)</th><th>Forum where dispute is pending</th></tr>
<tr><td>a) Sales Tax</td><td>1069.62</td><td>Appellate Tribunal</td></tr>
<tr><td>b) Sales Tax</td><td>10506.97</td><td>Departmental Appellate Forum</td></tr>
<tr><td>c) Excise Duty</td><td>20.52</td><td>Central Excise Tribunal</td></tr>
<tr><td>d) Excise Duty</td><td>515.37</td><td>Departmental Appellate Forum</td></tr>
<tr><td>e) Income Tax</td><td>35.55</td><td>Income Tax Tribunal</td></tr>
</table></td></tr>
<tr><td>(x)</td><td>Whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in such financial year and in the financial year immediately preceding such financial year also.</td><td>There is no accumulated loss.</td></tr>
<tr><td>(xi)</td><td>Whether the Company has defaulted in repayment of dues to a financial institution or bank or debenture holders. If yes, the period and amount of default to be reported.</td><td>The Company has not accepted any deposits/loans from banks or any other financial Institutions or debenture holders.</td></tr>
<tr><td>(xii)</td><td>Whether adequate documents and records are maintained in cases where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities, if not, the deficiencies to be pointed out.</td><td>No deficiency has come to our notice and it is restricted to loans granted to the employees.</td></tr>
<tr><td>(xiii)</td><td>Whether the provisions of any special statute applicable to chit fund have been duly complied with. In respect of nidhi/mutual benefit fund/societies:</td><td>Not applicable</td></tr>
<tr><td></td><td>(a) Whether the net owned funds to deposit liability ratio is more than 1.20 as on the date of balance sheet.</td><td>Not applicable</td></tr>
<tr><td></td><td>(b) Whether the company has complied with the prudential norms on income recognition and</td><td>Not applicable</td></tr>
</table>

Queries	Comments
provisioning against sub-standard/default/loss assets.	
c) Whether the Company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers.	Not applicable
(d) Whether the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrower and would be conducive to recovery of the loan amount.	Not applicable
(xiv) If the Company is dealing or trading in shares, securities, debentures and other investments, whether proper records have been maintained of the transactions and contracts and whether timely entries have been made therein; also whether the shares, securities, debentures and other securities have been held by the Company in its own name except to the extent of the exemption, if any, granted under Section 49 of the Act.	Not applicable
(xv) Whether the Company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company.	No
(xvi) Whether term loans were applied for the purpose for which the loans were obtained.	Nil
(xvii) Whether the funds raised on short term basis have been used for long term investment and vice-versa. If yes, the nature and amount is to be indicated.	No
(xviii) Whether the Company has made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act and if so, whether the price at which shares have been issued is prejudicial to the interest of the company.	No such allotment has been made.
(xix) Whether securities have been created in respect of debentures issued.	No debentures issued.
(xx) Whether the Management has disclosed on the end use of money raised by public issues and the same has been verified.	Not applicable
(xxi) Whether any fraud on or by the Company has been noticed or reported during the year. If yes, the nature and the amount involved is to be indicated.	No fraud was reported by the Management and we have not come across any fraud case during our course of audit.

For Sarma & Co.
Chartered Accountants
Sd/-
(R. L. Das Sarma)
Partner

Camp : New Delhi
Date : 20th May 2004

BALANCE SHEET as at 31st March 2004

(Rs. in Lakh)

	Schedule		As at 31st March 2004		As at 31st March 2003
SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	A	2,214.74		2,214.73	
b) Reserves & Surplus	B	60,386.77		47,670.93	
			62,601.51		49,885.66
2. Loan Funds					
a) Unsecured Loans	C	0.06		0.11	
			0.06		0.11
3. Deferred Tax Liability			8,358.17		7,620.06
			70,959.74		57,505.83
APPLICATION OF FUNDS					
1. Fixed Assets					
a) Gross Block	D	106,726.24		87,397.54	
b) Less: Depreciation		25,558.85		21,879.71	
c) Net Block		81,167.39		65,517.83	
d) Dismantled Capital Stores		96.41		88.42	
e) Capital Work-in-Progress	E	7,480.45		4,798.48	
			88,744.25		70,404.73
2. Finance Lease Receivables			664.65		1,149.00
3. Investments	F		1,624.59		1,527.97
4. Current Assets, Loans and Advances					
a) Inventories	G	38,819.43		47,473.84	
b) Sundry Debtors	H	6,569.75		13,252.99	
c) Cash and Bank Balances	I	69,446.66		32,847.92	
d) Other Current Assets - Interest Accrued on Investments/Bank Deposits		135.45		25.67	
e) Loans and Advances	J	12,953.02		12,375.80	
		127,924.31		105,976.22	
5. Less: Current Liabilities and Provisions	K				
a) Current Liabilities		135,148.57		115,964.81	
b) Provisions		12,849.49		5,587.28	
		147,998.06		121,552.09	
6. Net Current Assets			(20,073.75)		(15,575.87)
			70,959.74		57,505.83
7. Statement of Significant Accounting Policies	P				
8. Notes on Accounts	Q				
9. Other Schedules forming part of Accounts	R to W				

In terms of our separate report of even date

For Sarma & Co.
Chartered Accountants

Sd/-
R L Das Sarma
Partner

Camp : New Delhi
Date : 20th May 2004

Sd/-
(Dr. N.G. Kannan)
Managing Director

Sd/-
(A. K. Sinha)
Director (Finance)

Sd/-
(Amit Ghosh)
Company Secretary

PROFIT & LOSS ACCOUNT for the year ended 31st March 2004

(Rs. In Lakh)

	Schedule	For the year ended 31st March 2004		For the year ended 31st March 20003	
INCOME					
1. Sale of Products		1,055,133.43		878,421.79	
Less: Excise Duty		38,646.03		41,473.84	
Less: Commission and Discounts		1,668.66		1,067.97	
			1,014,818.74		835,879.98
2. Increase/(Decrease) in Stocks	L		(9,165.21)		14,715.05
3. Interest and other Income	M		6,093.24		4,438.89
4. Subsidy from Govt. on account of LPG & SKO			11,554.39		17,296.81
TOTAL INCOME			1,023,301.16		872,330.73
EXPENDITURE					
1. Purchase of Products for Resale			916,897.90		800,470.80
2. Manufacturing, Admin., Selling & Other Expenses	N		67,782.22		52,308.26
3. Duties Applicable on Products (Net)			726.71		940.24
4. Depreciation and Amortisation			4,126.70		4,439.44
5. Interest Payment on:					
a) Short term loans from Banks		3.61		43.12	
b) Others		2.19		5.63	
			5.80		48.75
TOTAL EXPENDITURE			989,540.33		858,207.49
PROFIT FOR THE YEAR			33,760.83		14,123.24
Income /(Expenses) pertaining to previous years(Net)	O		(500.92)		(49.25)
PROFIT BEFORE TAXATION			33,259.91		14,073.99
Provision for Taxation (Net)					
a) Current Tax		11,057.74		4,116.86	
b) Deferred Tax		736.11		1,182.24	
			11,793.85		5,299.10
PROFIT AFTER TAXATION			21,466.06		8,774.89
Transfer from:					
Burma Current Account		(6.58)		5.90	
			(6.58)		5.90
DISPOSABLE PROFIT			21,459.48		8,780.79
APPROPRIATIONS:					
Interim Dividend(100%)			2,214.74		-
Proposed Dividend(Final)			5,536.84		3,100.62
Corporate Dividend Tax			993.17		397.27
Devaluation Exchange Difference Reserve			(6.58)		5.90
General Reserve			12,721.31		5,277.00
6. Statement of Significant Accounting Policies	P				
7. Notes on Accounts	Q				
8. Other Schedules forming part of Accounts	R to W				
Earning Per Share - Basic/Diluted [Schedule Q (Note No.21)](Rs.)			96.92		39.62

In terms of our separate report of even date

For Sarma & Co. Chartered Accountants	Sd/- **(Dr. N.G. Kannan)** Managing Director	Sd/- **(A. K. Sinha)** Director (Finance)	Sd/- **(Amit Ghosh)** Company Secretary

Sd/-
R L Das Sarma
Partner

Camp : New Delhi
Date : 20th May 2004

SCHEDULE "A" - SHARE CAPITAL

(Rs. in Lakh)

			As at 31-Mar-04	As at 31-Mar-03
Authorised:				
	9,95,00,000	Equity Shares of Rs. 10/- each (31.3.2003 - 9,95,00,000) and	9,950.00	9,950.00
	50,000	Preference 14% Taxable Cumulative Shares of Rs.100/- each (31.3.2003 - 50,000)	50.00	50.00
			10,000.00	10,000.00
Issued and Subscribed (Fully Called and Paid-up):				
	2,21,47,369	Equity Shares of Rs. 10/- each (31.3.2003 - 2,21,47,269)	2,214.74	2,214.73
Out of the above				
a)	69,844	allotted as fully paid-up shares pursuant to a contract without payment being received in cash (31.3.2003 - 69,844)		
b)	2,37,766	shares issued but details of which are not available due to destruction of Company records during Second World War (31.3.2003- 2,37,766)		
c)	93,570	shares allotted as fully paid by way of Bonus Shares, the details of which are not available due to destruction of Company records during Second World War (31.3.2003 - 93,570)		
d)	1,02,22,406	shares allotted as fully paid-up by way of Bonus Shares among the members by capitalising free reserves (31.3.2003 - 1,02,22,406)		
e)	1,15,23,783	shares issued as fully paid-up in cash (31.3.2003 - 1,15,23,683)		
		TOTAL	2,214.74	2,214.73

Note: Indian Oil Corporation Limited being the Holding Company, holds 11867262 Equity Shares (31.3.2003 - 11867262 Equity Shares) representing 53.58% (31.3.2003 - 53.58%) of the paid-up share capital of the Company.

SCHEDULE "B" - RESERVES AND SURPLUS

(Rs. in Lakh)

			As at 31-Mar-04	As at 31-Mar-03
1.	**Capital Reserve**			
	As per last Account		**470.22**	470.22
2.	**Share Premium Account**			
	As per last Account	**8,865.18**		8,865.18
	Add: Premium on Account of Conversion of Debentures	**0.11**		-
			8,865.29	8,865.18
3.	**General Reserve**			
	As per last Account	**38,259.26**		32,982.26
	Add: Transfer from Profit & Loss Account	**12,721.31**		5,277.00
			50,980.57	38,259.26
4.	**Devaluation Exchange Difference Reserve**			
	As per last Account	**76.27**		70.37
	Add/(Less): Transfer from Profit & Loss Account	**(6.58)**		5.90
			69.69	76.27
	TOTAL		**60,385.77**	47,670.93

SCHEDULE "C" - UNSECURED LOANS

(Rs. in Lakh)

			As at 31-Mar-04	As at 31-Mar-03
1.	**From Others**			
	a) 14% Fully Convertible Debentures of Rs.120 each	**0.11**		0.23
	Less: Calls Unpaid	**0.05**		0.12
			0.06	0.11
	TOTAL		**0.06**	0.11

IBP

SCHEDULE "D" - FIXED ASSETS

(Rs. In Lakh)

Particulars	Gross Block: As At 31-Mar-03	Gross Block: Additions during the year	Gross Block: Transfer from CWIP	Gross Block: Disposals during the year	Gross Block: Transfers/ Deductions/ Reclassifications	Gross Block: As at 31-Mar-04	Depreciation and Amortisation: As at 31-Mar-03	Depreciation and Amortisation: For the year	Depreciation and Amortisation: Disposals during the year	Depreciation and Amortisation: Transfers/ Deductions/ Reclassifications	Depreciation and Amortisation: Total Upto 31-Mar-04	Net Block: As at 31-Mar-04	Net Block: As at 31-Mar-03
Land													
Freehold	4,602.90	114.39	-	-	(217.64)	4,499.65	-	-	-	-	-	4,499.65	4,602.90
Leasehold	971.69	117.01	-	-	(3.55)	1,085.15	106.84	16.10	-	-	122.94	962.21	864.85
Building, Roads etc.	26,275.78	9,111.20	323.40	154.60	-	35,555.78	3,195.25	750.38	44.36	-	3,901.27	31,654.51	23,080.53
Plant & Machinery	52,518.90	10,174.72	227.24	452.57	-	62,468.29	17,223.56	3,192.83	381.42	-	20,034.97	42,433.32	35,295.34
Transport Equipment	353.06	-	-	16.10	-	336.96	236.30	24.04	14.92	-	245.42	91.54	116.76
Furniture and Fixture	1,399.14	115.61	-	10.41	-	1,504.34	711.69	78.34	6.86	-	783.17	721.17	687.45
Railway sidings	1,276.07	-	-	-	-	1,276.07	406.07	65.01	-	-	471.08	804.99	870.00
TOTAL	87,397.54	19,632.93	550.64	633.68	(221.19)	106,726.24	21,879.71	4,126.70	447.56	-	25,558.85	81,167.39	65,517.83
Previous 31.3.03	79,371.72	8,286.20	74.37	303.49	(31.26)	87,397.54	17,593.10	4,439.44	134.05	(18.78)	21,879.71	65,517.83	

Notes :

(1) Cost of Building Includes -

a) Rs. 0.24 Lakh (31-Mar-03 - Rs. 0.24 Lakh) constructed on land provided by State Government.

b) Rs. 80.91 Lakh (31-Mar-03 - Rs. 213.61 Lakh) constructed on land provided by Public Sector Undertaking.

c) Rs. 250 (31.3.2003 Rs. 250) being cost of five shares of Rs.50 each held in Jaladharshan Co-Operative Housing Society.

d) Rs. 133.18 Lakh (31-Mar-03 - Rs. 133.18 Lakh) which is yet to be registered in the name of the Company.

e) Rs. 701.29 Lakh (31-Mar-03 Rs. 701.29 Lakh) constructed on leasehold land. This leasehold land is yet to be registered in the name of the Company.

(2) Title deed of land, the book value of which is Rs.178.85 Lakh (31-Mar-03 - Rs.257.07 Lakh) are pending for execution and registration in favour of the Company.

(3) Depreciation and amortisation for the year includes Rs.Nil as deduction (31-Mar-03 - Rs.17.20 Lakhs) pertaining to prior year.

(4) Plant & Machinery includes Rs. 86.97 Lakh (31-Mar-2003 - Rs.Nil)) being gross value of LPG regulator plant, which has been closed down and held for disposal. WDV of the same is Rs.16.04 Lakhs (31-Mar-2003 - Rs. Nil). The estimated realisable value is more than the WDV.

Details of Company's share of Jointly Owned Assets :

(Rs. In Lakh)

Assets Particulars	Name of Joint Owner	Percentage of Ownership	Original Cost	Accumulated Depreciation	WDV as on 31-Mar-04
Plant and Machinery	IOC/HPC/BPC/IBP	32.43%	509.09	96.35	412.74
Railway Sidings	HPC/BPC/IOC/IBP	40.95%	1,146.65	428.50	718.15
Freehold Land	IBP/IOC	50.00%	18.25	-	18.25
Total			**1,673.99**	**524.85**	**1,149.14**

SCHEDULE "E" - CAPITAL WORK IN PROGRESS

(Rs. in Lakh)

			As at 31-Mar-04	As at 31-Mar-03
1.	Construction Work in Progress (including unallocated capital expenditure, material at site)	4,233.87		3,155.20
	Less: Provisions for Capital Losses	41.20		34.10
			4,192.67	3,121.10
2.	Advances for Capital Expenditure		1,754.78	365.90
3.	Capital Stores	1,576.06		1,327.76
	Less: Provision for Obsolescence of Capital Stores	43.06		16.28
			1,533.00	1,311.48
	TOTAL		7,480.45	4,798.48

आईबीपी IBP

SCHEDULE "F" - INVESTMENTS

(Rs. In Lakh)

		No. and Particulars of Shares/Bonds/Units	Face Value per Share/ Bond/Unit Rupees	As at 31-Mar-04	As at 31-Mar-03
LONG TERM INVESTMENTS (At Cost)					
1.	**QUOTED**				
	Non-trade Investments:				
	a) In Others				
i)	ICICI Bank Limited	831488 Equity Shares issued in lieu of 1662976 Equity Shares of ICICI Ltd. during the year 2002-03.	10.00	**358.70**	358.70
ii)	HDFC Limited	376380 Equity Shares fully paid. 188190 Equity Shares issued as bonus shares during the year 2002-03.	10.00	**50.05**	50.05
iii)	HDFC Bank Limited	500 Equity Shares each fully paid in cash	10.00	**0.05**	0.05
	Total (a)			**408.80**	408.80
	TOTAL (1)			**408.80**	408.80

Aggregate Market value of securities mentioned at 1 above **Rs. 4886.53 Lakh** (31.3.2003 - Rs. 2363.40 Lakh)

2.	**UNQUOTED:**				
	A. Non-trade Investments:				
	In Others:				
i)	Assam Sillimanite Ltd. (in liquidation)	1,00,000 Ordinary Shares each fully paid in cash as revalued by Directors on 31.03.80	10.00	-	-
ii)	Shama Forge Co. Ltd. (in liquidation)	1,00,000 Ordinary Shares each fully paid in cash as revalued by Directors on 31.03.79	10.00	-	-
iii)	Shama Forge Co. Ltd. (in liquidation)	5,000 9.5% Cumulative Redeemable Preference Shares each fully paid in cash as revalued by Directors on 31.03.79	100.00	-	-
	TOTAL (2A)			-	-
	B. Trade Investments:				
	In Others:				
i)	Petronet India Limited	20,00,000 Equity Shares each fully paid in cash	10.00	**200.00**	200.00
ii)	Petroleum India International (Association of Persons-Oil Companies)	Seed Capital		**5.00**	5.00
iii)	Petroleum India International (Association of Persons-Oil Companies)	Share in accumulated surplus		**1,010.78**	914.17
	Total (2B)			**1,215.78**	1,119.17
	Total 2 (A+B)			**1,215.78**	1,119.17
	TOTAL			**1,624.58**	1,527.97

SCHEDULE "G" - INVENTORIES

(Rs. in Lakh)

	Note		As at 31-Mar-04	As at 31-Mar-03
1. In Hand:				
a. Stores & Spares etc.		345.72		356.24
Less: Provision for Losses		8.12		10.27
			337.60	345.97
b. Raw Materials	A		2,736.04	2,308.68
c. Finished Products	B		33,010.32	42,200.19
d. Stock-in-Process			266.60	185.26
Total (1)			36,352.48	45,100.10
2. In Transit				
a. Raw Materials			132.29	260.48
b. Finished Products			2,034.68	2,093.26
Total (2)			2,166.97	2,373.74
TOTAL			38,519.45	47,473.84

Note: Includes:

A. Stock lying with others	149.70	125.07
B. Stock lying with others	6,421.25	5,448.66

SCHEDULE "H" - SUNDRY DEBTORS

(Rs. in Lakh)

	Note		As at 31-Mar-04	As at 31-Mar-03
1. Over Six Months:				
a) Unsecured, Considered Good		565.23		188.84
b) Unsecured, Considered Doubtful		232.56		221.96
Total (1)			797.79	410.80
2. Others Debts				
a) Unsecured, Considered Good		9,004.52		13,064.15
b) Unsecured, Considered Doubtful		-		0.07
Total (2)			9,004.52	13,064.22
Total (1+2)			9,802.31	13,475.02
Less: Provision for Doubtful Debts			232.56	222.03
TOTAL	A		9,569.75	13,252.99

Note:

A. Includes Rs.194.16 Lakh (31-Mar-03 - Rs.164.67 Lakh) which are secured.

03-04

SCHEDULE "I" - CASH AND BANK BALANCES

(Rs. in Lakh)

	Note		As at 31-Mar-04	As at 31-Mar-03
1. Cash Balances				
a) Cash Balances including imprest		**55.84**		60.78
b) Cheques in Hand		**2,732.94**		2,033.61
			2,788.78	2,094.39
2. Balances with Scheduled Banks				
a) Current Accounts	A	**11,776.40**		9,665.88
b) Fixed Deposit Account		**51,800.00**		21,000.00
			63,576.40	30,665.88
3. Balances with Non-scheduled banks:				
a) Current Accounts				
i) Myanmar Economic Bank Branch(5), Rangoon - [Maximum Balance at any time during the year Rs. 87.65 Lakh (2002-03 Rs. 87.65 Lakh) at rate of exchange K.1=Rs. 7.0515(2002-03 K.1=Rs. 7.6615)]			**80.68**	87.65
TOTAL			**66,445.86**	32,847.92

Note:

A. Includes Rs. 2438.54 Lakh on account of Remittance in Transit (31.03.2003 - Rs.1342.03 Lakh).

SCHEDULE "J" - LOANS AND ADVANCES

(Rs. In Lakh)

	Note		As at 31-Mar-04	As at 31-Mar-03
1. Loans and Advances Recoverable in Cash or in Kind or for Value to be Received:	A			
From Others:				
a) Secured, Considered Good		**3,934.85**		4,336.13
b) Unsecured, Considered Good		**6,427.23**		3,164.74
c) Unsecured Considered Doubtful		**158.70**		104.45
Sub Total		**10,520.78**		7,605.32
Less : Provision for Doubtful Advances		**158.70**		104.45
			10,362.08	7,500.87
2. Claims Recoverable:				
a) Unsecured, Considered Good		**581.34**		571.50
b) Unsecured, Considered Doubtful		**113.02**		135.19
		694.36		706.69
Less: Provision for Doubtful Claims		**113.02**		135.19
			581.34	571.50
3. Amount Recoverable from Government			**1,426.48**	3,593.62
4. Balance with Customs, Port Trust and Excise Authorities: Unsecured, Considered Good			**393.97**	522.61
5. Sundry Deposits (including amount adjustable on receipt of final bills)				
From Others:				
a) Unsecured, Considered Good		**189.95**		187.20
b) Unsecured, Considered Doubtful		**0.43**		0.43
		190.38		187.63
Less: Provision for Doubtful Deposits		**0.43**		0.43
			189.95	187.20
TOTAL			**12,953.82**	12,375.80

Note:

A: Includes:

	Rs. in Lakh	Rs. in Lakh
1. Due from Directors	**1.40**	2.98
Maximum amount during the Year	**2.98**	5.39
2. Due from Other Officers	**4.59**	4.89
Maximum amount during the Year	**4.89**	5.15

SCHEDULE "K" - CURRENT LIABILITIES AND PROVISIONS

(Rs. In Lakh)

	Note	As at 31-Mar-04		As at 31-Mar-03
1. Current Liabilities				
a) Sundry Creditors				
i) Total Dues of Small Scale Industrial Undertakings	A	158.02		215.24
ii) Total Dues of Creditors other than Small Scale Industrial Undertakings		71,780.86		68,646.37
Total (a)		71,938.88		68,861.61
b) Other Liabilities		14,707.98		8,471.96
c) Investor Education & Protection Fund:				
-Unpaid/Unclaimed Dividend		137.04		99.40
d) Security Deposits		7,830.51		5,913.13
e) Interest Accrued but not due on Loans		3.78		7.69
			94,618.19	83,353.79
2. Due to Subsidiary/Holding/Group Companies:				
Indian Oil Corporation Limited			40,340.77	32,459.07
Chennai Petroleum Corporation Ltd.			189.61	151.95
Total Current Liabilities			135,148.57	115,964.81
3. Provisions				
a) Provision for Retirement benefits		3,278.39		1,521.99
b) Provisions for Taxation		25,302.60		14,244.86
Less: Advance Payment of tax		21,977.75		13,677.46
		3,324.85		567.40
c) Proposed Dividend		5,536.84		3,100.62
d) Corporate Dividend Tax		709.41		397.27
Total Provisions			12,849.49	5,587.28
TOTAL			147,998.06	121,552.09

Note:

A: Names of Small Scale Industrial Undertakings (SSI), to whom the Company owes any sum together with interest which are outstanding for more than 30 days, are disclosed in Schedule "Q" - Notes to Accounts.

SCHEDULE "L" - INCREASE/(DECREASE) IN STOCK

(Rs. In Lakh)

		For the year ended 31-Mar-04	For the year ended 31-Mar-03
Closing Stock			
a) Finished Products	35,045.00		44,293.45
b) Stock in Process	268.50		185.26
		35,313.50	44,478.71
Less:			
Opening Stock			
a) Finished Products	44,293.45		29,553.71
b) Stock in Process	185.26		209.95
		44,478.71	29,763.66
TOTAL		(9,165.21)	14,715.05

SCHEDULE "M" - INTEREST AND OTHER INCOME

(Rs. in Lakh)

	Note	For the Yyear ended 31-Mar-04		For the year ended 31-Mar-03
1. Interest on:				
a) Loans and Advances (Tax Deducted at Source Rs. 0.41 Lakh (31.3.03 - Rs.1.40 Lakh))		185.29		185.85
b) Short Term Loan to Indian Oil Corporation Ltd. (Tax Deducted at Source Rs. Nil (31.3.03 - Rs. 127.10 Lakh))		-		605.24
c) Fixed Deposits with Banks		-		[illegible]
d) Short term Deposits with Banks (Tax Deducted at Source Rs. 633.46 Lakhs (31.3.03 - Rs. 305.45 Lakhs))		[illegible]		1,605.84
e) Customer Outstandings		7.18		16.19
f) Others		[illegible]		56.97
			3,492.21	2,472.95
2. Dividend (Gross)				
a) From other than Subsidiary Companies *			103.78	47.03
3. Profit on Sale and Disposal of Assets			3.85	34.33
4. Unclaimed/unspent liability written back			463.48	[illegible]
5. Provisions for Doubtful Debts, Advances, Claims, Stock and Stores written back			12.08	[illegible]
6. Recoveries from Employees			182.73	115.75
7. Retail Outlet Licence Fees			[illegible]	569.58
8. Sale of Scrap			37.78	51.49
9. Miscellaneous Income	A		1,131.87	614.06
TOTAL			[illegible]	4,438.82

* Income on long term non-trade investments

Note:

A. Includes Rs. 96.60 Lakh towards share of accumulated surplus (tax free) of Petroleum India International, association of persons (31.3.2003 - Rs. 102.86 Lakh).

IBP

SCHEDULE "N" - MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. In Lakh)

			For the year ended 31-Mar-04	For the year ended 31-Mar-03
1.	Raw Material Consumed:			
	Opening Balance	2,649.16		1,812.89
	Add: Purchases	19,029.97		15,829.12
		21,679.13		17,642.01
	Less: Closing Stock	2,868.33		2,649.16
			18,810.80	14,992.85
2.	Consumption:			
	Stores, Spares and Consumables		612.89	584.10
3.	Power & Fuel		1,039.98	690.64
4.	Processing Fees, Blending Fees, Royalty & Other Charges		1,467.73	1,312.57
5.	Octroi, Other Levies and Irrecoverable Taxes		7,886.93	2,712.60
6.	Repairs and Maintenance			
	i) Plant & Machinery	563.89		676.61
	ii) Building	292.99		287.70
	iii) Others	144.77		208.87
			1,001.65	1,173.18
7.	Freight, Transportation Charges & Demurrage		10,263.00	10,122.66
8.	Payment to and Provisions for Employees:			
	i) Salaries,Wages, Bonus etc.	9,434.71		7,482.23
	ii) Contribution to Provident and other Funds	818.77		660.04
	iii) Voluntary Retirement Compensation	-		5.47
	iv) Staff Welfare Expenses	2,943.45		1,141.93
			13,196.93	9,289.67
9.	Office Administration, Selling and Other Expenses (Schedule "N-1")		13,502.31	11,429.99
	TOTAL		67,782.22	52,308.26

SCHEDULE "N-1" - OFFICE ADMINISTRATION, SELLING AND OTHER EXPENSES

(Rs. in Lakh)

		Note		For the year ended 31-Mar-04	For the year ended 31-Mar-03
1.	Rent			3,046.11	2,069.76
2.	Insurance			337.37	328.62
3.	Rates and Taxes			694.55	669.61
4.	Donations			8.39	5.85
5.	Payment to Auditors:				
	a) Audit Fees	A	3.88		4.94
	b) Tax Audit Fees		0.61		0.89
	c) Other Services		1.88		1.88
	d) Out of Pocket Expenses		1.13		1.52
				7.50	9.23
6.	Travelling and Conveyance			2,028.02	1,526.75
7.	Communication Expenses			454.65	412.02
8.	Printing and Stationery			316.94	275.31
9.	Electricity and Water			306.54	320.11
10.	Bank Charges			421.78	397.13
11.	Bad Debts, Advances and Claims Written Off			2.80	36.51
12.	Loss on Assets Sold, Lost or written off			95.34	79.91
13.	Exchange Fluctuation (Net)			5.80	0.96
14.	Provision for Doubtful Debts, Advances, Claims and Obsolescence of Stores			86.44	86.65
15.	Security Force Expenses			210.96	237.29
16.	Sales Promotion Expenses			1,694.69	1,943.52
17.	Handling Expenses			1,739.06	1,117.08
18.	Other Expenses			2,046.37	1,913.68
	TOTAL			13,502.31	11,429.99

Note:

A. Includes Rs. Nil on account of increase in audit fees for the year 2001-02 (31.3.2003 - Rs.1.05 Lakh).

SCHEDULE "O" - INCOME / EXPENSES RELATING TO PREVIOUS YEARS

(Rs. in Lakh)

	Note	For the year ended 31-Mar-04	For the year ended 31-Mar-03
Income:			
1. Miscellaneous Income	A	90.31	122.97
Total Income		90.31	122.97
Expenditure:			
1. Depreciation and Amortisation		-	17.20
2. Other Expenses		591.23	155.02
Total Expenses		591.23	172.22
NET INCOME/(EXPENDITURE)		(500.92)	(49.25)

SCHEDULE "P" - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The financial statements are prepared under historical cost convention in accordance with the mandatory accounting standards issued by The Institute of Chartered Accountants of India and the provisions of The Companies Act, 1956.

2. FIXED ASSETS

2.1 Land

2.1.1 Land acquired on lease for over 99 years and on perpetual lease is treated as freehold land.

2.2 Expenditure during construction period

2.2.1 Revenue expenses exclusively attributable to projects incurred during construction period are capitalised.

2.3 Depreciation

2.3.1 Depreciation on Fixed Assets is provided in accordance with the rates specified in Schedule XIV of The Companies Act, 1956, on straight line method up to 95% of the cost of fixed asset. Depreciation is charged pro-rata on quarterly basis on assets from/up to the quarter of capitalisation/sale, disposal and dismantled during the year.

Assets costing up to Rs. 5000/- are depreciated @100% in the year of capitalisation.

2.3.2 Cost of leasehold land for 99 years or less is amortised during the lease period.

3. INTANGIBLE ASSETS

3.1 RESEARCH AND DEVELOPMENT COST

All expenditure, other than on capital account, on research and development is charged to Profit & Loss Account.

4. INVESTMENTS

4.1 All long term investments are valued at cost and provision for diminution in value, thereof is made, wherever such diminution is not temporary.

4.2 All current investments are valued at lower of cost or fair market value.

5. CURRENT ASSETS AND PROVISIONS

5.1 Inventories

5.1.1 Raw Materials

Raw materials are valued at weighted average cost or net realisable value whichever is lower. Stock in process is valued at raw materials cost and allocated overheads at the factory cost level or net realisable whichever is lower. Stock in process of containers is determined on First In First Out (FIFO) basis.

5.1.2 Stores and Spares

Stores and spares are valued at weighted average cost. In case of surplus/obsolete stores and spares, provision is made for likely loss or gain and charged to revenue.

5.1.3 Finished Goods

Finished products are valued at cost or net realisable value whichever is lower. Cost of petroleum products/cryogenic containers & cryo-vessels are valued on FIFO basis. Cost of explosives, lubes & greases are determined at weighted average cost.

5.2 Claims and Provisions

5.2.1 Claims on Petroleum Planning Analysis Cell / Government are booked on the basis of acceptance in principle/approval thereof. Such claims and provisions are booked on the basis of available instructions/clarifications subject to final adjustment as per separate audit.

5.2.2 Other claims are accounted when there is certainty that the claims are realisable.

6. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

6.1 Show-Cause Notices received from various Government authorities are not considered as contingent liabilities. When the demand notices are raised against such show cause notices, after considering Company's views, these demands are either paid or treated as liabilities, if accepted by the Company and are treated as contingent liability, if disputed by the Company.

6.2 Capital commitments and contingent liabilities are those which exceed Rs. 5 lakh in each case.

7. PROFIT & LOSS ACCOUNT

7.1 Sales of Products

Adjustments pertaining to purchase of raw materials/finished products, sales and others as admissible under the erstwhile Administered Pricing Mechanism are accounted as "net claim from/(surrender to) Industry Pool Accounts"/Government.

7.2 Payment under Voluntary Retirement Scheme

Compensation paid under Voluntary Retirement Scheme is charged off in the year of payment.

7.3 Prepaid Expenses

Prepaid expenses up to Rs.1,00,000/- in each case are charged to revenue.

7.4 Previous Year Adjustments

Income & expenditure upto Rupees Five Lakh in each case pertaining to prior years are accounted for in the current year.

7.5 Borrowing Cost

Borrowing costs, on weighted average basis, that are attributable to construction of qualifying assets are capitalised as part of the cost of such assets. Qualifying assets is the one that necessarily take substantial period of time to get ready for intended use.

7.6 Revenue Grants (Subsidy)

Revenue grants are reckoned as per the scheme notified by Government of India from time to time.

8. Retirement Benefits

8.1 Gratuity

Payment of gratuity is made through trust and the amount of contribution, based on actuarial valuation, is charged to Profit & Loss Account.

8.2 Leave Encashment/Post Retirement Medical Benefits

Accruing liability is charged to Profit & Loss Account based on actuarial valuation.

9. Foreign Exchange Transactions

9.1 Transactions in foreign currency are converted at the exchange rates on the respective dates of transactions. Variation, if any, on actual realisation/payment are considered in the Profit & Loss Account.

9.2 Current Assets and Current Liabilities are translated at the exchange rates prevailing on the date of the Balance Sheet (except transactions with forward cover) and difference, if any, is charged to Profit & Loss Account.

9.3 Liabilities on account of acquisition of Fixed Assets are translated at the exchange rates on the date of the Balance Sheet. The variation is added to or reduced from historical cost of the Fixed Asset.

SCHEDULE "Q" - NOTES ON ACCOUNT

1. Contingent Liabilities not provided for:

		2003-04 Rs. In Lakh	2002-03 Rs. in Lakh
a)	In respect of law suits and other claims, which are being contested by the Company and the liabilities whereof are not admitted by the Company	**1382.60**	4346.06
b)	Counter Guarantees given to Banks in respect of Bank Guarantee / Letter of Credit issued by them on behalf of the Company	**80.01**	129.47
c)	In respect of various Excise, Sales Tax and Income Tax demand pending in appeals, liabilities whereof are not admitted by the Company	**12169.23**	10154.80
2.	Estimated Amount of Contracts remaining to be executed on Capital Accounts and not provided for	**9402.23**	10702.17
3.	Profit & Loss Account includes:		
(a)	Research and Development expenditure (Net of Grant received)	**281.89**	233.59
(b)	Managerial Remuneration:		
(i)	Salary & Allowances	**23.39**	22.71
(ii)	Contribution to Provident & Other Funds	**2.82**	2.25
(iii)	Other Benefits and Perquisites	**2.69**	3.24
		28.90	28.20

In addition, whole-time Directors are also allowed the use of Company's car for private purposes up to 12000 kms per annum on a payment of Rs. 520 per month for car less than 16 hp.

4. a) A sum of Rs. 0.14 lakh (Rs. 0.12 lakh) has been provided as interest due to small scale and ancillary Industrial Undertakings on account of delayed payment beyond payment terms as per Purchase Order, to the extent identified based on documents / information available with the Company.

   b) The names of the Small Scale Industrial Undertakings to which the Company owes any sum together with interest outstanding for more than 30 days, are as under:

   Mary Engineering, R A Engineering, Pri Job Products, Shriram Enterprises, Satyanarayan Wood Industries, Navbharat Fuse Co., Mohanlal Poornachand, Kraps Chem P Ltd., Solar Chem Ferts Pvt. Ltd., Tytan Organics, Monarch Plastics Pvt. Ltd., Prithiviraj Poly Fab, Bilaspur Corrugated, Bhilai Conductor, Bindra Chemicals, Chemical Udyog, Rudrakhsha Chemicals & Minerals, Relytec Chemicals, Nitrate Producers, Rasayan Udyog, Chawra Plastics, Poly Packaging, Shri Balaji, Sandigo Enterprise.

5. The Company has continuous transactions with other Oil Marketing Companies on a day-to-day basis and reconciliation is an on-going process. As such the balance with other Oil Marketing Companies, including stocks held by them are subject to confirmation. Similarly, balances of debtors, advances, deposits, loans and sundry creditors are subject to confirmation.

6. Assets and Liabilities include certain transactions on account of short/excess credits given by banks for which clarifications are pending from them.

7. Sales exclude Sales Tax but include excise/customs duties wherever applicable. Also the value of Closing Stock of finished products is inclusive of excise duty wherever applicable.

8. Income from sale of scrap is accounted for on realisation.

9. Deposits made other than Trade Deposits not exceeding Rs.10,000/- per case are charged off to revenue in the year of payment.

10. As per accounting policy of the Company, income and expenditure up to Rupees five lakhs in each case pertaining to prior years are accounted for in the current year, the quantum of which is not ascertainable.

11. As per the guidelines/mechanism communicated by Petroleum Planning Analysis Cell (PPAC) for sharing of industry under recoveries of SKO and LPG arising out of non-revision in the selling prices of PDS Kerosene and Domestic LPG during 2003-04, net surrender by the Company works out to Rs.1271.92 lakh for the year 2003-04.

12. Consequent upon expiry, effective 1st April 2003, of 'The Irrecoverable Taxes Compensation Scheme, 2002' which was applicable to MS, HSD, SKO & LPG, State surcharges collected through consumer selling prices of these products net of irrecoverable taxes on them amounting to Rs.8367.84 lakh has been accrued as income during the year 2003-04. However, during the year 2002-03, State surcharges collected through consumer selling prices net of irrecoverable taxes for MS, HSD, SKO & LPG amounting to Rs.7238.96 lakh was surrendered to PPAC due to existence of the scheme.

13. Pending issue of suitable notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under section 441A of the Companies Act, the Company has not made any provision for the same.

14. Fixed Assets include Gross Block Rs. 647.74 lakh, Accumulated Depreciation Rs. 83.33 lakh, and Net Block Rs.564.41 lakh towards facilities not currently in use at Muzaffarpur Depot. While the Railway siding is likely to be sold to Bharat Petroleum Corporation Limited, the utilisation of Depot in other useful manner would be finalised in consultation with Indian Oil Corporation Limited (Holding Company) as a part of synergy exercise.

15. Capital work-in-Progress (Schedule E) includes Rs.1666.14 lakh pertaining to Asoj Terminal which is to be handed over to Indian Oil Corporation Limited (Holding Company) as a part of synergy exercise.

16. Disclosure relating to Loans & Advances under Clause 32 of the listing agreement:

Particulars	Amount as at		Maximum amount outstanding during year ended	
	31.03.2004	31.03.2003	**31.03.2004**	31.03.2003
A. Loans and Advances in the nature of Loans				
i. To Holding Company Indian Oil Corporation Ltd.	**Nil**	Nil	**Nil**	Rs. 32,900 lakh
ii. To Associates	**Nil**	Nil	**Nil**	Nil
iii. To Firms/Companies in which Directors are interested	**Nil**	Nil	**Nil**	Nil
iv. Where there is no repayment schedule or repayment beyond seven years	**Nil**	Nil	**Nil**	Nil
v. No interest below Section 372 of the Companies Act	**Nil**	Nil	**Nil**	Nil

17. Amount remitted in Foreign Currency towards Dividend:

	2003-04	2002-03
i) Number of non-resident shareholders	**3**	3
ii) Number of shares held by them	**2016**	1526
iii) Amount of Dividend remitted (Rs./Lakh)	**0.26**	0.10

18. Segment Information (Accounting Standard 17):

(Rs. in Lakh)

Sl. No.	Particulars		Year	Petroleum	Explosives	Cryogenic	Total
a.	**Revenue**						
	External	:	**2003-04**	**1018,914.49**	**8,519.97**	**1,435.92**	**1028,870.38**
		:	2002-03	[884,455.86]	[10,018.28]	[2,095.37]	[896,569.51]
	Inter Segment	:	**2003-04**	-	-	-	-
		:	2002-03	[-]	[-]	[-]	[-]
	Total Revenue	:	**2003-04**	**1018,914.49**	**8,519.97**	**1,435.92**	**1028,870.38**
		:	2002-03	[884,455.86]	[10,018.28]	[2,095.37]	[896,569.51]
b.	**Result**						
	Segment Result	:	**2003-04**	**31,231.04**	**(970.50)**	**(88.90)**	**30,171.64**
		:	2002-03	[11,932.17]	[(298.95)]	[125.76]	[11,758.98]
	Interest Expenses	:	**2003-04**				**6.80**
		:	2002-03				[48.75]
	Interest Income	:	**2003-04**				**3,492.21**
		:	2002-03				[2,472.95]
	Prior Period Income / (Expenses)	:	**2003-04**				**(500.92)**
		:	2002-03				[(49.25)]
	Dividend income and profit on sale of investment	:	**2003-04**				**103.78**
		:	2002-03				[47.06]
	Impact due to changes in Accounting Policy	:	**2003-04**				-
		:	2002-03				[(107.00)]

Profit before Tax	:	**2003-04**				**33,259.91**
	:	2002-03				[14,073.99]
Provision for Tax	:	**2003-04**				**11,793.85**
	:	2002-03				[5,299.10]
Profit after Tax	:	**2003-04**				**21,466.06**
	:	2002-03				[8,774.89]
c. Other Information						
Segment Assets	:	**2003-04**	**155,767.00**	**7,399.15**	**2,364.02**	**165,530.17**
	:	2002-03	[146,875.84]	[7,198.30]	[2,558.67]	[156,632.81]
Corporate Assets	:	**2003-04**				**53,424.58**
	:	2002-03				[22,425.11]
Segment liabilities	:	**2003-04**	**140,736.92**	**3,389.03**	**547.27**	**144,673.22**
	:	2002-03	[117,626.32]	[2,844.27]	[514.21]	[120,984.80]
Corporate liabilities	:	**2003-04**				**11,681.02**
	:	2002-03				[8,187.46]
d. Capital Expenditure	:	**2003-04**	**20,002.15**	**162.97**	**18.45**	**20,183.57**
	:	2002-03	[8,224.37]	[108.36]	[27.34]	[8,360.57]
e. Depreciation	:	**2003-04**	**3,861.99**	**219.50**	**45.21**	**4,126.70**
	:	2002-03	[4,162.23]	[227.67]	[49.54]	[4,439.44]
f. Non-cash expenditure other than depreciation	:	**2003-04**	-	-	-	-
	:	2002-03	-	-	-	-

Note: i) The company operates through three recognised segments i.e.

- Petroleum comprising of Petroleum products, LPG and Lubes & Greases.
- Explosives comprising of Industrial Explosives, Site Mix Slurry Explosives, Detonating Fuse and Cast Boosters.
- Cryogenics comprising of Cryo-containers, Industrial Containers & Accessories.

The segments are the basis on which the Company reports its primary Segment Information.

ii) Segment revenue in each of the above domestic business segments primarily includes Sales less commissions & discounts, Net Claim from / (surrender to) Industry Pool A/C, Subsidy from Government of India and Income other than Interest Income, Dividend Income and Profit from Sale of Investment.

iii) Since the Company's entire business activity is within the country, no segmentation on geographical basis has been done.

19. Related Party Disclosures (Accounting Standard 18):

Name of Related Party	**Nature of Transactions**	**Amount of Transaction during the year (Rs. in Lakh) 2003-04**	**2002-03**
A) Key Management Personnel			
Whole-time Directors			
i) Shri Arun Jyoti			
ii) Shri A. K. Sinha			
iii) Shri R. S. Guha (up to 31.12.2003)			
B) Details relating to persons referred to in A above			
Remuneration		28.90	28.20
Interest Income on loans given		-	-
Rent paid for residential flat		4.59	4.62
Outstanding Loans receivable		1.41	2.98

20. Disclosure in respect of Lease of Tank wagon (Accounting Standard 19):

		2003-04 Rs. in Lakh	2002-03 Rs. in Lakh
a)	Gross Investment in Finance Lease	3250.46	3250.46
	Less: Unearned Finance Income	348.26	464.87
	Finance Income received	990.09	873.48
	Minimum Lease payment received	952.45	763.11
	Net Investment in Finance Lease	959.66	1149.00
b)	Unearned Finance Income	348.26	464.87
c)	Present Value of Minimum Lease payment receivable		
	- not later than one year	208.55	189.34
	- later than one year and not later than five years	598.95	746.57
	- later than five years	152.16	213.09
		959.66	1149.00
d)	Break up of Unearned Income		
	- not later than one year	97.40	116.61
	- later than one year and not later than five years	185.36	261.14
	- later than five years	65.50	87.12
		348.26	464.87

21. Earnings per Share (Accounting Standard 20):

		Year ended 31.03.2004	Year ended 31.03.2003
i.	Profit attributable to the Equity Shareholders (Rs. in Lakh)	21,466.06	8,774.89
ii.	Add: Interest on Fully Convertible debentures (Rs. in Lakh)	0.07	0.13
iii.	Adjusted net Profit (Rs./Lakhs) [i + ii]	21,466.13	8,775.02
iv.	Basic number of Equity Shares	221,47,369	221,47,269
v.	Add: Potential number of Equity Shares	95	195
vi.	Diluted number of Equity shares (iv + v)	221,47,464	221,47,464
vii.	Nominal Value of Equity Shares (Rs.)	10	10
viii.	Basic Earnings per Share (Rs.)	96.92	39.62
ix.	Diluted Earnings per Share (Rs.)	96.92	39.62

22. Deferred Tax Asset / (Liability) – Accounting Standard 22:

(Rs. in Lakh)

Items		As on 31.03.2004	As on 31.03.2003
a)	Depreciation	(10414.04)	(9017.72)
b)	Compensation under Voluntary Retirement Scheme	478.80	718.74
c)	Others *	1579.07	678.92
	Net Deferred Tax Liability	(8356.17)	(7620.06)

* Includes Rs. 824.47 Lakh (Rs. 313.35 Lakh) towards Capital Gain on Investments in quoted shares, estimated as per the market value as on 31st March 2004, to be set off against carry forward Capital Loss.

23. In accordance with the approval from Department of Company Affairs, Ministry of Law, Justice and Company Affairs, vide approval 46/57/98/CL – III dated 13.05.98, the figures have been shown in Rupees lakh.

24. Figures for the previous year have been re-arranged, re-grouped, re-adjusted and/or re-classified to make them comparable with the figures of the current year wherever necessary except in case of minor items.

	Sd/-	Sd/-	Sd/-
Camp: New Delhi	(Dr. N.G. Kannan)	(A. K. Sinha)	(Amit Ghosh)
Date : 20th May 2004	Managing Director	Director (Finance)	Company Secretary

SCHEDULE "R" - LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

		Unit	Licensed Capacity		Installed Capacity		Actual Production	
			March'04	March'03	**March'04**	March'03	**March'04**	March'03
1	Cryocontainer and Accessories	Nos.	**13,000**	13,000	**16,500**	16,500	**7,496**	10,489
2	Industrial Explosives (Cartridge)	MT	**22,416**	22,416	**20,000**	20,000	**7,283**	6,399
3	Site Mixed Slurry Explosives	MT	**102,084**	102,084	**65,500**	65,500	**44,983**	49,500
4	Detonating Fuse	Mmtrs	**15**	15	**5**	5	**5**	4.11
5	Cast Boosters	MT	**120**	120	**40**	40	**68**	60
6	Lubes	KL	**39,000**	39,000	**39,000**	39,000	**22,720**	19,770

SCHEDULE "S" - FINISHED PRODUCTS - QUANTITY AND VALUE PARTICULARS

(Fig. in Lakh)

		Units	Opening Stock		Purchases		Sales		Closing Stock	
			Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.
1.	PETROLEUM PRODUCTS:	MTs								
	Year ended 31-Mar-04		**1.763**	**40,514.76**	**45.055**	**916,572.67**	**45.436**	**1,019,721.95**	**1.392**	**31,072.65**
	Year ended 31-Mar-03		1.852	26,252.31	42.151	800,230.32	42.262	846,215.82	1.763	40,514.76
2.	LUBRICANTS & GREASES:	MTs								
	Year ended 31-Mar-04		**0.075**	**3,186.40**	**-**	**-**	**0.326**	**21,518.65**	**0.073**	**3,326.73**
	Year ended 31-Mar-03		0.068	2,779.65	-	-	0.296	18,460.23	0.075	3,186.40
3.	EXPLOSIVES:	MTs								
	Year ended 31-Mar-04		**0.003**	**77.66**	**-**	**-**	**0.523**	**8,969.91**	**0.002**	**77.13**
	Year ended 31-Mar-03		0.003	71.75	-	-	0.559	9,502.26	0.003	77.66
4.	CRYOCONTAINERS / CRYOVESSELS:									
	Year ended 31-Mar-04	**Nos**	**0.06**	**490.34**			**0.08**	**1,636.88**	**0.05**	**521.54**
	Year ended 31-Mar-03		0.04	433.86			0.09	1,915.39	0.06	490.34
5.	OTHERS									
	Year ended 31-Mar-04			**24.29**		**325.23**		**3,266.04**		**46.95**
	Year ended 31-Mar-03			16.14		240.48		2,328.09		24.29
	TOTAL									
	Year ended 31-Mar-04			**44,293.45**		**916,897.90**		**1,055,133.43**		**35,045.00**
	Year ended 31-Mar-03			29,553.71		800,470.80		878,421.79		44,293.45

SCHEDULE "S-1" - INCOME FROM SALES

(Rs. in Lakh)

Class of Goods Sold	Unit of Quantity	For the year ended 31-Mar-04 Quantity	Rupees	Rupees	For the year ended 31-Mar-03 Quantity	Rupees	Rupees
I. Business Group (Petroleum)							
Sales to Dealers/Customers:							
Motor Spirit	KL	905,137	241,150.73		782,455	190,042.39	
High Speed Diesel	KL	3,566,106	640,905.56		3,207,958	522,655.64	
Light Diesel Oil	KL	13,841	2,310.56		1,454	219.86	
Kerosene	KL	626,372	51,540.59		644,916	52,994.61	
Furnace Oil	KL	5,630	634.45		1,774	208.21	
Liquid Petroleum Gas	MT	33,723	5,093.04		24,914	3,766.24	
Compressed Natural Gas	MT	5,271	654.57		4,285	689.99	
Bitumen	MT	47	6.23		912	100.09	
Lubricants	KL	34,855	20,600.93		32,079	17,926.76	
Grease	MT	1,278	917.72		805	533.47	
				964,014.40			789,137.26
Sales to OMCs:							
Motor Spirit	KL	178,236	42,773.80		132,489	29,057.24	
High Speed Diesel	KL	178,728	29,329.05		230,603	33,169.94	
Kerosene	KL	29,378	3,601.56		42,815	4,750.49	
Furnace Oil	KL	261	25.46		2,049	200.82	
Low Sulphur Heavy Stock	MT	-	-		28,990	3,038.79	
Naphtha	MT	-	-		32,826	3,794.69	
Liquid Petroleum Gas	MT	-	-		2,563	380.75	
Ethanol	KL	-	-		169	37.15	
				75,729.87			74,429.87
Income on account of OMC Charges				1,496.33			1,108.92
Income from company owned outlets				2,727.38			2,044.23
Accessories				8.27			5.12
Sub total				1,043,976.25			866,725.40
II. Business Group (Explosives)							
Industrial Explosives	MT	7,291	1,828.49		6,425	1,530.42	
SMS Explosives	MT	44,983	7,161.42		49,500	7,971.84	
Others	-		530.39			278.65	
				9,520.30			9,780.91
III. Business Group (Engineering)							
Cryocontainers and Accessories *	Nos.	8,163	1,083.79		8,696	1,313.59	
Cryovessels	Nos.	58	553.09		56	601.80	
Others	-		-			0.09	
				1,636.88			1,915.48
TOTAL				1,055,133.43			878,421.79

* Cryocan sales quantity shown above is net of free replacement under warranty obligation of 6 nos. (31.03.2003 - 37 nos.) and 10 nos. (31.03.2003 - 22 nos.) sales return/ non-billing samples received back.

SCHEDULE "S-2" - PURCHASE OF PETROLEUM PRODUCTS

(Rs. In Lakh)

	Unit of Quantity	For the year ended 31-Mar-04		For the year ended 31-Mar-03	
		Quantity	Rupees	Quantity	Rupees
Motor Spirit	KL	1,079,764	241,682.45	921,746	189,131.11
High Speed Diesel	KL	3,705,444	588,276.23	3,441,433	510,970.71
Light Diesel Oil	KL	13,841	2,067.33	1,454	187.77
Kerosene	KL	657,713	71,867.08	682,546	78,014.97
Furnace Oil	KL	3,487	344.36	4,866	451.98
Low Sulphur Heavy Stock	MT			24,679	2,210.29
Naphtha	MT			21,914	2,447.08
Liquid Petroleum Gas	MT	33,891	5,962.74	27,331	5,199.17
Compressed Natural Gas	MT	5,271	835.67	4,285	667.45
Others			5,536.81		10,949.79
			916,572.67		800,230.32

SCHEDULE "T" - CONSUMPTION PARTICULARS OF RAW MATERIALS/STORES/SPARES & COMPONENTS

	Unit	Imported		Indigenous		Quantity	TOTAL
		Value Rs. In Lakh	% to total consumption	Value Rs. In Lakh	% to total consumption		(Rs. In Lakh)
March'04							
Chemicals	MT	1,070.13	24	3,429.75	76	42,658	4,499.88
Corrugated Boxes	Nos.	-	-	74.86	100	290,172	74.86
Plates & Sections	Nos.					10,951	
	Kg	65.16	21	242.98	79	8,818	308.14
	MT					248	
Base Oil	KL	-	-	5,475.53	100	29,706	5,475.53
Additives	MT	-	-	328.81	100	3,551	328.81
LSHF/Other Chemicals	KL	-	-	1,948.54	100	1,983	1,948.54
Ethanol	KL	-	-	3,021.97	100	10,258	3,021.97
Packing Materials		-	-	1,554.49	100	-	1,554.49
Vacuum Items and Components		15.64	9	159.74	91	-	175.38
Others		47.47	3	1,375.73	97		1,423.20
		1,198.40		17,612.40			18,810.80
Stores/Spares & Components		2.48	-	610.41	100	-	612.89
Total		1,200.88		18,222.81			19,423.69
March'03							
Chemicals	MT	779.35	16	4,056.46	84	45,922	4,835.81
Corrugated Boxes	Nos.	-	-	55.36	100	256,061	55.36
Plates & Sections	Nos.					9,832	
	Kg	93.90	25	288.39	75	12,505	382.29
	MT					328	
Base Oil	KL	-	-	5,124.53	100	29,381	5,124.53
Additives	MT	-	-	1,908.84	100	2,875	1,908.84
LSHF/Other Chemicals	KL	-	-	239.38	100	1,464	239.38
Packing Materials		-	-	1,145.68	100		1,145.68
Vacuum Items and Components		49.96	21	192.17	79		242.13
Others		22.53	2	1,036.30	98		1,058.83
		945.74		14,047.11			14,992.85
Stores/Spares & Components		-	-	584.10	100		584.10
Total		945.74		14,631.21			15,576.95

SCHEDULE "U" - EXPENDITURE IN FOREIGN CURRENCY

	March'04	(Rs. in Lakh) March'03
Travelling	12.41	8.73
Purchases	-	0.08
Others	9.56	2.50
	21.97	11.31

SCHEDULE "V" - EARNING IN FOREIGN EXCHANGE

	March'04	(Rs. In Lakh) March'03
Export Sales (F.O.B. Value)	446.26	111.72
	446.26	111.72

SCHEDULE "W" - CIF VALUE OF IMPORTS

	March'04	(Rs. In Lakh) March'03
Raw Materials	855.65	908.71
Components & Spares	14.51	3.24
Capital Goods	18.31	-
	888.47	911.95

SCHEDULE "X" - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	**Registration Details:**	
	Registration No.	**11529**
	State Code	**21**
	Balance Sheet Date	**31st March 2004**
II.	**Capital Raised During the Year (Rs. In Lakh):**	
	Public Issue	**NIL**
	Rights Issue	**NIL**
	Bonus Issue	**NIL**
	Private Placement	**NIL**
III.	**Position of Mobilisation and Deployment of Funds (Rs. In Lakh):**	
	Total Liabilities	**70,957**
	Total Assets	**70,957**
	Sources of Funds :	
	Paid-up Capital	**2,215**
	Reserves & Surplus	**60,386**
	Deferred Tax Liability	**8,356**
	Application of Funds:	
	Net Fixed Assets	**88,746**
	Finance Lease Receivables	**960**
	Investments	**1,625**
	Net Current Assets	**(20,374)**
	Miscellaneous Expenditure	**NIL**
	Accumulated Losses	**NIL**
IV.	**Performance of the Company (Rs. in Lakh):**	
	Turnover	**1,014,819**
	Total Expenditure	**989,540**
	Profit/ (Loss) before Tax	**33,260**
	Profit/ (Loss) after Tax	**21,466**
	Earning per Share (in Rupees)	**96.92**
	Dividend Rate	**350%**
V.	**Generic Names of three Principal Products / Services of the Company (As per monetary terms)**	
	Item Code No. (ITC Code)	**Product Description**
	2710	Petroleum Products *
	2710 90	Lubricants
	3602	Industrial Explosives

* Represents purely trading items.

IBP

CASH FLOW STATEMENT for the year ended 31st March 2003

(Rs. in Lakh)

		For the Year ended 31-Mar-04	For the Year ended 31-Mar-03
A.	**Cash Flow from Operating Activities**		
	1. Profit Before Tax	**33,260**	14,074
	2. Adjustments for :		
	Depreciation	**4,127**	4,439
	Loss/(Profit) on Sale of Assets (Net)	**91**	46
	Interest Income on Deposits, Loans and Advances	**(3,492)**	(2,473)
	Dividend Income on Investment	**(104)**	(47)
	Interest Expenditure	**7**	49
	Foreign Exchange Difference Gain/(Loss)	**(7)**	6
B.	**Operating Profit before Working Capital Changes (1+2)**	**33,882**	16,094
C.	**Change in Working Capital (Excluding Cash & Bank Balances)**		
	Trade and other Receivables	**3,185**	(5,425)
	Inventories	**8,954**	(15,554)
	Trade and Other Payables	**20,904**	39,293
	Change in Working Capital	**33,043**	18,314
D.	**Cash Generated From Operations (B+C)**	**66,925**	34,408
E.	**Less: Taxes Paid**	**8,300**	3,370
F.	**Net Cash Flow from Operating Activities (D-E)**	**58,625**	31,038
G.	**Cash Flow from Investing Activities :**		
	Sale of Assets	**316**	136
	Interest income on Deposits Loans and Advances	**3,492**	2,473
	Dividend Income on Investments	**104**	47
	Purchase of Assets	**(19,633)**	(8,286)
	Share in Accumulated Surplus of Petroleum India International	**(97)**	(103)
	Expenditure on Construction WIP	**(3,243)**	(3,052)
	Net Cash used in Investing Activities	**(19,061)**	(8,785)
H.	**Net Cash Flow from Financing Activities:**		
	Proceeds from/(Repayment of short Term Borrowings)	**-**	-
	Interest Paid	**(7)**	(49)
	Dividend Paid/ Dividend Tax Paid	**(5,959)**	(2,205)
	Net Cash generated/(used) from Financing Activities:	**(5,966)**	(2,254)
I.	**Net Change in Cash & Cash Equivalent (F+G+H)**	**33,598**	19,999
J.	**Cash and Cash Equivalents as at end of the Financial Year**	**66,446**	32,848
K.	**Less: Cash and Cash Equivalents as at beginning of the Financial Year**	**32,848**	12,849
	NET CHANGE IN CASH & CASH EQUIVALENTS (J-K)	**33,598**	19,999

Note:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by ICAI.
2. Total tax paid during the year includes Rs. 633.87 lakh (31.3.2003 - Rs. 433.95 lakh) towards tax deducted at source on interest received, which is included in interest received from investing activities.
3. Previous year's figures have been regrouped and rearranged wherever necessary to conform to the current year's classification.

In terms of our separate report of even date

	Sd/-	Sd/-	Sd/-
For Sarma & Co.	**(Dr. N.G. Kannan)**	**(A. K. Sinha)**	**(Amit Ghosh)**
Chartered Accountants	Managing Director	Director (Finance)	Company Secretary

Sd/-
R L Das Sarma
Partner

Camp : New Delhi
Date : 20th May 2004

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of IBP Co. Limited, Kolkata for the year ended 31st March 2004

I have to state that the Comptroller & Auditor General of India has no comment upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act 1956 on the accounts of IBP Co. Limited, Kolkata for the year ended 31st March 2004.

Sd/-
(S.B. Pillay)
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-I,
Kolkata

Dated Kolkata
The 19th July 2004

Review of Accounts of IBP Co. Limited for the year ended 31st March 2004 by the Comptroller & Auditor General of India

(Review of accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualifications contained in Statutory Auditors' Report.)

1. FINANCIAL POSITION

(Rs. in Crore)

		2001-2002	2002-2003	**2003-2004**
Liabilities				
(a)	Paid-up capital			
	Government	13.20	17.63	**11.87**
	Others	8.95	4.52	**10.28**
(b)	Reserves and Surplus			
	(i) Free Reserves & Surplus	330.53	383.36	**510.50**
	(ii) Share Premium	88.65	88.65	**88.65**
	(iii) Capital Reserves	4.70	4.70	**4.70**
(c)	Current Liabilities & Provision	803.99	1215.52	**1479.98**
(d)	Deferred tax liability	64.38	76.20	**83.56**
	Total	1314.40	1790.58	**2189.54**
Assets				
(e)	Gross block	793.89	874.15	**1067.26**
(f)	Less: Cumulative Depreciation	175.93	218.80	**255.59**
(g)	Net Block	617.96	655.35	**811.67**
(h)	Capital Work-in-Progress (Including dismantled capital stores)	18.92	48.70	**75.79**
(i)	Investments	27.46	26.77	**25.84**
(j)	Current Assets, Loans and Advances	650.06	1059.76	**1276.24**
	Total	1314.40	1790.58	**2189.54**
(k)	Working Capital (j-c)	(-)153.93	(-)155.76	**(-)203.74**
(l)	Capital Employed (g+k)	464.03	499.59	**607.93**
(m)	Net Worth [a+b(i)+b(ii)]	441.33	494.16	**621.30**
(n)	Net Worth per rupee of paid-up capital (in Rupees)	19.92	22.31	**28.05**

IBP

2. **WORKING RESULTS**

(Rs. in Crore)

		2001-2002	2002-2003	2003-2004
(i)	Sales	8456.26	8763.78	**10551.33**
(ii)	Less: Excise Duty	417.03	339.28	**386.46**
(iii)	Net Sales	8039.23	8424.50	**10164.87**
(iv)	Claims/surrender to pool A/c	(-)387.07	-	-
(v)	Subsidy on LPG & SKO	-	172.97	**115.54**
(vi)	Other income	72.18	64.83	**60.93**
(vii)	Profit/Loss before Tax and Prior Period Adjustment	282.66	141.23	**337.61**
(viii)	Prior Period Adjustment	7.29	(-)0.49	**(-)5.01**
(ix)	Profit/Loss before Tax	289.95	140.74	**332.60**
(x)	Tax provision	94.16	52.99	**117.94**
(xi)	Profit after Tax	195.79	87.75	**214.66**
(xii)	Dividend including Tax on Dividend	22.15	34.98	**87.45**

3. **RATIO ANALYSIS**

Some important financial ratios on the financial health and working of the company at the end of last three years are as under:

(In Percentage)

	2001-2002	2002-2003	2003-2004
A. Liquidity Ratio			
Current Ratio	75	87	**86**
B. Profitability Ratio			
a) Profit before Tax to:			
(i) Capital Employed	72.55	28.17	**54.71**
(ii) Net Worth	65.70	28.48	**53.53**
(iii) Sales	3.59	1.57	**3.12**
b) Profit after Tax to Equity Capital	883.93	396.16	**969.12**
c) Earning per Share (Rupees)	88.40	39.62	**96.91**

4. **SOURCES AND UTILISATION OF FUNDS**

Funds amounting to Rs. 280.17 crore from internal and external sources were generated and utilised during the year as shown below:

(Rs. in Crore)

Sources of Funds		
Profit after Tax	214.66	
Less: Adjustment in devaluation exchange difference reserve	0.07	
	214.59	
Add: Deferred tax	7.36	
Add: Depreciation	36.79	**258.74**
Decrease in Investment		**0.93**
Decrease in Working Capital		**20.50**
Total Funds inflow during the year		**280.17**
Utilisation of Funds		
Increase in Gross Block and Capital Work-In-Progress		**220.20**
Dividend paid		**59.97**
Total Funds outflow during the year		**280.17**

5. **INVENTORY LEVELS**

The inventory levels (net off provision for obsolete stock) at the close of three years are given below:

(Rs. In Crore)

		2001-2002	2002-2003	2003-2004
(i)	Raw Materials (including transit)	18.13	26.49	**28.68**
(ii)	Stores & Spare Parts	3.43	3.45	**3.38**
(iii)	Work-in-Progress	2.10	1.85	**2.69**
(iv)	Finished Goods (including transit)	295.54	442.93	**350.45**

6. **SUNDRY DEBTORS**

The Sundry debt vis-a-vis sales in the last three years are given below:

(Rs. in Crore)

Year ended as on	Sundry Debtors: Considered Good	Sundry Debtors: Considered Doubtful	Sundry Debtors: Total	Sales during the year	% of total sundry debts to sale
31.03.2002	106.03	4.95	110.98	8069.71	1.38
31.03.2003	132.53	2.55	135.08	8937.26	1.51
31.03.2004	**95.70**	**2.33**	**98.03**	**10667.25**	**0.92**

Sd/-
(S.B. Pillay)
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-I,
Kolkata

Dated Kolkata
The 19th July 2004

ANNUAL REPORT
2003-2004

INDIANOIL TECHNOLOGIES LIMITED
(A Wholly Owned Subsidiary of
Indian Oil Corporation Limited)

IndianOil

Board of Directors

Shri N.R. Raje

Dr. Sobhan Ghosh

Dr.R.P. Verma

Shri R.K. Gupta (w.e.f. 9th January 2004)

Shri Aloke Roy (9th January 2004 to 25th May 2004)

Shri C. Manoharan (w.e.f. 25th May 2004)

Dr. D.K.Tuli Chief Executive Officer

STATUTORY AUDITORS
M/s. S.L. Agrawal & Company
Chartered Accountants
B-331-332, 1st Floor, Nehru Ground
NIT, Faridabad-121 001
HARYANA

BANKERS
ICICI Bank Limited
Sector 15
Faridabad

Directors' Report

To
The Shareholders,
IndianOil Technologies Limited

On behalf of the Board of Directors, it is my privilege to present the 1st Annual Report on the working of the Company for the period ended 31st March 2004 alongwith the Audited Statement of Accounts and Auditors' Report thereon.

THE COMPANY

IndianOil Technologies Limited (ITL) was incorporated on 20th June 2003 as a wholly owned subsidiary of Indian Oil Corporation Limited. The Company has obtained the Certificate of Commencement of business on 5th March, 2004 and the present Paid-Up Capital of the Company is Rs. 55 lakh. The main object of the Company is to promote and market the technologies, products and services developed by the Research & Development Centre of Indian Oil Corporation Limited.

PERFORMANCE OVERVIEW

Your Company has taken the following initiatives in furtherance of its objectives:

- **INDMAX Technology: A process for residue upgradation to LPG, light olefins and high octane gasoline.**

  Preliminary technical proposals were sent to refineries in Iran, Egypt and Gujarat Refinery. The feasibility reports include process design, feedstock evaluation, product pattern, expected benefits and ball park estimate of project cost.

- **INDE Treat and INDE Sweet Technology: Processes for removal of Hydrogen Sulphide/Mercaptans**

  The technology has been selected in Hindustan Petroleum Corporation Limited, Mumbai and Kochi Refineries Limited, Kochi. Offers have been submitted to Essar Oil, Assam Oil Division and Gujarat refinery of IndianOil, Bongaigaon Refinery and Petrochemicals Limited (BRPL).

- **Oilivorous-S Technology: Technology for bioremediation for disposal of oily sludge**

  The technology for treatment of sludge is being promoted widely in IndianOil Refineries and marketing locations and trial is in progress at ADNOC, Abu Dhabi. Proposals offering the technology to ONGC, Oil India Limited and Hindustan Petroleum Corporation Limited have been submitted.

- **INDALIN+ Technology: Technology for conversion of Naphtha to LPG**

  Preliminary technical proposals were sent to Chennai Petroleum Corporation Limited and Oil India Limited.

- **Hydraulic Brake Fluid (HBF)**

  A proposal has been sent to a company in Egypt for technology transfer and production of HBF and a secrecy agreement has been signed.

- **Biodiesel**

  The technology has been licensed to a party on non-exclusive basis for the production of Biodiesel from non-edible vegetable oils.

- **Specialised services rendered**

  The Company has rendered Material Engineering/ Remaining Life Assessment Services to National Thermal Power Corporation Ltd., Chennai Petroleum Corporation Limited and Nagarjuna Fertilisers. Special analytical services were rendered to several parties including Numaligarh Refinery Limited (NRL). FCC catalyst evaluation was carried out for two non-IndianOil refineries.

  Your Company has participated in the Indian Oil & Gas Conference, Oceantex 2004, Climate Technology Initiative (organised by ASSOCHAM and Canadian High Commission), Technology Seminar at Tehran, Hydrogen Workshop, Climate Technology Bazaar, etc. in order to promote the business activities of ITL. New business initiatives are being explored in the Oil Sector in India and abroad and the responses are encouraging.

  To spread the message about the capabilities of IndianOil's R&D developed technologies, several specialised technical brochures about ITL offerings were published and sent to a large number of prospective clients. A specialised website giving details of all the offerings of ITL has also been hosted which has been received very well. Additionally, advertisements were released in scientific journals.

FINANCIAL RESULTS

Particulars	**Rupees**
Income by way of service charges	52,606
Operating cost	1,52,029
Net Loss carried to Balance Sheet	99,421

The Company obtained business worth Rs.3,50,720/- for Indian Oil Corporation Ltd. by promoting their R&D technologies and has earned service charges of 15% amounting to Rs.52,608/- as against the expenditure of Rs.1,52,029/-. The expenditure is mainly on account of pre-incorporation expenses incurred by IndianOil for incorporation of the Company. Being the first year of its operation, the Company has incurred a loss of Rs.99,421/-

DIVIDENDS

Being the first year of its operation, the Company has not registered any profit. Hence, no dividend was considered.

AUDITORS' REPORT

Statutory Auditors of the Company. M/s S L Agrawal & Co., Chartered Accountants have submitted their report on the accounts of the Company for the period ended 31st March 2004 and the same is annexed hereto.

FUTURE PLANS

The immediate future plans focus on increasing the customer base for IndianOil's R&D technologies. This will involve lot of efforts, which include technical presentations to the clients followed by interactions to select the suitable technology. Efforts will also be made to build up a database of worldwide refineries for their configurations. A separate database for contemporary technologies will also be prepared.

The future plan will also focus on collaborative developments with clients. This will ensure customer participation in our technologies. The market intelligence in terms of customer demand will be collected and shared with IndianOil's R&D Centre.

Some of the specific future action plans are listed below:

- Discussion with Kuwait Petroleum Corporation (KPC) for collaborative development of technologies
- Discussion with Pertamina, Indonesia for bioremediation of acid sludge, LPG sweetening for revamp and new unit, sulphur reduction in DHDS units
- Feasibility report for Indmax unit at Egypt
- Commercialisation of bioremediation activities at Abu Dhabi National Oil Company for drill cuttings
- Specialised Analytical services to non-IndianOil refineries
- HPCL Mumbai Flexicracker revamp
- INDMAX proposal to BRPL
- INDALIN+ proposal to Oil India Limited
- Crude Assay of Condensate
- FCC catalyst evaluation
- Biodiesel technology licensing
- Presentations at non-IndianOil refineries and various national and international forums
- Participation in national and international seminars and exhibitions
- Preparation of state-of-the-art publicity material and films

REPORT ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO UNDER SECTION 217(1) OF THE COMPANIES ACT:

The Company has commenced its business only in this financial year. Since the Company is in the business of providing R&D Technologies to prospective clients and no manufacturing activities are being carried out, the information in respect of power and fuel consumption and consumption per unit of production are nil. There is no foreign exchange earning/outgo for the Company during the period under review.

PARTICULARS OF EMPLOYEES:

The information about particulars of employees under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) (Amendment) Rules, 1999 is nil.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under the Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

i) that in preparation of the Annual Accounts for the financial year ended 31st March 2004, the applicable accounting standards had been followed and there were no material departures;

ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss of the Company for the year under review;

iii) that the Directors had 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) that the Directors had prepared the accounts for the financial year ended 31st March 2004 on a 'going concern' basis.

BOARD OF DIRECTORS:

The first Directors of the Company as mentioned in the Articles of Association are :-

Shri N.R. Raje	-	Chairman
Dr. Sobhan Ghosh	-	Director
Dr. R.P. Verma	-	Director

Shri R.K.Gupta and Shri Aloke Roy were appointed as Additional Directors w.e.f. 9th January 2004. Shri Aloke Roy ceased to be a Director w.e.f. 25th May 2004 and Shri C. Manoharan was appointed as Director in his place.

ACKNOWLEDGEMENTS:

The Board of Directors gratefully acknowledges the valuable guidance and support received from the Govt. of India and the Holding Company, Indian Oil Corporation Limited. The Board also places on record its appreciation for the contribution made by Shri Aloke Roy during his tenure on the Board of the Company.

For and on behalf of the Board

Sd/-
(N.R. RAJE)
Chairman

Date : 2nd July 2004
Place : New Delhi

Auditors' Report

The Members,
IndianOil Technologies Limited

1. We have audited the attached Balance Sheet of IndianOil Technologies Limited as at 31st March 2004 and also the annexed Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are responsibility of the company management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with accounting 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 (a) examining, on a test basis, evidence to support the financial statement amounts and disclosures in the financial statements, (b) assessing the accounting principles dues in the preparation of financial statements, (c) assessing significant estimates made by the management in the preparation of the financial statements and (d) evaluating overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in the paragraphs 4 & 5 of the said order.

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 appears from our examination of the books of the Company;

c) The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of account of the Company;

d) In our opinion, the accounts complies with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, in our opinion, none of the Directors is disqualified from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss Account read together with other 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 case of the Balance Sheet of the state of affairs of the Company as at 31st March 2004, and

   ii) in case of the Profit & Loss Account, of the Loss of the Company for the year ended on that date.

For S.L. Agrawal & Co.
Chartered Accountants

Sd/-
(Sunil Agrawal)
Partner

Place : Faridabad
Dated : May 25, 2004

Annexure To The Auditors' Report

In terms of the information and explanations given to us and books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

1. The Company has no Fixed Assets.
2. The Company is not having any kind of inventory.
3. The Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of the business for the purchase of inventory and fixed assets and for the sale of goods. There is no major weakness reported in internal control.
5. As per explanations given to us, there is no transaction which needs to be entered into a register in pursuance of Section 301 of the Act.
6. According to the explanation given to us, the Company has not accepted deposits from the public as defined u/s 58A of the Companies Act, 1956.
7. The Company is neither a listed Company nor having a paid-up capital and reserves exceeding Rs. 50 lakh or having an average annual turnover exceeding Rs. 5 crore, hence the company is not required to have an internal audit system.
8. No cost records and accounts are prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956.
9. In our opinion, the Company is regular in depositing undisputed statutory dues with the appropriate authorities.
10. Being a new company, clause (x) of the order is not applicable to the Company.
11. The Company has not taken any loans from financial institutions or issued any debentures during the year under consideration.
12. The Company has not granted any 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 nidhi or mutual benefit company.
14. The Company is not dealing or trading in shares, securities, debentures or other investments.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not taken any term loans.
17. The funds raised on short-term basis have not been used for long-term investments and vice versa.
18. The Company has not made any preferential allotment of shares.
19. No debentures of any kind issued during the year.
20. No public issue made by the Company during the year.
21. During the checks carried out by us, any fraud on or by the Company has not been noticed or reported during the year under report.

For S.L. Agrawal & Co.
Chartered Accountants

Sd/-
(Sunil Agrawal)
Partner

Place : Faridabad
Dated : May 25, 2004

IndianOil

BALANCE SHEET as at 31st March 2004

(Rupees)

		Schedule		AMOUNT AS AT 31.03.2004
I	**SOURCES OF FUNDS**			
	Shareholders' Funds			
	a) Share Capital	A		500000
	b) Share Application Money (Share Application money received from Indian Oil Corp. Ltd., the Holding Company, against 500000 Equity Shares, pending allotment)			5000000
	c) Reserves and Surplus	B		-
	TOTAL			**5500000**
II	**APPLICATION OF FUNDS**			
	1 **CURRENT ASSETS, LOANS AND ADVANCES**			
	a) Cash and Bank Balances	C	5550720	
	b) Loans & Advances	D		
			5550720	
	Less: Current Liabilities and Provisions			
	a) Current Liabilities	E	460701	
	b) Provisions			
			460701	5090019
	2 **Misc. Expenditure** (to the extent not written-off or adjusted) Preliminary Expenses	H		310560
	3 **Profit & Loss Account**			99421
	TOTAL			**5500000**

As per our report of even date attached

For S L Agrawal & Co.
Chartered Accountants

Sd/- **(Sunil Agrawal)** Partner	Sd/- **(Dr. D K Tuli)** C E O	Sd/- **(R K Gupta)** Finance Officer

Place : Faridabad

Dated : 20th May 2004

PROFIT & LOSS ACCOUNT for the year ended 31st March 2004

	Schedule	(Rupees) AMOUNT
INCOME		
Service Charges		52608
TOTAL		**52608**
EXPENSES		
Administration, Selling and Other Expenses	G	152029
TOTAL		**152029**
PROFIT/(LOSS) FOR THE YEAR		**(99421)**
Profit/(Loss) (Transferred to Balance Sheet)		**(99421)**

For S L Agrawal & Co.
Chartered Accountants

Sd/-	Sd/-	Sd/-
(Sunil Agrawal)	**(Dr. D K Tull)**	**(R K Gupta)**
Partner	C E O	Finance Officer

Place : Faridabad
Dated : 20th May 2004

IndianOil

SCHEDULE "A" - SHARE CAPITAL

	(Rupees)
	31.03.2004
Authorised	
30,00,000 Equity Shares of Rs. 10/- each	30000000
Issued, Subscribed and Paid-up :	
50000 Equity Shares of Rs. 10/- each	500000
(The entire Share Capital is held by	
Indian Oil Corporation Limited, the Holding Company and its Nominees)	
TOTAL	500000

SCHEDULE "B" - RESERVES AND SURPLUS

	(Rupees)
	31.03.2004
Opening Balance	-
Profit/Loss Transferred from Profit & Loss A/c	-
TOTAL	0.00

SCHEDULE "C" - CASH AND BANK BALANCES

		(Rupees)
		31.03.2004
1. Cash Balances:		
a) Cash Balances including Imprest:	-	
b) Cheques in Hand	-	-
2. Bank Balances with Scheduled Banks		
i) Current Account	5550720	
ii) Fixed Deposit a/c	-	5550720
TOTAL		5550720

SCHEDULE "E" - CURRENT LIABILITIES AND PROVISIONS

		(Rupees)
		31.03.2004
1. **Current Liabilities:**		
Sundry creditors		
i) Total outstanding due to small scale industrial undertaking(s)	-	
ii) Total outstanding due to creditors other than small scale industrial undertaking (s)	1080	
iii) Dues to Indian Oil Corp. Ltd.. the Holding Company	459621	
	460701	460701
TOTAL		460701

SCHEDULE "F" - SERVICE CHARGES

	(Rupees)
	31.03.2004
1 Service Charges received (15% on Rs. 350720/-)	52608
TOTAL	52608

SCHEDULE "G" - ADMINISTRATION, SELLING & OTHER EXPENSES

			(Rupees)
			31.03.2004
1.	Payment to & Provisions for employees :		
	Salaries & Allowances	50370	
	Contribution to Provident & Other Funds	5371	
	Staff Welfare	7668	63409
2.	Office Administration, Selling & Other Expenses (Schedule-G-I)		88620
	TOTAL		152029

SCHEDULE "G-1" - OFFICE ADMINISTRATION, SELLING & OTHER EXPENSES

		(Rupees)
		31.03.2004
1	Rent	9900
2	Auditors' Fees	1080
3	Amortisation of Misc. Expenses	77640
	TOTAL	88620

SCHEDULE "H" - MISCELLANEOUS EXPENDITURE

		(Rupees)
		31.03.2004
1	Preliminary Expenses	388200
	Amortised 20%	77640
	TOTAL	310560

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

A. ACCOUNTING POLICIES

1. The financial statements are prepared under historical cost convention in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.
2. Preliminary Expenses are being amortised/written-off to the extent of 20% per annum.
3. Income has been recognised on accrual basis.

B. NOTES ON ACCOUNTS

1. Being first year of the company, figures for previous years have not been given.

2. Payment to Auditors :

Audit Fees	Rs. 1000
Service-tax	Rs. 80

For S L Agrawal & Co.
Chartered Accountants

Sd/-	Sd/-	Sd/-
(Sunil Agrawal)	**(Dr. D K Tull)**	**(R K Gupta)**
Partner	C E O	Finance Officer

Place : Faridabad
Dated : 20th May 2004

ANNUAL REPORT
2003-2004

Lanka IOC

LANKA IOC (PRIVATE) LIMITED
(A Wholly Owned Subsidiary of Indian Oil Corporation Limited)

Board of Directors

Shri N.K. Nayyar	Chairman
Shri R.K. Gupta	Director
Shri R. Narayanan	Director (w.e.f. 01.03.2004)
Shri M. Nageswaran	Managing Director
Shri P.K. Atreya	Director (up to 29.02.2004)

Report of the Directors for the year ended 31st March 2004

The Directors present herewith the audited financial statements for the year ended 31st March 2004.

DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for preparing and presenting the financial statements set out on pages 5 to 20 (pages H-5 to H-18 here).

INCORPORATION

Lanka IOC (Private) Limited was incorporated on 29th August 2002 in accordance with the Companies Act No. 17 of 1982. Commercial operations commenced on 14th February 2003.

RESULTS

The results for the year and changes in equity are set out in the income statement and the statement of changes in equity on pages 5 and 7 respectively (pages H-5 and H-7 here respectively).

STATE OF AFFAIRS

The state of affairs of the Company as at 31st March 2004, is set out, in the Balance Sheet on page 6 (page H-6 here).

PRINCIPAL ACTIVITY

The main activities of the Company are importing, selling and distributing petroleum products in Sri Lanka.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31st March 2004.

DIRECTORS

The Directors of the Company at 31st March 2004 were:

Mr Naresh Kumar Nayyar	(Chairman)
Mr Mahadevan Nageswaran	(Managing Director)
Mr Raj Kumar Gupta	
Mr Raghunathachary Narayanan	

Mr Pramod Kumar Atreya, Director, resigned from the Board with effect from 29th February 2004.

Mr Ragunathachary Narayanan, Director, was appointed to the Board with effect from 1st March 2004.

All other Directors held office for the whole of the year ended 31st March 2004.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

Managing Director of the Company held one share of the Company as at the balance sheet date as a subscriber.

DIRECTORS' INTERESTS IN CONTRACTS AND PROPOSED CONTRACTS WITH THE COMPANY

The Directors' interests in contracts and proposed contracts with the Company, both direct and indirect, are set out in Note 22 to the financial statements.

The Directors have disclosed the nature of their interests in contracts and proposed contracts with the Company at the meetings of Directors.

CHARITABLE CONTRIBUTIONS

No contributions were made by the Company during the period for charitable purposes.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment, during the year ended 31st March 2004 are set out in Note 8 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

At the Balance Sheet date, Indian Oil Corporation Limited held the entire issued share capital of the Company except for the subscriber share held by the Managing Director of the Company, Mr M. Nageswaran.

POST BALANCE SHEET EVENTS

No events have occurred since the Balance Sheet date which would require adjustment to, or disclosure, in the financial statements.

APPOINTMENT OF AUDITORS

A resolution to re-appoint the present auditors who have expressed their willingness to continue, will be proposed at the Annual General Meeting.

By Order of the Board

Sd/-

(M. NAGESWARAN)

Managing Director

Place : Colombo

Date : 21st May 2004

Report of the Auditors to the Members of Lanka IOC (Private) Limited

We have audited the Balance Sheet of Lanka IOC (Private) Limited as at 31st March 2004, and the related statement of income, changes in equity and cash flow for the year then ended, together with the accounting policies and notes as set out on pages 5 to 20 (pages H-5 to H-18 here).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. 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. We, therefore, believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st March 2004, and to the best of our information and according to the explanations given to us, the said balance sheet and related statements of income, changes in equity and cash flows and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March 2004 and of the results of its operations and its cash flows and changes in equity for the year then ended.

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March 2004 except as stated in Note 22 to these financial statements.

Sd/-

PriceWaterhouseCoopers
CHARTERED ACCOUNTANTS

Place : Colombo
Date : 14th May 2004

Income Statement

	Notes	Year ended 31st March 2004 (In Sri Lankan Rs.)	29th August 2002 to 31st March 2003 (In Sri Lankan Rs.)	Year ended 31st March 2004 (In Indian Rs.)	29th August 2002 to 31st March 2003 (In Indian Rs.)
Revenue	2	[illegible]	1,306,073,469	7,248,639,302	653,036,735
Cost of sales		[illegible]	(1,217,361,901)	(6,722,381,067)	(608,680,951)
Gross profit		[illegible]	88,711,568	526,258,235	44,355,784
Other operating income		[illegible]	Nil	24,326,363	-
Selling and distribution costs		[illegible]	(124,295)	(6,131,825)	(62,148)
Administrative expenses		[illegible]	(12,544,747)	(289,683,180)	(7,667,404)
Operating profit	3	[illegible]	76,042,526	254,769,593	36,626,232
Finance income	5	[illegible]	1,839,403	132,956	919,702
Share of results of associates	10	[illegible]	Nil	38,338,797	-
Profit before tax		[illegible]	77,881,929	293,241,346	37,545,934
Tax	6	[illegible]	Nil	(4,921,881)	-
Net profit		[illegible]	77,881,929	288,319,465	37,545,934
Earnings per share	7	4.20	1.55	2.10	0.75

The accounting policies on pages 9 to 11 (pages H-9 to H-10 here) and notes on pages 12 to 20 (pages H-11 to H-18 here) form an integral part of these financial statements.

Auditors' Report - page 3 and 4.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

Lanka IOC

BALANCE SHEET

	Notes	31st March 2004 (In Sri Lankan Rs.)	31st March 2003 (In Sri Lankan Rs.)	31st March 2004 (In Indian Rs.)	31st March 2003 (In Indian Rs.)
ASSETS					
Non Current Assets					
Property, plant and equipment	8	**1,808,698,074**	7,343,591	**795,805,902**	3,599,270
Advance paid for acquisition of property, plant and equipment		**Nil**	193,460,000	-	95,200,000
Goodwill	10	**3,454,965,777**	Nil	**1,520,211,984**	-
Investment in associates	9	**2,628,048,647**	Nil	**1,156,355,281**	-
		7,891,662,498	200,803,591	**3,472,373,167**	98,799,270
Current Assets					
Development expenses	11	**Nil**	65,912,790	-	32,305,440
Inventories	12	**2,455,741,039**	1,245,924,526	**1,080,539,024**	610,657,514
Receivables and prepayments	13	**503,070,610**	133,690,429	**221,353,681**	65,524,888
Cash and cash equivalents	14	**163,740,294**	995,539,279	**72,050,514**	487,937,695
		3,122,560,753	2,441,067,024	**1,373,943,219**	1,196,425,537
Total Assets		**11,014,223,251**	**2,641,870,615**	**4,846,316,386**	**1,295,224,807**
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary shares	15	**4,000,000,000**	500,000,000	**1,941,343,190**	246,742,872
Retained earnings		**655,962,856**	77,881,929	**322,586,124**	37,545,934
Exchange equalisation reserve				**(215,283,074)**	694,287
		4,655,962,856	577,881,929	**2,048,646,240**	284,983,093
Non-current liabilities					
Retirement benefit obligations	17	**18,229,392**	Nil	**8,021,029**	Nil
Current liabilities					
Trade and other payables	18	**6,032,694,262**	2,058,341,872	**2,654,417,328**	1,007,474,075
Current tax payable		**2,067,970**	Nil	**909,918**	-
Borrowings	16	**305,268,771**	5,646,814	**134,319,871**	2,767,639
		6,340,031,003	2,063,988,686	**2,789,647,117**	1,010,241,714
Total liabilities		**6,358,260,395**	2,063,988,686	**2,797,668,146**	1,010,241,714
Total equity and liabilities		**11,014,223,251**	**2,641,870,615**	**4,846,316,386**	**1,295,224,807**

These financial statements were approved by the Board of Directors on 14th May, 2004

Sd/-
(M. Nageswaran)
Managing Director

The accounting policies on pages 9 to 11 (pages H-9 to H-10 here) and notes on pages 12 to 20 (pages H-11 to H-18 here) form an integral part of these financial statements.

Auditors' Report - page 3 and 4.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lankan Rs.)

	Notes	Ordinary shares	Retained earnings	Total
Issued during the year	15	500,000,000	-	500,000,000
Net profit		-	77,881,929	77,881,929
Balance at 31st March 2003		500,000,000	77,881,929	577,881,929
Balance at 31 March 2003	15	500,000,000	77,881,929	577,881,929
Issued during the year		3,500,000,000	-	3,500,000,000
Net profit		-	578,080,927	578,080,927
Balance at 31st March 2004	15	**4,000,000,000**	**655,962,856**	**4,655,962,856**

(all amounts in Indian Rs.)

	Notes	Ordinary shares	Exchange translation gain / (loss)	Retained earnings	Total
Issued during the year	13	246,742,872	-	-	246,742,872
Currency translation differences		-	694,287	-	694,287
Net profit		-	-	37,545,934	37,545,934
Balance at 31st March 2003		246,742,872	694,287	37,545,934	284,983,093
Balance at 31st March 2003		246,742,872	694,287	37,545,934	284,983,093
Issued during the year		1,694,600,318	-	-	1,694,600,318
Currency translation differences		-	(215,977,361)	(3,277,474)	(219,254,835)
Net profit		-	-	288,319,664	288,319,664
Balance at 31st March 2004		**1,941,343,190**	**(215,283,074)**	**322,588,124**	**2,048,648,240**

The accounting policies on pages 9 to 11 (pages H-9 to H-10 here) and notes on pages 12 to 20 (pages H-11 to H-18 here) form an integral part of these financial statements.

Auditors' Report - page 3 and 4.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

Lanka IOC

CASH FLOW STATEMENT

	Notes	Year ended 31st March 2004 (In Sri Lankan Rs.)	29th August 2002 to 31st March 2003 (In Sri Lankan Rs.)	Year ended 31st March 2004 (In Indian Rs.)	29th August 2002 to 31st March 2003 (In Indian Rs.)
Operating activities					
Cash generated from operations	21	**2,976,344,128**	689,304,086	**2,097,178,445**	336,549,487
Tax paid		**(7,800,000)**	Nil	**(3,890,274)**	Nil
Interest received		**40,281,917**	1,391,970	**20,090,732**	700,405
Net cash generated from operating activities		**3,008,826,045**	690,696,056	**2,113,378,903**	337,249,892
Investing activities					
Payment made for acquisition of 100 filling stations		**(1,612,797,645)**	(193,460,000)	**(1,232,246,003)**	(95,200,000)
Investment in CUF	9	**(4,594,000,000)**	Nil	**(2,153,921,569)**	
Purchase of property, plant and equipment	8	**(1,633,440,432)**	(7,343,591)	**(917,843,232)**	(3,622,708)
Net cash used in investing activities		**(7,840,238,077)**	(200,803,591)	**(4,304,010,804)**	(98,822,708)
Financing activities					
Issue of ordinary shares	15	**3,500,000,000**	500,000,000	**1,643,192,488**	246,742,872
Net cash generated from financing activities		**3,500,000,000**	500,000,000	**1,643,192,488**	246,742,872
(Decrease) / increase in cash and cash equivalents		**(1,131,412,032)**	989,892,465	**(547,439,413)**	485,170,056
Movement in cash and cash equivalents					
At start of period		**989,892,465**	Nil	**485,170,056**	Nil
(Decrease) / increase		**(1,131,412,032)**	989,892,465	**(547,439,413)**	485,170,056
At end of year	14	**(141,519,567)**	989,892,465	**(62,269,357)**	485,170,056

The accounting policies on pages 9 to 11 (pages H-9 to H-10 here) and notes on pages 12 to 20 (pages H-11 to H-16 here) form an integral part of these financial statements.

Auditors' Report - page 3 and 4.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. **Basis of preparation**

   The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards. The financial statements are prepared on the historical cost convention.

2. **Conversion of foreign currencies**

   Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities, denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year end exchange rates.

3. **Property, plant and equipment**

   Property, plant and equipment is stated at historical cost less depreciation.

   Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful lives. Depreciation is charged commencing from the quarter in which the asset is purchased, and no charge is made in the quarter in which the asset is disposed. The principal rates used for this purpose are:

Building	6.67%
Plant and equipment	25%
Computers	25%
Motor vehicles	20%
Furniture & fixing	20%
Interior furnishing	20%
Communication equipment	50%

   Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

   Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

4. **Goodwill**

   Goodwill represents the excess of the costs of acquisition over the fair values of the 100 filling stations and 1/3rd of net assets of Ceylon Petroleum Storage Terminal Limited (CPSTL) at the dates of acquisition. Goodwill is amortised using the straight line method over a period of 20 years.

5. **Investments in associates**

   Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried in the balance sheet initially at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investee.

6. **Development expenses**

   Costs incurred on development of projects are recognised as development expenses to the extent that such expenditure is expected to generate future economic benefits. This expenditure is recognised as an expense in the first year of full commercial operations.

7. **Inventories**

   Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first in, first out (FIFO) basis and includes direct costs on transport, handling costs and insurance.

   Net realisable value is the estimate of selling price in the ordinary course of business, less the cost of completion and selling expenses. Provision is made where necessary for slow moving, defective and obsolete stocks.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

8. Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

9. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

10. Defined benefit obligations / Gratuity

Terminal benefits are provided for all employees of the Company at the rate of one half of the basic or consolidated wage or salary and cost of living allowance for the last month of the financial year, for each year of continuous service. This provision is not externally funded, nor has it been actuarially valued.

11. Defined contribution plan

The Company contributes 15% and 3% of employees' monthly salary to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) respectively which are recognised as expenses in the income statement.

12. Current taxes

The provision for income tax is computed in accordance with the provisions of the Inland Revenue Act.

13. Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, net of sales taxes and discounts.

Interest income is recognised as it accrues unless collectibility is in doubt.

14. Comparatives

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Financial Statements

(In the Notes, all amounts are shown in Sri Lankan Rupees unless otherwise stated)

Investment in the Retail Petroleum Sector

1 The Company commenced commercial operations of importing, selling and distributing petroleum products on 14th February 2003.

As per the Government Policy in Sri Lanka towards liberalisation and promotion of market competition in the retail operations of the petroleum sector, the Government of Sri Lanka (GOSL) incorporated a Company known as Independent Petroleum Marketers Limited (IPML) in October 2003 and vested the ownership of 100 filling stations in the Company. The Government of Sri Lanka held 100% of the share capital of IPML.

The Company acquired the 100 filling stations owned by IPML at a purchase consideration of US$ 30 million, upon payment of which, all shares of IPML were transferred by GOSL to the Company.

Since the Company and its fully owned subsidiary IPML, had been incorporated for the same purpose, the Company and IPML were amalgamated based on a court order from the District Court of Colombo which approved the following :

(a) Amalgamation of the Company and IPML by the transfer of the whole of the undertaking and assets of IPML to the Company;

(b) Transfer the whole of the undertaking and property and assets of IPML to the Company ; and

(c) Dissolve IPML without winding up.

The Company also acquired 1/3rd ownership in Ceylon Petroleum Storage Terminals Limited (CPSTL), also known as Common User Facility (CUF), during the year at a value of US$ 45 million.

The Company has been granted a Petroleum Products License by the Minister of Power and Energy which gives authority to "import, export, store, distribute, sell and supply Petrol, Auto Diesel, Heavy Diesel (Industrial Diesel), Furnace Oil and Kerosene, Naphtha and other mineral petroleum including Premium Petrol and Premium Diesel but excluding Aviation and Marine Fuels, Liquid Petroleum Gas, Lubricant and Greases".

The license is valid for a period of 20 years from 22nd January 2004 and renewable thereafter.

REVENUE

2.

	Year ended 31st March 2004			29th August 2002 to 31st March 2003		
	Qty. Litres	**Value (In Sri Lankan Rs.)**	**Value (In Indian Rs.)**	Qty. Litres	Value (In Sri Lankan Rs.)	Value (In Indian Rs.)
Domestic sales						
Super petrol	**5,392,200**	**270,684,816**	**135,004,896**	580,800	28,674,771	14,337,386
Lanka petrol	**95,797,093**	**4,480,533,784**	**2,239,667,723**	7,110,400	331,821,728	165,910,864
Auto diesel	**276,405,328**	**7,647,566,906**	**3,813,999,486**	23,492,540	678,305,692	339,152,846
Super diesel	**20,383,100**	**583,660,981**	**286,178,838**	3,027,600	93,380,570	46,690,285
Kerosene	**45,965,900**	**1,144,006,114**	**570,576,117**	6,860,580	173,890,708	86,945,354
Lubricants	**2,737,200**	**246,847,731**	**123,116,073**	Nil	Nil	-
Total domestic sales	**448,650,721**	**14,533,321,303**	**7,248,559,302**	41,071,920	1,306,073,469	653,036,735

OPERATING PROFIT

3. The following items have been charged/(credited) in arriving at operating profit :

	Year ended 31st March 2004 (In Sri Lankan Rs.)	29th August 2002 to 31st March 2003 (In Sri Lankan Rs.)	**Year ended 31st March 2004 (In Indian Rs.)**	29th August 2002 to 31st March 2003 (In Indian Rs.)
Directors' emoluments	**Nil**	Nil	-	-
Auditors' remuneration	**515,373**	100,000	**254,044**	50,000
Business promotion expenses	**12,294,310**	203,123	**6,131,625**	101,562
Depreciation (Note 8)	**25,615,949**	Nil	**12,776,034**	-
Staff costs (Note 4)	**70,006,112**	7,345,007	**3,716,692**	3,672,504
Lease rent - Trincomalee	**9,705,247**	1,209,125	**4,840,522**	6,047,563
Net foreign exchange (gain)/loss	**40,015,341**	107,937	**19,957,776**	11,448,999
Write-off of development expenses (Note 11)	**22,771,202**	Nil	**11,357,208**	-
Amortisation of goodwill (Note 10)	**43,733,997**	Nil	**20,123,142**	-
Assets written off	**40,346,909**	Nil		

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

STAFF COSTS

4.	Year ended 31st March 2004 (In Sri Lankan Rs.)	29th August 2002 to 31st March 2003 (In Sri Lankan Rs.)	Year ended 31st March 2004 (In Indian Rs.)	29th August 2002 to 31st March 2003 (In Indian Rs.)
Salaries and wages	69,571,044	7,345,007	3,469,775	-
Defined benefit plan	495,068	Nil	246,917	3,672,504
	70,066,112	7,345,007	3,716,692	3,672,504

The average number of employees employed by the Company during the period was 214.

FINANCE INCOME

5.	Year ended 31st March 2004 (In Sri Lankan Rs.)	29th August 2002 to 31st March 2003 (In Sri Lankan Rs.)	Year ended 31st March 2004 (In Indian Rs.)	29th August 2002 to 31st March 2003 (In Indian Rs.)
Interest income	40,281,917	1,839,403	20,090,733	919,702
Exchange loss	(40,015,341)	Nil	(19,957,777)	-
	266,576	1,839,403	132,956	919,702

TAXATION

6. In terms of the agreement entered into with the Board of Investment (BOI) of Sri Lanka under Section 17 of the Greater Colombo Economic Commission Law No. 4 of 1978, the Company is exempt from Income Tax for a period of ten years commencing from 14th February 2003.

The current year tax charge wholly consists of tax on interest income.

EARNINGS PER SHARE

7. Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue as at 31st March.

	Year ended 31st March 2004 (In Sri Lankan Rs.)	29th August 2002 to 31st March 2003 (In Sri Lankan Rs.)	Year ended 31st March 2004 (In Indian Rs.)	29th August 2002 to 31st March 2003 (In Indian Rs.)
Net profit attributable to shareholders	578,080,927	77,881,929	288,319,665	37,545,934
Weighted average number of ordinary shares in issue	137,500,000	50,000,000	137,500,000	502,000,000
Basic earnings per share (Rs.)	4.20	1.55	2.10	0.75

PROPERTY, PLANT AND EQUIPMENT

(In Sri Lankan Rs.)

8. (a)	Freehold land	Building & fixtures	Plant and equipment	Office equipment	Capital work-in progress	Furniture & fittings	Interior furnishing	Motor vehicles	Total
At 31st March 2003									
Cost	Nil	Nil	Nil	1,017,649	6,325,942	Nil	Nil	Nil	7,343,591
Accumulated depreciation	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net book amount	Nil	Nil	Nil	1,017,649	6,325,942	Nil	Nil	Nil	7,343,591
Year ended 31st March 2004									
Opening net book amount	Nil	Nil	Nil	1,017,649	6,325,942	Nil	Nil	Nil	7,343,591
Additions	1,072,990,000	74,212,005	67,460,350	4,788,461	617,185,679	978,936	7,146,901	22,485,000	1,867,247,332
Transfers	Nil	212,782,789	111,079,669	Nil	(324,713,376)	Nil	850,918	Nil	Nil
Assets written off	Nil	(23,526,750)	(16,820,150)	Nil	Nil	Nil	Nil	Nil	(40,346,900)
Depreciation charge	Nil	(7,107,167)	(11,464,676)	(849,648)	Nil	(97,894)	(1,599,564)	(4,497,000)	(25,615,949)
Closing net book amount	**1,072,990,000**	**256,360,877**	**150,255,193**	**4,956,462**	**298,798,245**	**881,042**	**6,398,255**	**17,988,000**	**1,808,628,074**
At 31st March 2004									
Cost	**1,072,990,000**	**263,468,044**	**161,719,869**	**5,806,110**	**298,798,245**	**978,936**	**7,997,819**	**22,485,000**	**1,834,244,023**
Accumulated depreciation	**Nil**	**(7,107,167)**	**(11,464,676)**	**(849,648)**	**Nil**	**(97,894)**	**(1,599,564)**	**(4,497,000)**	**(25,615,949)**
Net book amount	**1,072,990,000**	**256,360,877**	**150,255,193**	**4,956,462**	**298,798,245**	**881,042**	**6,398,255**	**17,988,000**	**1,808,628,074**

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

(In Indian Rs.)

	Freehold land	Building & fixtures	Plant and equipment	Office equipment	Capital work-in -progress	Furniture & fittings	Interior furnishing	Motor vehicles	Total
At 31st March 2003									
Cost	-	-	-	502,022	3,120,686	-	-	-	3,622.708
Exchange translation gain / (loss)	-	-	-	(3,248)	(20,190)	-	-	-	(23,438)
Net book amount	-	-	-	498,774	3,100,496	-	-	-	3,599,270
Year ended 31st March 2004									
Opening net book amount	-	-	-	498,774	3,100,496	-	-	-	3,599,270
Additions	525,975,490	36,378,433	33,068,799	2,382,857	304,769,144	496,922	3,472,592	11,298,995	917,843,232
Transfers	-	106,126,079	55,401,331	-	(161,951,808)	-	424,398	-	Nil
Assets written off	-	(10,351,894)	(7,400,955)	-	-	-	-	-	(17,752,849)
Depreciation charge	-	(3,544,722)	(5,718,043)	(423,765)	-	(48,825)	(797,788)	(2,242,891)	(12,776,034)
Exchange translation gain/(loss)	(53,854,225)	(15,807,757)	(9,238,054)	(276,997)	(14,445,027)	(60,434)	(283,936)	(1,141,287)	(95,107,717)
Closing net book amount	**472,121,265**	**112,800,139**	**66,113,078**	**2,180,869**	**131,472,805**	**387,663**	**2,815,266**	**7,914,817**	**795,805,902**
At 31st March 2004									
Cost	**525,975,490**	**132,152,618**	**81,069,175**	**2,881,631**	**145,917,832**	**496,922**	**3,896,990**	**11,298,995**	**903,689,653**
Accumulated depreciation	-	**(3,544,722)**	**(5,718,043)**	**(423,765)**	-	**(48,825)**	**(797,788)**	**(2,242,891)**	**(12,776,034)**
Exchange translation gain / (loss)	**(53,854,225)**	**(15,807,757)**	**(9,236,054)**	**(276,997)**	**(14,445,027)**	**(60,434)**	**(283,936)**	**(1,141,287)**	**(95,107,717)**
Net book amount	**472,121,265**	**112,800,139**	**66,113,078**	**2,180,869**	**131,472,805**	**387,663**	**2,815,266**	**7,914,817**	**795,805,902**

8. (b) Capital work-in-progress at 31st March 2004 represents the following:

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	**2004 (In Indian Rs.)**	2003 (In Indian Rs.)
Refurbishment work				
- Trincomalee	**259,472,964**	Nil	**126,875,072**	-
- World Trade Centre	**Nil**	850,918	-	419,771
- Retail outlets	**39,305,281**	5,475,024	**19,014,982**	2,700.915
- Exchange translation loss			**(14,417,249)**	(20,190)
	298,778,245	6,325,942	**131,472,805**	3,100,496

(c) Acquisition of 100 retail outlets.

As explained in Note 1 to the financial statements, the total consideration paid for the acquisition amounts to US$ 30 million (SLR-Rs. 2,827,460,000, INR-Rs. 1,327,446,009).

The valuation of property, plant and equipment relating to the 100 filling stations was based on the value of shares issued amounting to SLR Rs. 1,214,662,355 (INR Rs. 570,264,016) arising out of Share Sales and Purchase Agreement and the individual asset values are based on a valuation done by Messrs Ernst & Young and verified by the Company's consultants Messrs KPMG, Ford, Rhodes, Thornton & Co.

Accordingly, the excess of the purchase consideration over the value of property, plant and equipment amounting to SLR Rs. 1,655,939,233 (INR Rs. 777,436,260) has been identified as goodwill and will be amortised over 20 years commencing from January 2004, based on the Petroleum Products License granted to the Company as explained in Note 1 to the financial statements.

The asset values and goodwill have been recorded in the books of account of the Company, pursuant to the order made by the District Court of Colombo which has been fully explained in Note 1 to the financial statements.

The management is of the view that the property, plant and equipment recognised at the date of acquisition is not measured at their fair values to the business. Hence, a professional valuation is to be undertaken within the next financial year and on such valuation being carried out, the carrying value of the property, plant and equipment acquired may be adjusted as permitted by Sri Lanka Accounting Standards 25 (Business Combinations).

INVESTMENT IN ASSOCIATE

9. As per the Government Policy in Sri Lanka towards liberalisation and promotion of market competition in the retail operations of the petroleum sector, all storage and pipeline facilities of Ceylon Petroleum Corporation (CPC) were transferred into one company

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

known as the "Common User Facility" (CUF) or Ceylon Petroleum Storage Terminal Limited (CPSTL) of which Lanka IOC (Private) Limited owns 1/3rd share. The share of results from associate Company is computed based on post acquisition profit of SLR Rs. 230,487,564 (INR Rs. 114,956,391) from January to March 2004.

The Company paid US$ 45 million to Ceylon Petroleum Corporation on 22 January 2004 to obtain 1/3 ownership.

The net assets of CUF at the date of acquisition comprise share capital of SLR - Rs. 7.5 billion (INR - Rs. 3.676 billion) and retained profit of SLR Rs. 153,658,376 (INR Rs.75,322,733), and 1/3 of the net assets acquired by the Company amount to SLR Rs. 2,551,219,459 (INR Rs. 1,250,597,774). The excess of the purchase consideration over the share of net assets amounting to SLR Rs. 1,842,780,541 has been identified as goodwill arising on acquisition and would be amortised over a period of 20 years commencing from January 2004, based on the Petroleum Products License granted to the Company as explained in Note 1 to the financial statements.

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
At the beginning of the year/period	Nil	Nil	-	-
Acquired during the year/period	2,551,219,459	Nil	1,250,597,774	-
Share of results before tax	76,829,188	Nil	38,318,797	-
Share of tax	Nil	Nil	-	-
Share of results after tax	76,829,188	Nil	38,318,797	-
Exchange translation loss			(132,561,290)	-
Closing net book amount	**2,628,048,647**	Nil	**1,156,355,281**	-

The management is of the view that the carrying values assigned to the net assets acquired on the date of acquisition of CPSTL and hence the 1/3rd share of net assets acquired is not measured at their fair values to the business. Hence a professional valuation is to be undertaken within the next financial year and on such valuation being carried out, the carrying value of the investment may be adjusted as permitted by Sri Lanka Accounting Standard 25 (Business Combinations).

GOODWILL

10\. (a) As explained in Note 1, Note 8 and Note 9 to the financial statements, goodwill has arisen due to the excess of purchase consideration paid to the Government of Sri Lanka and Ceylon Petroleum Corporation over the net assets value representing applicable shares allotted in the acquisition of the 100 retail outlets and 1/3rd share in the Ceylon Petroleum Storage Terminals Limited (CPSTL).

As explained in Note 8 and Note 9 to the financial statements, the management is to undertake a revaluation of the assets acquired through the 100 retail outlets and the 1/3rd share in CPSTL. The value of goodwill may change if the carrying amounts of assets is adjusted consequent to the outcome of the revaluation.

(In Sri Lankan Rs.)

	100 filling stations	CPSTL	Total
Purchase consideration	2,827,460,000	4,394,000,000	7,221,460,000
Add : Transferred from development expenses	43,141,588	Nil	43,141,588
Less : Net assets value representing applicable shares allotted	(1,214,662,355)	(2,551,219,459)	(3,765,881,814)
	1,655,939,233	1,842,780,541	3,498,719,774

(In Indian Rs.)

	100 filling stations	CPSTL	Total
Purchase consideration	1,327,446,009	2,153,921,569	3,481,367,878
Add : Transferred from development expenses	20,254,267	-	21,147,837
Less : Net assets value representing applicable shares allotted	(570,264,016)	(1,250,597,774)	(1,820,861,790)
	777,436,260	903,323,795	1,681,653,925

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

(b) The goodwill will be amortised on a straight line basis over 20 years commencing from January 2004, based on the Petroleum Products License granted to the Company as explained in Note 1 to the financial statements.

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
Year period ended 31st March				
Opening net book amount	**Nil**	Nil	**-**	-
Goodwill recognised	**3,498,719,774**	Nil	**1,681,653,925**	-
Amortisation charge (Note 3)	**(43,733,997)**	Nil	**(21,812,467)**	-
Exchange translation loss			**(139,629,474)**	-
Closing net book amount	**3,454,985,777**	Nil	**1,520,211,984**	-
At 31st March				
Cost	**3,498,719,774**	Nil	**1,681,653,925**	-
Accumulated amortisation	**(43,733,997)**	Nil	**(21,812,467)**	-
Exchange translation loss			**(139,629,474)**	-
Closing net book amount	**3,454,985,777**	Nil	**1,520,211,984**	-

DEVELOPMENT EXPENSES

11. Professional fees of SLR - Rs. 43,141,588 (INR - Rs. 20,254,267) paid to Messrs. KPMG, Ford, Rhodes Thornton & Co. in connection with finalisation of purchase consideration has been included with the purchase consideration paid for the 100 filling stations (refer Note 8). The balance development expenses of SLR Rs. 22,771,202 (INR Rs. 11,357,208) has been written off to the income statement.

INVENTORIES

12.

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
Finished goods	**2,455,741,030**	1,245,924,526	**1,080,539,024**	610,657,514

RECEIVABLES AND PREPAYMENTS

13.

	2004 (IN SLR)	2003 (IN SLR)	2004 (IN INR)	2003 (IN INR)
Trade receivables	**33,125,214**	Nil	**14,575,269**	-
Subsidy receivable from GOSL	**351,245,888**	Nil	**154,550,045**	-
Other receivables	**64,034,033**	119,119,815	**28,175,685**	58,383,382
Deposits	**31,747,482**	3,637,593	**13,969,060**	1,782,872
Advances	**9,931,477**	39,346	**4,369,902**	19,284
Prepayments	**12,983,816**	10,893,875	**5,713,740**	5,339,350
	[illegible]	133,690,429	**221,353,681**	65,524,888

Other receivables include Value Added Tax recoverable of SLR - Rs. 46,196,010 (2003 - SLR Rs. 118,672,182) for the period and SLR - Rs. 17,734,323 relating to gratuity liability of employees transferred from Ceylon Petroleum Corporation as at 14th February 2003.

Subsidy receivable from GOSL consists of the "subsidy claimed by the Company from the Government of Sri Lanka (GOSL) as compensation for the loss arising from the price differential suffered by the Company due to price revisions not being carried out by the GOSL as per the pricing formula entered into by the Company, Ceylon Petroleum Corporation and Energy Supply Committee". The amount of SLR - Rs. 351,245,888 (INR - Rs. 154,550,045) represents the claim from January to March 2004.

CASH AND CASH EQUIVALENTS

14.

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
Short term bank deposit	**16,382,760**	543,654,196	**7,208,501**	266,457,970
Cheques in hand	**139,891,471**	127,432,179	**61,570,586**	62,457,569
Cash and bank balances	**7,434,973**	324,452,904	**3,271,427**	159,022,156
At end of year/period	**163,749,204**	995,539,279	**72,050,514**	487,937,695

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
Cash and bank balances	**163,749,204**	995,539,279	**72,050,514**	487,937,695
Bank overdrafts (Note 16)	**(305,268,771)**	(5,646,814)	**(134,319,871)**	(2,767,639)
	(141,519,567)	989,892,465	**(62,269,357)**	485,170,056

ORDINARY SHARES

15.

	Number of ordinary shares	Ordinary share capital (In Sri Lankan Rs.)	Ordinary share capital (In Sri Lankan Rs.)
At 31st March 2003	50,000,000	500,000,000	246,742,872
Issued during the year	350,000,000	3,500,000,000	1,694,600,318
At 31st March 2004	**400,000,000**	**4,000,000,000**	**1,941,343,190**

The total authorised number of ordinary shares is 2,000 million (2003 - 50 million) with a par value of Rs. 10 per share (2003 - Rs. 10 per share). All issued shares are fully paid.

BORROWINGS

16.

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
Current				
Bank overdrafts	**305,268,771**	5,646,814	**134,319,871**	2,767,639

Bank overdraft represents a cash book overdrawn situation in the period 29th August 2002 to 31st March 2003.

DEFINED BENEFIT OBLIGATIONS

17. The amount recognised in the balance sheet is as follows:

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
At beginning of year/period	**Nil**	Nil	-	-
Transferred from Ceylon Petroleum Corporation	**17,734,324**	Nil	**8,845,049**	-
Charge for the year	**495,068**	Nil	**246,917**	-
Exchange translation loss			**(1,070,937)**	-
At end of year/period	**18,229,392**	Nil	**8,021,029**	-

Gratuity liability of the employees transferred from Ceylon Petroleum Corporation as at 14th February 2003 amounts to SLR Rs. 17,734,324 (INR Rs. 8,845,049).

TRADE AND OTHER PAYABLES

18.

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	2004 (In Indian Rs.)	2003 (In Indian Rs.)
Trade payables	**598,998,313**	1,022,811,067	**263,562,420**	501,304,253
Amount due to related companies (Note 22)	**5,333,894,187**	843,248,393	**2,346,853,605**	411,927,597
Accrued expenses	**30,633,879**	167,920,885	**13,479,069**	92,104,536
Other payables	**69,367,883**	4,361,527	**30,522,234**	2,137,689
	6,032,894,262	2,058,341,872	**2,654,417,328**	1,007,474,075

Amount due to related companies includes SLR Rs. 3,469,772,727 (INR Rs. 1,526,700,000) loan obtained from Indian Oil Corporation Limited.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

CONTINGENT LIABILITIES

19. There were no material contingent liabilities at the balance sheet date.

COMMITMENTS

20. **Financial commitments**

The Company has a commitment to pay US$ 100,000 per annum to Ceylon Petroleum Corporation as lease rental for the tanks at Trincomalee used by the Company. There were no other material financial commitments as at the balance sheet date.

Capital commitments

There were no material capital commitments outstanding as at the balance sheet date.

CASH GENERATED FROM OPERATIONS

21. Reconciliation of profit before tax to cash generated from operations:

	Year ended 31st March 2004 (In Sri Lankan Rs.)	29th August 2002 to 31st March 2003 (In Sri Lankan Rs.)	**Year ended 31st March 2004 (In Indian Rs.)**	29th August 2002 to 31st March 2003 (In Indian Rs.)
Profit before tax	**587,948,997**	77,881,929	**293,241,346**	37,545,934
Adjustments for:				
Share of results of associates (Note 10)	**(76,829,188)**	Nil	**(38,318,797)**	Nil
Depreciation (Note 8)	**25,615,949**	Nil	**12,776,034**	Nil
Development expenses (Note 11)	**22,771,202**	(65,912,790)	**11,357,206**	(32,956,395)
Interest income (Note 5)	**(40,281,917)**	(1,839,403)	**(20,090,733)**	(919,702)
Amortisation of goodwill (Note 10)	**43,733,997**	Nil	**21,812,457**	Nil
Changes in working capital				
- Exchange translation gain			**786,076,004**	Nil
- Retirement benefits transferred (Note 17)	**17,734,324**	Nil	**8,845,049**	Nil
- Receivables and prepayments	**(389,380,881)**	(133,242,996)	**(155,828,793)**	(65,305,590)
- Inventories	**(1,209,616,513)**	(1,245,924,526)	**(459,881,510)**	(610,657,514)
- Trade and other payables	**3,574,362,390**	2,058,341,872	**1,646,943,253**	1,008,842,754
Retirement benefit obligations (Note 17)	**495,069**	Nil	**246,917**	Nil
Cash generated from operations	**2,976,344,128**	689,304,086	**2,097,178,445**	336,549,487

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

22. The Company is controlled by Indian Oil Corporation Limited (Incorporated in India) which holds 99.99% of the Company's issued share capital.

Mr Mahadevan Nageshwaran, Managing Director, Mr S Sirinivasan, Vice President (Finance) and Mr Chandrababu, Vice President (Engineering) are Directors of Ceylon Petroleum Storage Terminal Limited.

The following transactions were carried out with related parties:

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	**2004 (In Indian Rs.)**	2003 (In Indian Rs.)
Sales/purchases of goods and services				
Indian Oil Corporation Limited - Petroleum products	**8,583,060,983**	Nil	**4,280,828,420**	-
Ceylon Petroleum Storage Terminal Limited	**42,889,056**	Nil	**(21,391,050)**	-
	8,625,950,039	Nil	**4,259,437,370**	-

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

Lanka IOC

	2004 (In Sri Lankan Rs.)	2003 (In Sri Lankan Rs.)	[illegible] (In Indian Rs.)	2003 (In Indian Rs.)
Outstanding balances arising from purchases of goods and services				
Amounts due to related company				
Indian Oil Corporation Limited - Petroleum products	1,[illegible],407,01[illegible]	838,919,073	[illegible],185,487	409,805,694
Indian Oil Corporation Limited - Others	[illegible]	4,329,320	[illegible]	2,121,903
Ceylon Petroleum Storage Terminal Limited	[illegible]	Nil	[illegible]	-
	1,[illegible]	843,248,393	[illegible]	411,927,597
Loan obtained				
Indian Oil Corporation Limited	[illegible],773,787	Nil	1,[illegible],700,000	-
Exchange translation gain			27,[illegible]	-
	[illegible]	843,248,393	[illegible]	411,927,597

RELATED PARTY TRANSACTIONS

23. There were no related parties or related party transactions other than those disclosed in Note 22 to the financial statements.

POST BALANCE SHEET EVENTS

24. No events have occurred since the balance sheet date which would require adjustment to, or disclosure, in the financial statements.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

ANNUAL REPORT 2003-2004

Mauritius

INDIANOIL MAURITIUS LIMITED

(A Wholly Owned Subsidiary of Indian Oil Corporation Limited)

Board of Directors

Dr. N.G. Kannan	Chairman
Shri M. Ramana	Managing Director
Shri Couldip B. Lala	Director
Shri V. Ramdeny	Director
Shri N. Prasad	Director

Directors' Report for the year ended March 31, 2004

The Directors have pleasure in submitting their annual report together with the audited financial statements for the financial year ended March 31, 2004.

PRINCIPAL ACTIVITY

The principal activity of the Company is distribution of petroleum products.

RESULTS AND DIVIDENDS

The income statement for the year ended is shown on page 6. The turnover of the Company for the year ended March 31, 2004 was Rs. 33,761,236 (2003 : Rs. Nil).

The loss after tax for the year was Rs. 4,795,840 (2003 : Rs. 17,069,652) for the Company.

No dividend was paid during the year (2003 : Nil).

MEMBERS OF THE BOARD OF DIRECTORS

Dr. N.G. Kannan	Chairman
Mr. M. Ramana	Managing Director
Mr. Couldip B. Lala	
Mr. V. Ramdeny	
Mr. N. Prasad	

DIRECTORS' SERVICE CONTRACTS

There are no service contracts between the Company and Directors.

DIRECTORS' REMUNERATION

	2004 **Rs.**	2003 Rs.
Executive Directors - Full time	**750,600**	750,000
Non-Executive Directors	**170,000**	-

ENTRIES IN INTEREST REGISTER

No entries have been made in the interest register during the year ended March 31, 2004.

DONATIONS

No donations have been made during the year ended March 31, 2004 (2003 : Nil).

AUDITORS' REMUNERATION

	2004 **Rs.**	2003 Rs.
Audit fees	**60,000**	60,000
Fees for non-audit work	**Nil**	Nil

A resolution to re-appoint the auditor, Mr. Jugdeo Naginlal will be proposed at the Annual Meeting.

By order of the Board

Sd/- **(Couldip Basanta Lala)** Director	Sd/- **(Virrsing Ramdeny)** Director

Place : Mauritius

Date : 20-7-04

Mauritius

Auditor's Report to the Members of IndianOil Mauritius Ltd.

I have audited the the financial statements of IndianOil Mauritius Ltd. on pages 5 to 18 which have been prepared in accordance with the accounting policies set out on page 9 to 13 (pages I-8 to I-10 here).

Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and for ensuring that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor's Responsibilities

I am responsible for expressing an independent opinion, based on my audit, on the financial statements presented by the Directors and reporting my opinion to you. This report has been prepared for and only for the Company's members in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. I will not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands, it may come save where expressly agreed by my prior consent in writing.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements. I believe that my audit provides a reasonable basis for my opinion.

I have no relationship with or interests in the Company other than in my capacity as auditor or tax adviser and other than dealings with the Company in the ordinary course of business.

Without qualifying my report, I wish to draw attention to Note 19.

In view of the fact that the Company is dealing in both taxable and exempt supplies for value added tax purposes, the Company's claim for refund of VAT incurred on capital expenditure will have to be amended. An amount of Rs. 6,570,850 shown as accounts receivable at 31st March 2004 may have to be included in work in progress. The effect of this adjustment will be to reduce accounts receivable by Rs. 6,570,850 and to increase the amount shown as work in progress by a similar amount.

Opinion

I have obtained all the information and explanations which I considered necessary.

In my opinion:

a) proper accounting records have been kept by the Company as far as appears from my examination of those records, and

b) the financial statements give a true and fair view of the state of affairs of the Company as at 31st March 2004 and of the results and cash flows for the period ended, comply with the Companies Act 2001 and have been prepared in accordance with the International Financial Reporting Standards.

Sd/-
Jugdeo Naginlal
FCCA

Place : Mauritius
Date : 20th July 2004

BALANCE SHEET March 31, 2004

	Notes	2004	2003	2004	2003
		(In Mauritian Rs.)		(In Indian Rs.)	
ASSETS					
Non-current Assets					
Property, plant and equipment	3	**2,692,980**	2,809,596	**4,470,347**	4,494,971
Investment in Consortium	4	**11,994,090**	560,596	**19,910,189**	903,722
Capital work in progress	5	**112,530,621**	9,562,210	**186,800,831**	15,801,997
Preliminary expenses		**129,770**	129,770	**215,419**	209,747
		127,347,461	13,062,172	**211,396,786**	21,410,437
Current Assets					
Inventories	6	**38,577,788**	-	**64,039,128**	-
Trade and other receivables	7	**33,898,814**	3,039,034	**56,272,031**	5,201,792
Cash and bank balances		**85,620,097**	126,579,111	**142,129,361**	216,660,371
		158,096,699	129,618,145	**262,440,520**	221,862,163
TOTAL ASSETS		**285,444,160**	142,680,317	**473,837,306**	243,272,600
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	**158,892,000**	158,892,000	**254,986,736**	256,724,122
Revenue reserves		**(24,551,022)**	(19,755,182)	**(37,102,207)**	(29,062,296)
Foreign Currency Translation Reserve				**(2,309,942)**	9,379,079
		134,340,978	139,136,818	**215,574,587**	237,040,905
Non-current liabilities					
Amount due to holding company	9	**5,430,642**	3,212,542	**8,750,303**	5,665,192
Current liabilities					
Trade and other payables	10	**41,272,540**	330,622	**68,512,416**	565,912
Amount due to holding company	9	**104,400,000**	-	**181,000,000**	-
Deposit on shares		**-**	335	**-**	591
		145,672,540	330,957	**249,512,416**	566,503
TOTAL EQUITY AND LIABILITIES		**285,444,160**	142,680,317	**473,837,306**	243,272,600

These accounts have been approved by the Board of Directors on 1st June 2004.

Sd/-	Sd/-	Sd/-
(M. Ramana)	**(Couldip Basanta Lala)**	**(Virrsing Ramdeny)**
Managing Director	Director	Director

The notes set out on pages 9 to 18 (pages I-8 to I-12 here) form part of these accounts.

Auditors' report on page 4

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

Mauritius

Income Statement - for the Year ended March 31, 2004

	Notes	2004	2003	2004	2003
		(In Mauritian Rs.)		(In Indian Rs.)	
Revenue		**33,761,236**	-	**56,916,380**	-
Cost of sales		**(33,608,316)**	-	**(56,658,580)**	-
Gross profit		**152,920**	-	**257,800**	-
Administrative expenses		**(7,688,360)**	(5,766,140)	**(12,961,406)**	(9,580,730)
Finance costs		**(775,364)**	-	**(1,281,992)**	-
Exchange difference		**2,470,071**	(14,109,713)	**4,164,169**	(24,151,028)
Operating profit	11	**(5,840,723)**	(19,875,853)	**(9,801,428)**	(33,731,756)
Other income	12	**1,044,883**	2,806,201	**1,761,516**	4,669,462
Loss before taxation		**(4,795,840)**	(17,069,652)	**(8,039,912)**	(29,062,296)
Taxation	13	**-**	-	**-**	-
Loss for the year		**(4,795,840)**	(17,069,652)	**(8,039,912)**	(29,062,296)
Loss per share	14	**(3.02)**	(21.15)	**(5.06)**	(36.01)

The notes set out on pages 9 to 18 (pages I-8 to I-12 here) form part of these accounts.

Auditors' report on page 4

Statement of changes in Equity - for the Year ended March 31, 2004

	Share Capital	Revenue Reserves	Total
			(In Mauritian Rs.)
At April 01, 2002	25,000	(2,685,530)	(2,660,530)
Issue of shares	158,867,000	-	158,867,000
Profit for the year	-	(17,069,652)	(17,069,652)
At March 31, 2003	158,892,000	(19,755,182)	139,136,818
At April 01, 2003	158,892,000	(19,755,182)	139,136,818
Profit for the year	-	(4,795,840)	(4,795,840)
At March 31, 2004	**158,892,000**	**(24,551,022)**	**134,340,978**
Closing Balance			**(In Indian Rs.)**
At March 31, 2004	**254,986,736**	**(39,412,149)**	**215,574,587**
At March 31, 2003	256,724,122	(19,683,217)	237,040,905

The notes set out on pages 9 to 18 (pages I-8 to I-12 here) form part of these accounts.

Auditors' report on page 4

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

Statement of Cash Flows - for the year ended March 31, 2004

	Notes	2004	2003	2004	2003
		(In Mauritian Rs.)		(In Indian Rs.)	
Cash flows from operating activities					
Net loss before taxation		**(4,795,840)**	(17,069,652)	**(8,039,812)**	(29,062,296)
Adjustment for:					
Depreciation		**241,848**	229,773	**401,136**	368,326
Interest paid		**775,364**	-	**1,261,992**	-
Operating profit before working capital changes		**(3,778,628)**	(16,839,879)	**(6,376,784)**	(28,693,970)
Increase in inventories		**(38,677,768)**	-	**(64,039,128)**	-
Increase in trade and other receivables		**(30,859,780)**	(2,888,834)	**(51,227,235)**	(4,959,023)
Increase in trade and other payables		**40,941,018**	1,377,167	**67,963,584**	2,730,204
Increase in amount due to related parties		**2,218,100**		**3,085,111**	
Net cash inflow/(outflow) from operations		**(30,066,378)**	(18,351,546)	**(50,594,452)**	(30,922,789)
Interest paid		**(775,364)**	-	**(1,261,992)**	-
Net cash inflow/(outflow) from operating activities		**(30,841,742)**	(18,351,546)	**(51,856,444)**	(30,922,789)
Investing activities					
Purchase of property,plant and equipment		**(125,032)**	(2,824,412)	**(207,553)**	(4,515,859)
Investment in Consortium		**(11,433,494)**	(560,596)	**(18,979,600)**	(903,722)
Capital work in progress		**(102,968,411)**	(9,562,210)	**(170,927,562)**	(15,801,997)
Net cash outflow from investing activities		**(114,526,937)**	(12,947,218)	**(190,114,715)**	(21,221,578)
Financing					
Share capital issued		**-**	158,867,000	**-**	256,684,172
Deposit on shares		**(335)**	(158,867,000)	**(591)**	(256,684,172)
Proceeds from borrowings		**104,400,000**	-	**181,000,000**	-
Foreign currency translation reserve				**(13,559,260)**	13,626,729
Net cash outflow from financing		**104,399,665**	-	**167,440,149**	13,626,729
Net decrease in cash and cash equivalents		**(40,969,014)**	(31,298,764)	**(74,531,010)**	(38,517,638)
Movement in cash and cash equivalents:					
At April 1		**126,579,111**	157,877,875	**216,660,371**	255,178,009
Increase/(Decrease) in cash and cash equivalents		**(40,969,014)**	(31,298,764)	**(74,531,010)**	(38,517,638)
At March 31	12	**85,610,097**	126,579,111	**142,129,361**	216,660,371

The notes set out on pages 9 to 18 (pages I-8 to I-12 here) form part of these accounts.

Auditors' report on page 4

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

ANNUAL REPORT

Mauritius

Notes to the Accounts - March 31, 2003

1. LEGAL FORM AND ACTIVITY

The Company is incorporated in Mauritius as a foreign company with limited liability on May 24, 2000 and is engaged in the distribution of petroleum products. The registered and principal place of business of the Company is Mer Rouge, Port Louis.

2. ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretations Committee (SIC) of the IASB. The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(b) Basis of preparation

The financial statements are expressed in Mauritian Rupees. The financial statements are prepared on a fair value basis for financial assets and liabilities held for trading except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost or revalued amount of the assets on a straight-line basis over their expected useful lives.

The principal annual rates used are:	%/years
Leasehold property	19.25 yrs
Furniture and Fittings	10%
Equipment	25%

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stocks. The cost of finished goods comprises raw materials (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the company has become a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash deposited with banks and short-term highly liquid investments with maturities of three months or less when purchased.

(iv) Trade payables and amounts owed to related companies

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services rendered.

(v) Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

(f) Retirement Benefits

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(g) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statements.

(h) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Tax rates enacted or substantively enacted by the balance sheet are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group and the Company have a legally enforceable right to set off the recognised amounts and the Group and the Company intend either to settle on a net basis, or to realise the asset and liability simultaneously.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Impairment

At each balance sheet date, the Group and the Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(m) Revenue recognition

Revenue is recognised according to the following specific recognition criteria:

Sales of goods

Revenue from the sales of goods is recognised on the transfer to the customer of the significant risks and rewards of ownership of the goods, which generally coincides with delivery date.

Interest

Interest income is recognised as it accrues unless collectivity is in doubt.

3. RISK MANAGEMENT POLICIES

A description of the various risks to which the Company is exposed is shown below as well as the approach taken by management to control and mitigate those risks.

Credit risk

Credit risk relates to the possibility of default by customers and agents in setting their obligations to the Company. The Company has established internal policies to determine the credit worthiness and reliability of potential customers. Moreover, since it transacts mostly with its holding companies and agents having a good track record and there are well established payment schedules, the possibility of material loss arising in the event of non-performance by customers and agents is considered to be mitigated.

Liquidity risk

This refers to the possibility of default of a company to meet its obligations because of unavailability of funds to meet both operational and capital requirements. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and actions taken appropriately. Moreover, the Company has access to various types of funding like loans, overdraft and share capital.

Interest rate risk

Overdraft are at fixed and variable rates. The company is thus exposed to fluctuations in the prevailing level of market interest rates. All interest charges and income are recognised in the income statement in the year in which it is incurred.

Foreign exchange risk

The company is exposed to foreign exchange risk with respect to foreign currencies on revenue and supplies with respect to mainly US Dollars.

All gains and losses on currency variations are accounted for in the Income Statement. The risk is hedged by a combination of forward currency contracts and revenue on exports which are banked in foreign currencies and used to pay suppliers.

Other retirements benefits

The present value of other retirement benefits in respect of Labour Act gratuities is recognised in the balance sheet as a non-current liability.

4. PROPERTY, PLANT AND EQUIPMENT

(In Mauritian Rs.)

	Leasehold Property	Furniture & fittings	Equipment	Total
COSTS				
At April 01, 2003	2,694,640	73,011	272,229	3,039,880
Additions	-	27,130	97,902	125,032
At March 31, 2004	2,694,640	100,141	370,131	3,164,912
DEPRECIATION				
At April 01, 2003	151,649	14,097	64,538	230,284
Charge for the year	139,980	10,962	90,706	241,648
At March 31, 2004	291,629	25,059	155,244	471,932
NET BOOK VALUE				
At 31 March 2004	**2,403,011**	**75,082**	**214,887**	**2,692,980**
At 31 March 2003	2,542,991	58,914	207,691	2,809,596
NET BOOK VALUE				**(In Indian Rs.)**
At 31 March 2004	**3,988,999**	**124,638**	**356,712**	**4,470,347**
At 31 March 2003	4,065,243	95,224	334,504	4,494,971

5. INVESTMENT IN CONSORTIUM

(In Mauritian Rupees)

	2004	2003
Opening balance	**560,596**	-
Addition during the year	**11,433,494**	560,596
Closing balance	**11,994,090**	560,596
Closing Balance (In Indian Rs.)	**19,910,169**	903,722

6. CAPITAL WORK IN PROGRESS

(In Mauritian Rs.)

	2004	2003
Opening balance	**9,562,210**	-
Addition during the year	**102,968,411**	9,562,210
Closing balance	**112,530,621**	9,562,210
Closing Balance (In Indian Rs.)	**186,800,831**	15,801,997

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

7. INVENTORIES

	2004	2003	2004	2003
	(In Mauritian Rs.)		(In Indian Rs.)	
Finished goods	**38,577,788**	-	**64,039,128**	-
Spare parts		-		-
	38,577,788	-	**64,039,128**	-

8. TRADE AND OTHER RECEIVABLES

	2004	2003	2004	2003
	(In Mauritian Rs.)		(In Indian Rs.)	
Trade receivables from related parties		-		-
Other trade receivables	**26,401,936**	-	**43,827,214**	-
Other receivables and prepayments	**7,496,878**	3,039,034	**12,444,817**	5,201,792
	33,898,814	3,039,034	**56,272,031**	5,201,792

9. SHARE CAPITAL

	2004	2003	2004	2003
	(In Mauritian Rs.)		(In Indian Rs.)	
Authorised				
Value	**16,000,000**	16,000,000		
Number of shares	**1,600,000**	1,600,000	**1,600,000**	1,600,000
Allotted, called up and fully paid				
Value	**158,892,000**	158,892,000	**254,986,736**	256,724,122
Number of shares	**1,588,920**	1,588,920	**1,588,920**	1,588,920

10. AMOUNT DUE TO HOLDING COMPANY

	2004	2003	2004	2003
	(In Mauritian Rs.)		(In Indian Rs.)	
Indian Oil Corporation Ltd.				
Borrowings -Current	**104,400,000**	-	**181,000,000**	-
Current account- non current	**5,430,642**	3,212,542	**8,750,303**	5,665,192
	109,830,642	3,212,542	**189,750,303**	5,665,192

11. TRADE AND OTHER PAYABLES

	2004	2003	2004	2003
	(In Mauritian Rs.)		(In Indian Rs.)	
Trade payables	**41,158,178**	-	**68,322,575**	-
Other payables and accruals	**114,362**	330,622	**189,841**	565,912
	41,272,540	330,622	**68,512,416**	565,912

12. PROFIT FROM OPERATION

	2004	2003	2004	2003
	(In Mauritian Rs.)		(In Indian Rs.)	
The operating profit is arrived after charging:-				
Auditors' remuneration	**60,000**	60,000	**101,154**	99,840
Directors' emoluments - full time	**750,800**	-	**1,265,774**	-
Staff cost	**895,551**	-	**1,509,809**	-
Depreciation	**241,648**	229,773	**401,136**	368,326
The average number of employees during the period was:	**3**	2		

Note. Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

13. OTHER INCOME

	2004	2003	2004	2003
	(In Mauritian Rs.)		(In Indian Rs.)	
Interest received	1,044,893	2,806,201	1,761,616	4,669,462
	1,044,893	2,806,201	1,761,616	4,669,462

14. TAXATION

(a) Income tax

The Company is liable to tax in Mauritius at the rate of 15%. However the Company made a loss during the year and has no tax liability as at March 31, 2004.

(b) Deferred taxation

No provision has been made for deferred taxation as it is immaterial.

15. EARNINGS PER SHARE

Earnings per share is based on the loss for the year of Rs 4,795,840 (2003: loss of Rs 17,069,652) and 1,588,920 (2003: 806,960) ordinary shares in issue.

16. RETIREMENT BENEFITS

The Directors are of the opinion that the provision for retirement benefits for the year under review is not material. Thus no provision has been made in these accounts.

17. CAPITAL COMMITMENT

	(In Mauritian Rs.)	
	2004	2003
Capital expenditure contracted for at the balance sheet date but not recognised in the accounts is as follows:		
Property, plant and equipment	91,500,000	114,500,000

18. FINANCIAL INSTRUMENT

Foreign currency management

The Company's assets and liabilities are denominated in Mauritian Rupees and United States Dollars. Consequently, the Company is exposed to any foreign currency risk. The Company's overall risk management programme seeks to minimise potential adverse effects of the above risks on the financial performance of the Company.

Credit risk management

At year end, the Company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

Fair value

The directors are of the opinion that the book value of financial instruments approximate fair value.

19. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2004, the Company traded with related party entity. The details, nature, volume of transactions and balance at March 31, 2004 with the entity are as follows:

(In Mauritian Rs.)

Name of related companies	Relationship	Nature of transactions	2004	2003
Balance sheet				
Indian Oil Corporation Ltd.	Shareholder	Borrowings	104,466,888	-
Indian Oil Corporation Ltd	Shareholder	Current accounts	5,430,642	3,212,542
			109,897,530	3,212,542
Income statement				
Indian Oil Corporation Ltd	Shareholder	Finance cost	775,364	-

The above transactions have been carried out based on market terms and conditions. The Directors have ensured that the transactions have been conducted at arm's length.

Note: Figures in Indian Rupees(unaudited), wherever applicable, have been given only as additional information.

WHAT CAN INDIA'S ONLY FORTUNE GLOBAL 500 COMPANY LEARN FROM A MAN WHO OPTED OUT OF A COMFORTABLE CAREER.

What would you do if the merchant navy made you a lucrative career offer when you were just nineteen?

Vikram Batra decided to turn his back on it.

Unusually, the teenager lived by old-fashioned notions like duty and patriotism.

And inevitably, in December 1997 he joined the Indian Army.

Eighteen months later, a sailing career was the last thing on his mind as he crawled through a barbed wire trench with the 13 JAK Rifles near Kargil.

Inch by agonising inch, they closed in on Point 4875 even as the steel barbs slowly tore through their bodies. When all of a sudden, Captain Batra felt his ears go numb.

For every step we take, there's an inspired Indian leading the way.

And almost in slow motion, like in the movies, his fellow officer's legs vanished in a puff of enemy smoke.

Amidst the mayhem that followed, the young Captain was faced with a choice.

Before him lay a comrade whose time was seeping away. While behind him lay life, fame and a hero's welcome.

Four years have passed since he made his decision.

And even today, awestruck colleagues tell of his unflinching leap into the trench to save his friend, of how he was shot while in mid air and how, even with a hole in his chest he found the raw courage to destroy the enemy bunker before finally breathing his last.

The Late Captain Batra's career lasted just 18 months but it will live on forever. Proof of which can be found on a medal at his home bearing three immortal words.

Param Vir Chakra.

Param Vir Chakra

Sometimes an ordinary Indian can make a Rs 120,000 crore company feel humble. Even a company whose oil depots bore the brunt of the shelling at Kargil.

And still stands shoulder to shoulder with our soldiers in any conflict.

A company that defies logistics and flying missiles to meet 90% of the vital petroleum needs of the Indian Defence Services. Simply because, we know that for every step we take, there's an inspired Indian like Captain Vikram Batra leading the way.

IndianOil | INDIA INSPIRED

Indian Oil Corporation Limited

Registered Office: IndianOil Bhavan
G-9, Ali Yavar Jung Marg
Bandra (East), Mumbai 400 051
website: www.iocl.com