

ANNUAL  
REPORT  
2003-04

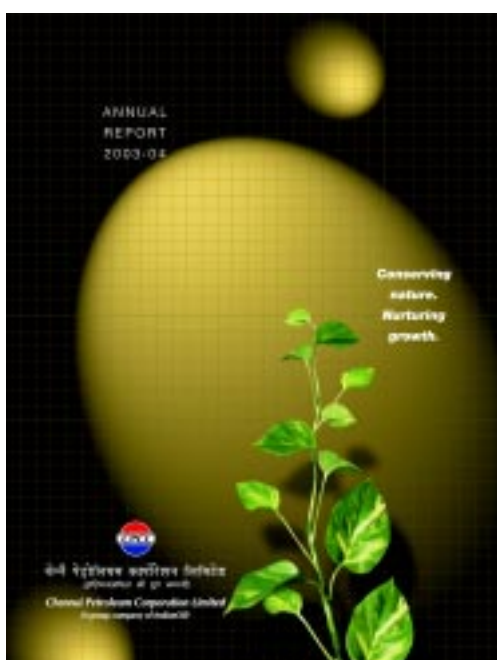
**Conserving  
nature.  
Nurturing  
growth.**



चेन्नै पेट्रोलियम कार्पोरेशन लिमिटेड  
(इंडियनऑयल की ग्रुप कम्पनी)

**Chennai Petroleum Corporation Limited**  
(A group company of IndianOil)





At CPCL, growth is a way of life - be it in terms of performance or taking initiatives in conserving nature or building enduring relationships. This way of life mirrors our deep-rooted conviction in the belief to lead.

Conceived as a grass root refinery with an installed capacity of 2.5 MMTPA in 1969 at Manali, CPCL has over the years not only become dual-locational but had steadily enhanced its capacity to 7.5 MMTPA. With the recent addition of the 3 MMTPA expansion project the total capacity now stands at 10.5 MMTPA. CPCL is also poised to produce environment friendly auto fuel which will meet the Bharat Stage II and Euro III specifications.

CPCL is taking giant steps to ensure better natural as well as commercial environment that provides the right impetus for consistent growth. And to this end, we are leaving no stone unturned.

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**REGISTERED OFFICE**

No.536, Anna Salai, Teynampet  
Chennai - 600 018

**REFINERIES**

**Manali Refinery**  
Manali, Chennai - 600 068

**Cauvery Basin Refinery**

Panangudi Village  
Nagapattinam District, Tamilnadu

**Visit CPCL at**

[www.cpcl.co.in](http://www.cpcl.co.in)

**PRINCIPAL BANKER**

**State Bank of India**  
Corporate Accounts Group Branch  
Greams Road, Chennai - 600 006

**AUDITORS**

**M/s. Padmanabhan Prakash & Co.,**  
Chartered Accountants, Chennai

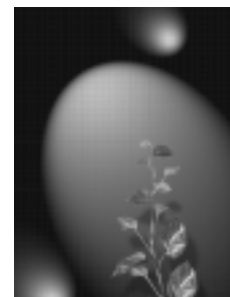
**M/s. B. Purushottam & Co.,**  
Chartered Accountants, Chennai

**REGISTRARS &  
SHARE TRANSFER AGENTS**

**M/s. Karvy Computershare  
Private Limited**  
46, Avenue 4, Street No.1  
Banjara Hills, Hyderabad - 500 034

G-1, Swathy Court,  
22, Vijayaraghava Road,  
T.Nagar, Chennai - 600 017

33/1, Venkataraman Street,  
T. Nagar, Chennai - 600 017





## **Chennai Petroleum Corporation Limited**

# *Vision*

*Chennai Petroleum Corporation will be  
a world class Energy company,  
well respected and consistently profitable,  
with a dominant presence in South India.*

# *Mission*

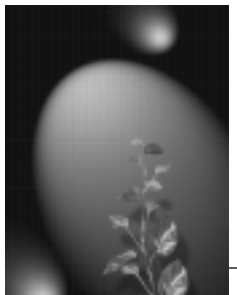
*To maximize profit through*

- the manufacturing and supply of petroleum products and*
- other related businesses*

*in a reliable, ethical and socially responsible manner*

# **Corporate** *Information*

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## **Board of Directors**

**Mr. M.S. Ramachandran**  
*Chairman*

**Mr. S.V. Narasimhan**  
*Managing Director*

**Mr. R. Sankaran**  
*Director (Technical) and  
Director (Operations) i/c*

**Mr. N.C. Sridharan**  
*Director (Finance)*

**Mr. Jaspal Singh**  
*Director (Refineries)  
Indian Oil Corporation Limited*

**Mr. S.K. Swaminathan**  
*Executive Director (Lubes)  
Indian Oil Corporation Limited*

**Mr. P.K. Goyal**  
*Executive Director  
(Corporate Finance)  
Indian Oil Corporation Limited*

**Mr. K.K. Acharya**  
*Executive Director (Operations)  
Indian Oil Corporation Limited*

**Mr. Prabh Das, I.A.S.,**  
*Joint Secretary to Government of India,  
Ministry of Petroleum & Natural Gas*

**Mr. L. Sabaretnam**  
*Chief Executive Officer  
ICL Sugars Limited*

**Mr. M. Vaezi**  
*Director  
Naftiran Intertrade Co. Ltd.*

**Mr. M.B. Samiei Khonsari**  
*Deputy Finance Director  
National Iranian Oil Company*

## **Executives**

**Mr. A. Kasturi Rangan**  
*Executive Director (Operations)*

**Mr. S. Velumani**  
*General Manager (Corporate Planning)*

**Mr. V. R. Raman**  
*General Manager*  
*(Logistics & Planning / R & D)*

**Mr. S. Pandarinathan**  
*General Manager (Technical)*

**Mr. N.K. Natarajan**  
*General Manager (Cauvery Basin Refinery)*

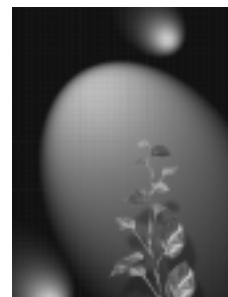
**Mr. S. Chandrasekaran**  
*General Manager (Manufacturing)*

**Mr. R. Anand**  
*General Manager (Projects & Development)*

**Mr. N. Sethurathinam**  
*Chief Vigilance Officer (i/c)*

**Mr. V. Natarajan**  
*General Manager (Finance)*

**Mr. V. Srinivasan**  
*General Manager (Human Resources) &*  
*Company Secretary*





## Notice

Notice is hereby given that the 38th Annual General Meeting of the Shareholders of the Company will be held at 3.00 P.M. on Monday, the 23rd August 2004 at Kamaraj Arangam, 492, Anna Salai, Teynampet, Chennai-600 006 to transact the following businesses:

### ORDINARY BUSINESSES :

1. To receive, consider and adopt the Audited Profit & Loss Account of the Company for the period from 1st April 2003 to 31st March 2004 and the Audited Balance Sheet as at 31st March 2004, together with the Directors' Report and the Auditors' Report.
2. To declare Dividend.
3. To appoint a Director in place of Mr.L.Sabaretam, who retires and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.M.S.Ramachandran, who retires and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr.R.Sankaran, who retires and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr.Prabh Das, who retires and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Mr.Jaspal Singh, who retires and being eligible, offers himself for re-appointment.

### SPECIAL BUSINESSES :

#### 8. APPOINTMENT OF MR.S.K.SWAMINATHAN AS A DIRECTOR

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

*"RESOLVED that Mr.S.K.Swaminathan be and is hereby appointed as a Director of the Company."*

#### 9. APPOINTMENT OF MR.N.C.SRIDHARAN AS A DIRECTOR

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

*"RESOLVED that Mr.N.C.Sridharan be and is hereby appointed as a Director of the Company."*

#### 10. APPOINTMENT OF MR.P.K.GOYAL AS A DIRECTOR

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

*"RESOLVED that Mr.P.K.Goyal be and is hereby appointed as a Director of the Company."*

#### 11. APPOINTMENT OF MR.K.K.ACHARYA AS A DIRECTOR

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

*"RESOLVED that Mr.K.K.Acharya be and is hereby appointed as a Director of the Company."*

By order of the Board

V. Srinivasan

General Manager (Human Resources) &  
Company Secretary

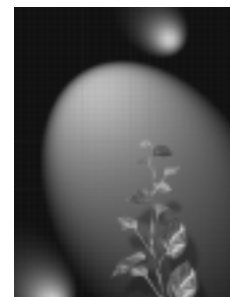
Date : June 25, 2004

Place : Chennai

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of himself.
2. The proxy need not be a member of the Company.

3. The instrument of Proxies, in order to be effective, must be lodged at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
4. Members/Proxies should bring their attendance slip, duly filled in, to the meeting.
5. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of resolutions set out under "Special Businesses" of the Notice is annexed.
6. The Register of Members and the Share Transfer Books of the Company will remain closed from 14th August 2004 to 23rd August 2004 (both days inclusive).
7. Members are requested to immediately intimate any change in their addresses registered with the Company.
8. Members are informed that the Company is extending the Electronic Clearing Service (ECS) facility to the Members to enable them to receive their Dividend through electronic mode to their bank account. The ECS facility is available for the remittance of Dividend upto Rs.5 lakh. In order to avail the ECS facility, the Members are requested to fill, sign and send the ECS mandate form, which forms part of the Annual Report, along with a photocopy of the cheque issued by the Bank for verifying the accuracy of the MICR Code Number, to:
  - a) M/s.Karvy Computershare Private Limited, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500 034 (in case of Members holding shares in physical mode).
  - b) the Depository Participants concerned (in case of Members holding shares in electronic mode/dematerialised form).
9. Members, who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
10. Dividend, upon its declaration at the Meeting, will be paid in respect of physical shares to those Members, whose names appear in the Register of Members of the Company as on 23rd August 2004 and in respect of electronic shares, to those members, whose names appear in the Beneficial List to be furnished by the depositories to the Company for this purpose. Shares that are partly paid as on 31.03.2004 will be eligible for Dividend, in proportion to the amount paid-up as on that date.
11. The unclaimed dividend declared at the 31st AGM held on 22.09.1997 for the financial year ended 31.03.1997 will be transferred by the Company on or before 21.10.2004 to the Investor Education and Protection Fund in accordance with the rules framed in this regard by the Central Government. Therefore, Members who have not encashed their Dividend Warrants in respect of the above dividend, validity period of which has expired, may approach either the Company or its Share Transfer Agents, viz., Karvy Computershare Private Limited, for obtaining duplicate Dividend Warrants immediately.
12. The unclaimed dividend declared at the 32nd AGM held on 24.09.1998 for the financial year ended 31.03.1998 will be transferred by the Company on or before 23.10.2005 to the Investor Education and Protection Fund in accordance with the rules framed in this regard by the Central Government. Therefore, Members who have not encashed their Dividend Warrants in respect of the above dividend, validity period of which has expired, may approach either the Company or its Share Transfer Agents, viz., Karvy Computershare Private Limited, for obtaining duplicate Dividend Warrants immediately.
13. A brief Resume of the Directors of the Company, seeking appointment/re-appointment at this Annual General Meeting and their expertise in specific functional areas is given as part of the Explanatory Statement.
14. **Inspection of Documents** : The relevant documents are available for inspection by the members at the Registered Office of the Company at any time during the working hours till the date of the meeting.





**Explanatory Statement pursuant to Section 173 (2)  
of the Companies Act, 1956**

**Item No.8**

Mr.S.K.Swaminathan was appointed as an Additional Director with effect from 01.10.2003. As per the provisions of Section 260 of the Companies Act, 1956, Mr.S.K.Swaminathan will hold office only upto the date of the thirty-eighth Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956, has been received proposing the appointment of Mr.S.K.Swaminathan as a Director. Hence, this resolution is proposed.

Memorandum of Interest :

None of the Directors is interested in the resolution except Mr.S.K.Swaminathan.

**Item No.9**

Mr.N.C.Sridharan was nominated by Government of India for appointment as Director (Finance) under Article 86(c) read with Clause 2.5B of the Formation Agreement in place of Mr.S.V.Narasimhan. Mr.N.C.Sridharan was appointed as an Additional Director with effect from 05.03.2004. As per the provisions of Section 260 of the Companies Act, 1956, Mr.N.C.Sridharan will hold office only upto the date of the thirty-eighth Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956, has been received proposing the appointment of Mr.N.C.Sridharan as a Director. Hence, this resolution is proposed.

Memorandum of Interest :

None of the Directors is interested in the resolution except Mr.N.C.Sridharan.

**Item No.10**

Mr.P.K.Goyal was appointed as an Additional Director with effect from 09.03.2004 in place of Mr.Chandan Dasgupta. As per the provisions of Section 260 of the Companies Act, 1956, Mr.P.K.Goyal will hold office only upto the date of the thirty-eighth Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956, has been received proposing the appointment of Mr.P.K.Goyal as a Director. Hence, this resolution is proposed.

Memorandum of Interest :

None of the Directors is interested in the resolution except Mr.P.K.Goyal.

**Item No.11**

Mr.K.K.Acharya was appointed as an Additional Director with effect from 14.05.2004 in place of Mr.P.S.Rao. As per the provisions of Section 260 of the Companies Act, 1956, Mr.K.K.Acharya will hold office only upto the date of the thirty-eighth Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956, has been received proposing the appointment of Mr.K.K.Acharya as a Director. Hence, this resolution is proposed.

Memorandum of Interest :

None of the Directors is interested in the resolution except Mr.K.K.Acharya.

**BRIEF RESUME OF THE DIRECTORS OF THE COMPANY, SEEKING APPOINTMENT / RE-APPOINTMENT  
AT THIS ANNUAL GENERAL MEETING**

1. Mr.L.Sabaretnam was appointed on the Board effective 28.02.2002. He is a Post-Graduate in Business Administration from the University of Madras. He is the Chief Executive Officer of ICL Sugars Limited.

Mr.L.Sabaretnam is the Chairman and Director of Oriental Solutions Private Limited and Oriental Billing Services Private Limited. He is also a member of various business associations and social bodies.

Mr.L.Sabaretnam is the Chairman of the Audit Committee and Shareholders'/Investors' Grievance Committee of CPCL.

2. Mr.M.S.Ramachandran was appointed on the Board effective 01.10.2002. He is a Mechanical Engineer from the College of Engineering, Guindy, Chennai. During his career in Indian Oil Corporation Limited for over three decades, he has handled diverse functions such as sales, logistics, operations, commercial and shipping in different capacities.

Mr.M.S.Ramachandran is the Chairman of Indian Oil Corporation Limited. He is also the part-time Chairman of IBP Co. Ltd. and Indian Oil Tanking Limited.

3. Mr.R.Sankaran was appointed on the Board effective 01.01.2003, as Director (Technical). He is a Graduate in Electrical Engineering from Indian Institute of Technology (IIT), Chennai. He has more than three decades of experience in the Oil and Fertilizer industries. Prior to joining CPCL in 1986, he had worked in the Fertilizer industry for about 18 years. He has served in various senior capacities in Maintenance, Power and Utilities and Projects Departments in CPCL.

Mr.R.Sankaran is also a Director on the Board of Indian Additives Limited and National Aromatics and Petrochemicals Corporation Limited. He is a member of the Shareholders'/ Investors' Grievance Committee of CPCL and Audit Committee of Indian Additives Limited.

4. Mr.Prabh Das was appointed on the Board effective 11.04.2003. He is a B.Tech (Hons) from IIT, Kharagpur and a Post-Graduate in Business Administration from Southern Cross University, Australia. He belongs to the 1981 batch of Indian Administrative Service. He is currently the Joint Secretary, Ministry of Petroleum & Natural Gas. During the last 22 years of service, he has held senior positions in various Departments of the Government.

Mr.Prabh Das is a Director on the Board of Indian Oil Corporation Limited, Engineers India Limited (EIL) and IBP Co. Ltd. He is the Chairman of Project Evaluation Committee of Indian Oil Corporation Limited. He is also the Chairman of the Audit Committee of IBP Co. Ltd. and the Chairman of the Shareholders'/ Investors' Grievance Committee of Engineers India Limited.

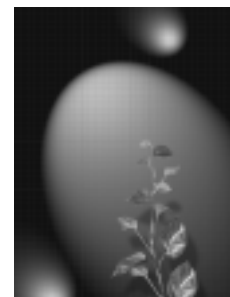
5. Mr.Jaspal Singh was appointed on the Board effective 01.04.2003. He is a Chemical Engineer from IIT, Delhi. He has over three decades of experience in Refinery Operations, Technical Services and Projects at Indian Oil Corporation Limited.

Presently, he is the Director (Refineries) of Indian Oil Corporation Limited.

6. Mr.S.K.Swaminathan was appointed on the Board effective 01.10.2003. He is a Mechanical Engineer from Madras University. He has over three decades of experience, which covers wide spectrum of lubricant business, i.e., sourcing, production, logistic management, technical services, sales aspects and brand management.

Presently, he is the Executive Director (Lubes) of Indian Oil Corporation Limited. He is a Director on the Board of Indian Oil Blending Limited and AVI Oil India Pvt. Ltd.

7. Mr.N.C.Sridharan was appointed on the Board effective 05.03.2004, as Director (Finance). He is a Chartered Accountant and an Associate Member of the Institute of Company Secretaries of India. He has nearly three decades of experience in Engineering, Chemical and Pharmaceuticals, Fibre Cement, Cotton Spinning and Software industries in Corporate Finance, Treasury, Accounts, Loans Syndication, Project Finance, Commercial Taxation – Direct & Indirect and Secretarial & Legal. Prior to his appointment as Director (Finance), he was General Manager (Finance) in CPCL.





Mr.N.C.Sridharan is also a Director on the Board of Indian Additives Limited and National Aromatics and Petrochemicals Corporation Limited. He is a member of the Shareholders'/ Investors' Grievance Committee of CPCL and Audit Committee of Indian Additives Limited.

8. Mr.P.K.Goyal was appointed on the Board effective 09.03.2004. He is a Chartered Accountant. He has more than two and a half decades of experience in various fields of Finance.

Presently, he is the Executive Director (Corporate Finance) of Indian Oil Corporation Limited. He is a member of the Audit Committee and Shareholders'/Investors' Grievance Committee of CPCL.

9. Mr.K.K.Acharya was appointed on the Board effective 14.05.2004. He is a Graduate in Chemical Engineering from Ranchi University and M.Tech. in Chemical Engineering from IIT, Kharagpur. He has about three decades of experience in oil refining and downstream petrochemical fields.

Presently, he is the Executive Director (Operations) of Indian Oil Corporation Limited.

Date : June 25, 2004  
Place : Chennai

By order of the Board  
V. Srinivasan  
*General Manager (Human Resources) &  
Company Secretary*

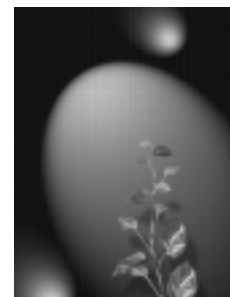
## **Corporate Governance**

### **1.0 COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

- 1.1 CPCL firmly believes that ideals of Corporate Governance primarily need transparency, full disclosure, fairness to all stakeholders and effective monitoring of the corporate affairs. The basic philosophy of corporate governance is to achieve business excellence, enhance shareholder-value and balance the interests of all stakeholders. In fact, Corporate Governance is all about doing the right thing.
- 1.2 In recognition of the above, CPCL was shortlisted as one of the top 25 Companies adopting good corporate governance practices by the Institute of Company Secretaries of India during the year 2003. To cap it all, CPCL is one among the top 3 Public Sector Companies in the chosen list.

### **2.0 BOARD OF DIRECTORS**

- 2.1 The Board of Directors of CPCL consisted of twelve Directors as on 31.03.2004.
- 2.2 The break-up of the total composition of the Board as on 31.3.2004 is as follows:
  - 2.2.1 One Non-Executive Chairman, who is the Chairman of Indian Oil Corporation Limited (the Holding Company).
  - 2.2.2 Three whole-time Functional Directors, viz. Managing Director, Director (Technical) and Director (Finance). The post of Director (Operations) is vacant and the Director (Technical) is holding additional charge of the post of Director (Operations).
  - 2.2.3 Director (Refineries) and other three Senior Executives of Indian Oil Corporation Limited.
  - 2.2.4 Two Directors nominated by National Iranian Oil Company, one of the promoters, in terms of the Formation Agreement.
  - 2.2.5 One Director, who is the Joint Secretary in the Administrative Ministry viz., Ministry of Petroleum and Natural Gas.
  - 2.2.6 One Non-Official Director.
- 2.3 Out of the total number of twelve Directors as on 31.3.2004, nine Directors are Non-Executive Directors, of whom, four are Non-Executive Independent Directors. Effective 1.10.2002, the Company has a Non-Executive Chairman. The number of Independent Directors, in such a case, need to be one-third of the total number of Directors. With the total number of non-executive independent Directors being four as on 31.3.2004, the Company met the requirement of minimum number of Independent Directors as stipulated in the Listing Agreement.
- 2.4 Details relating to:
  - a) Attendance of Directors at the Board Meetings held during the financial year April 2003 to March 2004 and at the last Annual General Meeting held on 25.09.2003,
  - b) Number of other directorships, and





c) Number of memberships / chairmanships held by the Directors in the committees of various companies, are given below:

| <b>Name of the Directors</b>                        | <b>No. of Board Meetings Attended</b> | <b>Whether attended last AGM?</b> | <b>Other Director-ships</b> | <b>Committee Member-ships</b> | <b>Committee Chairman-ships</b> |
|---|---------------------------------------|-----------------------------------|-----------------------------|-------------------------------|---------------------------------|
| Mr.M.S.Ramachandran                                 | 5                                     | Yes                               | 3                           | -                             | -                               |
| Mr.S.V.Narasimhan                                   | 5                                     | Yes                               | 4                           | -                             | -                               |
| Mr.R.Sankaran                                       | 5                                     | Yes                               | 2                           | 2                             | -                               |
| Mr.N.C.Sridharan<br>(Refer Note 1)                  | Not applicable                        | Not applicable                    | 2                           | 2                             | -                               |
| Mr.Jaspal Singh                                     | 4                                     | Yes                               | 1                           | -                             | -                               |
| Mr.P.S.Rao<br>(Refer Note 2)                        | 4                                     | Yes                               | 1                           | 1                             | -                               |
| Mr.S.K.Swaminathan<br>(Refer Note 3)                | 2                                     | Not applicable                    | 2                           | -                             | -                               |
| Mr.P.K.Goyal<br>(Refer Note 4)                      | Not applicable                        | Not applicable                    | -                           | 2                             | -                               |
| Mr.Prabh Das  | 2                                     | Not attended                      | 3                           | -                             | 3                               |
| Mr.L.Sabaretnam                                     | 5                                     | Yes                               | 6                           | -                             | 2                               |
| Mr.M.B.Samiei Khonsari<br>or his alternate Director | 5                                     | Yes                               | 1                           | 2                             | -                               |
| Mr.M.Vaezi<br>or his alternate Director             | 5                                     | Yes                               | 3                           | 1                             | -                               |
| Mr.K.Narayanan<br>(Refer Note 5)                    | 5                                     | Yes                               | 2                           | 2                             | -                               |
| Mr.T.L.Jain<br>(Refer Note 6)                       | -                                     | Not applicable                    | -                           | -                             | -                               |
| Mr.A.K.Mishra<br>(Refer Note 7)                     | 1                                     | Not applicable                    | 1                           | -                             | -                               |
| Mr.P.S.Ahluwalia<br>(Refer Note 8)                  | 2                                     | Yes                               | -                           | -                             | -                               |
| Mr.P.Baskaradoss<br>(Refer Note 9)                  | 1                                     | Yes                               | 2                           | 1                             | 1                               |
| Mr.Chandan Dasgupta<br>(Refer Note 10)              | 4                                     | Yes                               | -                           | -                             | -                               |
| Mr.K.Skandan<br>(Refer Note 11)                     | 1                                     | Not applicable                    | 14                          | -                             | -                               |

Notes :

1. Mr.N.C.Sridharan, General Manager (Finance) was appointed as Director (Finance) effective 05.03.2004. No Board Meeting was held after his appointment during the financial year 2003-2004.
  2. Mr.P.S.Rao, Executive Director (Operations), Indian Oil Corporation Limited was appointed as a part-time Director effective 01.06.2003 and four Board Meetings were held after his appointment.
  3. Mr.S.K.Swaminathan, Executive Director (Lubes), Indian Oil Corporation Limited was appointed as a part-time Director effective 01.10.2003 and two Board Meetings were held after his appointment.
  4. Mr.P.K.Goyal, Executive Director (Corporate Finance), Indian Oil Corporation Limited was appointed as a part-time Director effective 09.03.2004 and no Board Meeting was held after his appointment during the financial year 2003-04.
  5. Mr.K.Narayanan, Director (Operations) ceased to be a Director effective 31.01.2004 on attaining the age of superannuation.
  6. Mr.T.L.Jain, Executive Director (Retail Sales), Indian Oil Corporation Limited ceased to be a Director effective 31.05.2003 and one Board Meeting was held during his tenure.
  7. Mr.A.K.Mishra, Executive Director (Operations), Indian Oil Corporation Limited ceased to be a Director effective 31.05.2003 and one Board Meeting was held during his tenure.
  8. Mr.P.S.Ahluwalia, Executive Director (Lubes), Indian Oil Corporation Limited ceased to be a Director effective 30.09.2003 and three Board Meetings were held during his tenure.
  9. Mr.P.Baskaradoss, ceased to be a Director effective 05.03.2004 and five Board Meetings were held during his tenure.
  10. Mr.Chandan Dasgupta, Executive Director (Corporate Finance), Indian Oil Corporation Limited ceased to be a Director effective 08.03.2004 and four Board Meetings were held during his tenure.
  11. Mr. K. Skandan, Secretary to Government of Tamilnadu, Industries Department ceased to be a Director effective 19.09.2003 and two Board Meetings were held during his tenure.
- 2.5 Five Board Meetings were held during the year 2003-04 and the dates on which the Board Meetings were held are given below:

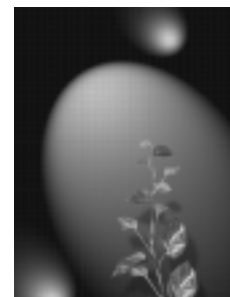
| Board Meeting No. | Board Meeting Date |
|-------------------|--------------------|
| 224               | 24.05.2003         |
| 225               | 28.07.2003         |
| 226               | 25.09.2003         |
| 227               | 27.10.2003         |
| 228               | 22.01.2004         |

### 3.0 AUDIT COMMITTEE

3.1 Composition, names of Members and Chairperson (as on 31.3.2004) :

1. Mr.L.Sabaretnam, Chief Executive Officer, ICL Sugars Limited, Chennai.
2. Mr.M.B.Samiei Khonsari, Deputy Finance Director, National Iranian Oil Company - or his Alternate Director.
3. Mr.P.K.Goyal, Executive Director (Corporate Finance), Indian Oil Corporation Limited.

Mr.P.Baskaradoss was the Chairman of the Committee till 05.03.2004.





Mr.L.Sabaretnam was elected as the Chairman of the Committee at the 12th Audit Committee Meeting held on 15.04.2004.

### 3.2 Terms and reference of Audit Committee:-

The Audit Committee has been vested with the following powers and functions:

#### 3.2.1 POWERS

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice;
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To have full access to information contained in the records of the company and external professional advice, if necessary.

#### 3.2.2 FUNCTIONS

1. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the fixation of audit fee and for payment for any other services.
3. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - ❖ Any changes in accounting policies and practices.
  - ❖ Major accounting entries based on exercise of judgement by management.
  - ❖ Qualifications in draft audit report.
  - ❖ Significant adjustments arising out of audit.
  - ❖ The going concern assumption.
  - ❖ Compliance with accounting standards.
  - ❖ Compliance with stock exchange and legal requirements concerning financial statements.
  - ❖ Any related party transactions i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the half-yearly financial statements before submission to the Board.
6. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up thereon.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
9. Discussion with External Auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

10. Reviewing the Company's financial and risk management policies.
  11. To look into reasons for substantial defaults in the payment of the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  12. Any other functions that may be assigned by the Board to the Audit Committee from time to time.
- 3.3 The first Audit Committee Meeting for the financial year 2003-04 was held on 22.05.2003. Mr.P.Baskaradoss and Mr.L.Sabaretnam attended the Meeting.
  - 3.4 The second meeting was held on 27.10.2003. Mr.L.Sabaretnam and Mr.J.Sohrabian, Alternate Member for Mr.M.B.Samiei Khonsari were present.
  - 3.5 The third meeting was held on 22.01.2004. Mr.P.Baskaradoss, Mr.L.Sabaretnam and Mr.J.Sohrabian, Alternate Member for Mr.M.B.Samiei Khonsari were present.

#### 4.0 REMUNERATION COMMITTEE

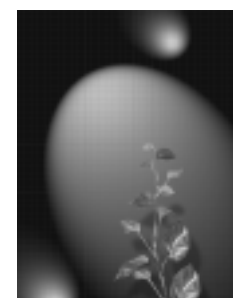
- 4.1 The need for a Remuneration Committee is not felt by the Company in view of the fact that the Company is a Government Company as per Section 617 of the Companies Act, 1956. The Remuneration of the whole-time Functional Directors are fixed by the Government of India.
- 4.2 The details of Remuneration paid to all the Functional Directors are given below:
  - 4.2.1 The remuneration of the whole time Functional Directors include basic salary, allowances and perquisites as determined by the Government of India. Also, they are entitled to provident fund and superannuation contributions as per the rules of the Company.
  - 4.2.2 The gross value of the fixed component of the remuneration, as explained above, paid to the whole-time functional Directors, during the financial year 2003-04 is given below:

(Rs. in Lakh)

| Name of the Director                                      | Salaries & Allowances | Contribution to Provident Fund | Contribution to Superannuation Fund and Gratuity | Other Benefits | Total |
|---|-----------------------|--------------------------------|--|----------------|-------|
| Mr.S.V.Narasimhan<br>Managing Director                    | 4.94                  | 0.59                           | 0.87   | 1.40           | 7.80  |
| Mr.R.Sankaran<br>Director (Technical)                     | 6.32                  | 0.59                           | 0.61   | 1.16           | 8.68  |
| Mr.K.Narayanan<br>Director (Operations)<br>(Refer Note 1) | 5.04                  | 0.47                           | 0.48   | 5.54           | 11.53 |
| Mr.N.C.Sridharan<br>Director (Finance)<br>(Refer Note 2)  | 0.45                  | 0.04                           | 0.04   | 0.08           | 0.61  |

Note 1 : Details given are for part of the year. Mr.K.Narayanan retired from the services of the Company on 31.1.2004 on attaining the age of superannuation.

Note 2 : Details given are for part of the year only, since Mr.N.C.Sridharan's appointment took effect from 5.3.2004.





4.2.3 The whole-time functional Directors are appointed for a period of five years or upto the date of superannuation, whichever event occurs earlier.

4.2.4 No stock option scheme is prevalent in the Company.

4.3 The Company pays sitting fees of Rs.5,000/- for each meeting of the Board/Sub-Committee of the Board, to such of the Non-Executive Directors, who are not the full-time employees of the shareholders. The details of the sitting fees paid during the financial year are given below:

|                  |   |             |
|------------------|---|-------------|
| Mr.P.Baskaradoss | - | Rs.15,000/- |
| Mr.L.Sabaretnam  | - | Rs.50,000/- |

## 5.0 SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

5.1. Composition, names of Members and Chairperson (as on 31.3.2004):-

1. Mr.L.Sabaretnam, CEO, ICL Sugars Limited
2. Mr.N.C.Sridharan, Director (Finance)
3. Mr.R.Sankaran, Director (Technical).
4. Mr.P.K.Goyal, Executive Director (Corporate Finance), Indian Oil Corporation Ltd.
5. Mr.M.Vaezi, Director, Naftiran Intertrade Company Ltd.

Mr.K.Narayanan was a member of the Committee till 31.01.2004.

Mr.S.M.Mortazavi was a member of the Committee till 21.05.2003.

5.2 The first meeting for the financial year 2003-04 was held on 22.5.2003. Mr.L.Sabaretnam, Mr.K.Narayanan and Mr.R.Sankaran attended the Meeting.

5.3 The second meeting was held on 27.10.2003. Mr.L.Sabaretnam, Mr.K.Narayanan and Mr.R.Sankaran were present.

5.4 Name and designation of compliance officer:-

Mr.V.Srinivasan, Company Secretary or in his absence Mr.M.Sankaranarayanan, Deputy Secretary.

5.5 Number of shareholders' complaints received during the year 2003-04, Number not solved to the satisfaction of shareholders and Number of pending complaints for the period from 1.4.2003 to 31.03.2004 are given below:

| Sl. No. | Nature of complaints / requests                                      | Opening Balance as on 1.4.2003 | Received during the Financial year 2003-04 | Total       | Solved during the Financial year 2003-04 | Pending as on 31.03.04 |
|---------|--|--------------------------------|--|-------------|--|------------------------|
| 1       | Non-receipt of dividend warrants / Revalidation of dividend warrants | 0                              | 2035                                       | 2035        | 2035                                     | -                      |
| 2       | Non-receipt of refund orders   | 0                              | 15   | 15          | 15                                       | -                      |
| 3       | Non-receipt of share certificates                                    | 0                              | 144  | 144         | 144                                      | -                      |
| 4       | Non-receipt of stickers against payment of allotment / call money    | 0                              | 57   | 57          | 57                                       | -                      |
| 5       | Non-receipt of registration numbers of Power of Attorney             | 0                              | 17   | 17          | 17                                       | -                      |
| 6       | Non-receipt of confirmation of demat requests                        | 0                              | 141  | 141         | 141                                      | -                      |
| 7       | Non-receipt of Annual Reports  | 0                              | 36   | 36          | 36                                       | -                      |
| 8       | Non-receipt of tax deduction certificate                             | 0                              | 11   | 11          | 11                                       | -                      |
|         | <b>Total</b>   | <b>0</b>                       | <b>2456</b>                                | <b>2456</b> | <b>2456</b>                              | <b>-</b>               |

Note:

- 1) 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 outstanding complaints and to ensure that investors' grievances are attended to promptly. As a result, there is an institutionalized system of redressal of investors' grievances.

## 6.0 GENERAL BODY MEETING

- 6.1 Location and time, where last three Annual General Meetings were held and number of special resolutions passed:

| AGM Date   | Location   | Time      | No. of Special Resolutions passed |
|------------|--|-----------|-----------------------------------|
| 10.09.2001 | Kamaraj Arangam<br>492, Anna Salai<br>Chennai-600 006. | 3.00 p.m. | One                               |
| 18.09.2002 | -do-   | -do-      | Six                               |
| 25.09.2003 | -do-   | 10.00 a.m | one                               |

- 6.2 Postal Ballot Details

Postal ballot was not conducted in any of the General Meetings held so far in the Company.

## 7.0 DISCLOSURES

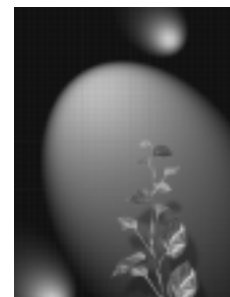
- 7.1 Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large: -

Necessary disclosures under the Accounting Standards 18 relating to the Related Party transactions form part of the Accounts for the year 2003-2004.

- 7.2 Details of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : Nil

## 8.0 MEANS OF COMMUNICATION

- 8.1 The Board of Directors of the Company takes on record the Un-audited Financial Results in the prescribed form within one month of the close of every quarter and announces the results to all the Listed Stock Exchanges. The same are also published, within 48 hours in the following newspapers normally: The Hindu, The New Indian Express, News Today, Makkalkural (Tamil) and Financial Express.
- 8.2 The Quarterly Results, Half yearly Results and the Annual Results are placed on the Company's website at [www.cpcl.co.in](http://www.cpcl.co.in). Press Reports are given on important occasions. They are also placed on Company's website.
- 8.3 Management Discussion and Analysis Report forms part of the Directors' Report 2003-04.





## 9.0 GENERAL SHAREHOLDER INFORMATION

1. 38th Annual General Meeting
  - Date & Time : August 23, 2004 at 3.00 p.m.
  - Venue : Kamaraj Arangam,  
No.492, Anna Salai,  
Chennai – 600 006
2. Financial Calendar : April – March
3. Book Closure Date : 14th August to 23rd August 2004  
(both days inclusive)
4. Dividend despatch date : Within a maximum of 30 days from the date of declaration
5. Listing on Stock Exchanges : The Shares of the Company are listed on the Stock Exchanges at Chennai, Mumbai, Kolkata, and National Stock Exchange of India Limited. The listing fees for the year 2003-2004 have been paid.
 

Note :

The company has filed application for delisting of its shares from the stock exchange at Kolkata and the approval is awaited.
6. Stock Code : Madras Stock Exchange Ltd.-CPCL  
BSE - 500 110
  - Trading Symbol in NSE : CHENN PETRO
  - Trading Symbol in Madras Stock Exchange : CHENNAI PET
  - ISIN No. for dematerialised shares : INE 178A 01016
7. Market Price Data-High, Low and Close during each month in the last Financial Year

(in Rupees)

| Month     | National Stock Exchange |        |         | Mumbai Stock Exchange |        |         |
|-----------|-------------------------|--------|---------|-----------------------|--------|---------|
|           | High                    | Low    | Closing | High                  | Low    | Closing |
| Apr. 2003 | 31.95                   | 31.55  | 31.60   | 31.90                 | 31.60  | 31.65   |
| May 2003  | 57.90                   | 55.05  | 55.60   | 57.80                 | 54.80  | 55.30   |
| June 2003 | 53.45                   | 51.75  | 52.30   | 53.80                 | 51.00  | 51.55   |
| July 2003 | 66.35                   | 56.00  | 63.70   | 66.45                 | 56.25  | 64.10   |
| Aug. 2003 | 89.10                   | 85.05  | 85.55   | 89.20                 | 84.65  | 85.10   |
| Sep. 2003 | 71.40                   | 69.50  | 69.95   | 71.55                 | 69.65  | 69.80   |
| Oct. 2003 | 71.75                   | 69.35  | 70.65   | 71.65                 | 69.40  | 70.35   |
| Nov. 2003 | 74.50                   | 73.00  | 73.90   | 74.35                 | 73.10  | 73.90   |
| Dec. 2003 | 92.50                   | 89.90  | 90.50   | 93.00                 | 88.50  | 90.65   |
| Jan. 2004 | 92.00                   | 87.00  | 87.65   | 92.00                 | 86.60  | 87.25   |
| Feb. 2004 | 95.90                   | 92.50  | 93.80   | 95.70                 | 92.55  | 94.40   |
| Mar. 2004 | 146.90                  | 133.15 | 144.90  | 147.50                | 133.25 | 145.55  |

8. Performance of CPCL's Shares in comparison to BSE and NSE Index:

| Month     | National Stock Exchange |         | Mumbai Stock Exchange |         |
|-----------|-------------------------|---------|-----------------------|---------|
|           | Closing Price (Rs.)     | Index   | Closing Price (Rs.)   | Index   |
| Apr. 2003 | 31.60                   | 934.05  | 31.65                 | 2959.79 |
| May 2003  | 55.60                   | 1006.80 | 55.30                 | 3180.75 |
| June 2003 | 52.30                   | 1134.15 | 51.55                 | 3607.13 |
| July 2003 | 63.70                   | 1185.85 | 64.10                 | 3792.61 |
| Aug. 2003 | 85.55                   | 1356.55 | 85.10                 | 4244.73 |
| Sep. 2003 | 69.95                   | 1417.10 | 69.80                 | 4453.24 |
| Oct. 2003 | 70.65                   | 1555.90 | 70.35                 | 4906.87 |
| Nov. 2003 | 73.90                   | 1615.25 | 73.90                 | 5044.82 |
| Dec. 2003 | 90.50                   | 1879.75 | 90.65                 | 5838.96 |
| Jan. 2004 | 87.65                   | 1809.75 | 87.25                 | 5695.67 |
| Feb. 2004 | 93.80                   | 1800.30 | 94.40                 | 5667.51 |
| Mar. 2004 | 144.90                  | 1771.90 | 145.55                | 5590.60 |

9. Registrars and Share Transfer Agents:

a) Hyderabad Office:

M/s. Karvy Computershare Private Limited  
No.46, Avenue 4, Street No.1,  
Banjara Hills, Hyderabad – 500 034  
Phone : 040 – 2332 4036, 2331 2454 , 2332 0751 – 53  
E-mail: mohsin@karvy.com, madhusudhan@karvy.com

Note:

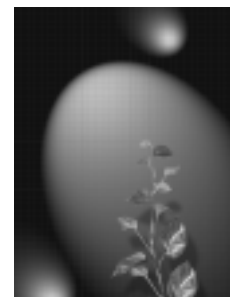
M/s.Karvy Consultants Limited transferred their business and operations of Registrars and Securities Transfer Agents to M/s.Karvy Computershare Private Limited, which is a joint venture of M/s.Karvy with M/s.Computershare Limited, Australia, effective 3.2.2004, to ensure better focus in the registry business and provide enhanced services to the investors.

b) Chennai Offices:

- i) No.33/1, Venkataraman Street, T. Nagar, Chennai – 600 017  
Phone : 28151792 Fax : 28151794, E-mail: nvvprasad@karvy.com
- ii) G-1, Swathy court  
22, Vijayaraghava Road, T. Nagar, Chennai – 600 017.  
Phone : 2815 34 45 Fax : 2815 31 81  
E-mail: sarath@karvy.com

## 10.0 SHARE TRANSFER SYSTEM

- 10.1 To expedite the share transfer process, the Board of Directors has constituted a committee consisting of Mr.V.Srinivasan, Company Secretary, Mr.M.Sankaranarayanan, Deputy Secretary and Mr.P.Shankar, Assistant Secretary of the company to approve share transfers, transmission of shares, dematerialisation requests and rematerialisation requests.





- 10.2 The number of transfers approved and shares transferred from 01.04.2003 to 31.03.2004 are given below:

| Sl. No. | Particulars   |      | Number of Shares Involved |
|---------|---|------|---------------------------|
| 1.      | Number of transfer deeds received   | 3671 | 386876                    |
| 2.      | Transfer deeds processed  | 3268 | 344576                    |
| 3.      | Defective transfer deeds sent to the proposed transferee for rectification of defects | 403  | 42300                     |

- 10.3 The number of meetings held for approving the Share Transfers from 01.04.2003 to 31.03.2004 is 33.

- 10.4 The number of demat requests approved and shares dematted from 01.04.2003 to 31.03.2004 in National Securities Depository Ltd. (NSDL) are given below:-

| Sl. No. | Particulars   |       | Number of Shares Involved |
|---------|---|-------|---------------------------|
| 1.      | Number of demat requests received   | 11081 | 24270800                  |
| 2.      | Number of demat requests processed  | 10713 | 24225200                  |
| 3.      | Number of demat requests rejected, for non-receipt of physical share certificates within 30 days as per the requirement of NSDL | 368   | 45600                     |

- 10.5 The number of meetings held for approving the demat requests through NSDL from 01.04.2003 to 31.03.2004 is 27.

- 10.6 The number of demat requests approved and shares dematted from 01.04.2003 to 31.03.2004 in Central Depository Services (India) Ltd. (CDSL) are given below:

| Sl. No. | Particulars   |      | Shares |
|---------|---|------|--------|
| 1.      | Number of demat requests received   | 1548 | 186300 |
| 2.      | Number of demat requests processed  | 1484 | 175700 |
| 3.      | Number of demat requests rejected, for non-receipt of physical share certificates within 30 days as per the requirement of CDSL | 64   | 10600  |

- 10.7 The number of meetings held for approving the demat requests through CDSL from 01.04.2003 to 31.03.2004 is 19.

#### 11.0 DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2004

| Shareholding of nominal value | Shareholders |              | Share Amount  |                       |               |
|-------------------------------|--------------|--------------|---------------|-----------------------|---------------|
|                               | Rs.          | Number       | % to Total    | Rs.                   | % to Total    |
| Upto 5000                     |              | 70588        | 95.14         | 8,82,96,280           | 5.93          |
| 5001 - 10000                  |              | 1994         | 2.69          | 1,64,00,330           | 1.10          |
| 10001 - 20000                 |              | 822          | 1.11          | 1,26,23,830           | 0.85          |
| 20001 - 30000                 |              | 257          | 0.35          | 66,90,820             | 0.45          |
| 30001 - 40000                 |              | 98           | 0.13          | 35,45,830             | 0.24          |
| 40001 - 50000                 |              | 114          | 0.15          | 54,58,050             | 0.37          |
| 50001 - 100000                |              | 152          | 0.20          | 1,12,70,900           | 0.76          |
| 100001 & above                |              | 172          | 0.23          | 1,34,51,45,960        | 90.30         |
| Total                         |              | <b>74197</b> | <b>100.00</b> | <b>1,48,94,32,000</b> | <b>100.00</b> |

#### 12.0 SHAREHOLDING PATTERN AS ON 31.03.2004

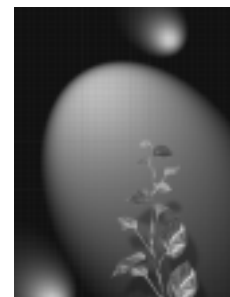
| Sl. No. | Categories  | Number of Shares    | % of Shareholding |
|---------|---|---------------------|-------------------|
| 1.      | Indian Oil Corporation Ltd                            | 7,72,65,200         | 51.88             |
| 2.      | Naftiran Intertrade Company Ltd                       | 2,29,32,900         | 15.40             |
| 3.      | Foreign Institutional Investors                       | 16,65,449           | 1.12              |
| 4.      | Mutual Funds and UTI                                  | 60,15,222           | 4.03              |
| 5.      | Banks, Financial Institutions/<br>Insurance Companies | 1,97,07,097         | 13.23             |
| 6.      | NRIs / Overseas Corporate Bodies                      | 19,04,834           | 1.28              |
| 7.      | Corporate Bodies                                      | 41,93,524           | 2.82              |
| 8.      | Public  | 1,52,58,974         | 10.24             |
|         | Total   | <b>14,89,43,200</b> | <b>100.00</b>     |

#### 13.0 DEMATERIALISATION OF SHARES AND LIQUIDITY

The dematting facility exists with both the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the convenience of shareholders. As on 31.03.2004, 14,45,19,555 equity shares have been dematerialised, representing 97.03% of the subscribed capital.

#### 14.0 OUTSTANDING GDRs / ADRs / WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

The Company has not issued GDR / ADR / Convertible instruments.





#### **15.0 PLANT LOCATIONS**

Manali Refinery, Manali, Chennai – 600 068.  
Phone : 044-25944000

Cauvery Basin Refinery, Panangudi Village,  
Nagapattinam District, Tamilnadu, Pin : 611 002.  
Phone : 04365-256402

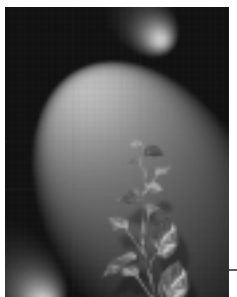
#### **16.0 ADDRESS FOR CORRESPONDENCE**

Chennai Petroleum Corporation Limited,  
No.536, Anna Salai, Teynampet, Chennai - 600 018.  
Phone : 044-24349542  
E-mail : [sld@cpcl.co.in](mailto:sld@cpcl.co.in)  
Company's Website Address : [www.cpcl.co.in](http://www.cpcl.co.in)

# *Report to* **Shareholders**

*Directors' Report* 24

*Annexures to Directors' Report* 40





## **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 alongwith 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 Oil Tanking 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 Green Tech 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 to 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 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 Science and Industrial Research. The Government has charted out a program 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 & Fertilizer 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 fertilizer sectors, the use of cheaper and cleaner gas fuel is likely to come to stay in the transport & domestic sector.

### **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.

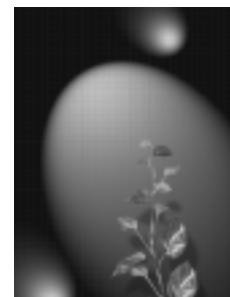
The entry of gas in the energy sector, in initial stages, will find migration of energy users particularly from the power & fertilizer industries. The mature gas market, which will emerge in the next 3 to 5 years, is likely to pose a great challenge to the oil industry. However, with the growing demand 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 specialized 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 organization. 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 :

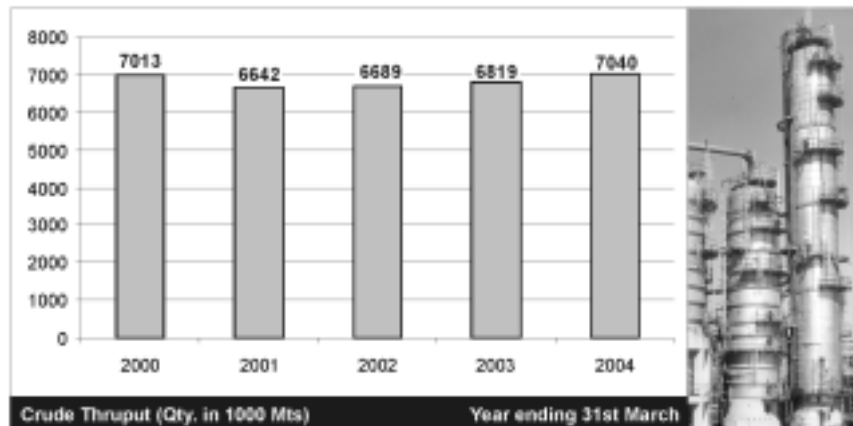
- Highest ever throughput of 890.1 TMT in the FCC unit of Manali Refinery. Also, continuous run length of 19 months was achieved.
- The Energy Index (MBTU/BBL/NRGF) for Manali Refinery for the year 2003-2004 was 118.7, as compared to last year value of 119.
- To maximize freight economics, 14 Nos. of 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 utilization.

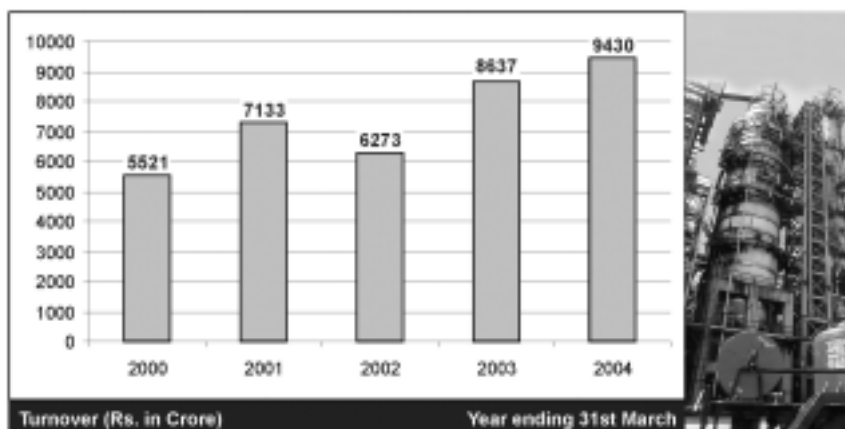
The Oil Jetty at Cauvery Basin Refinery was named as “Chidambaranar Oil Jetty” based on public suggestion. The suggestors were rewarded and felicitated.

### Financial Performance

|  | (Rs. in Crore) |         |
|--|----------------|---------|
|  | 2003-04        | 2002-03 |
| Turnover                                     | <b>9430.45</b> | 8636.52 |
| Profit before Interest, Depreciation and Tax | <b>736.52</b>  | 696.63  |
| Interest                                     | <b>46.80</b>   | 106.65  |
| Depreciation                                 | <b>117.46</b>  | 102.02  |
| Profit before Tax                            | <b>572.26</b>  | 487.96  |
| Provision for Taxation                       |                |         |
| - Current Tax                                | <b>99.10</b>   | 160.97  |
| - Deferred Tax                               | <b>73.11</b>   | 24.10   |
| Profit after Tax                             | <b>400.05</b>  | 302.89  |
| Value Added                                  | <b>1052.63</b> | 925.75  |

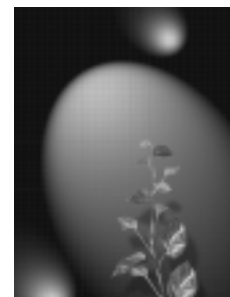
Your Company achieved a record turnover (inclusive of Excise Duties) of Rs.9430.45 crore during the year, as against Rs.8636.52 crore in the previous year, registering an increase of about 9.19%. The Gross Profit before Interest, Depreciation and Tax increased from Rs.696.63 crore during the previous 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 thrupt 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.

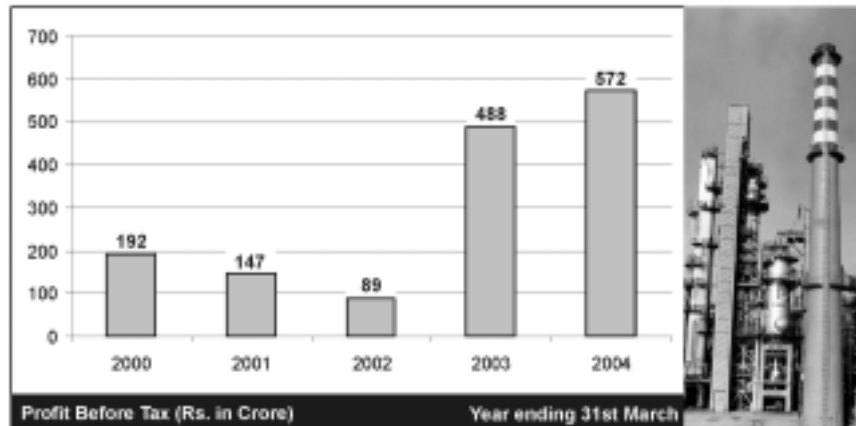
Your Company has transferred to the Investor Education and Protection Fund the required amount as per Section 205(C) (2) of the Companies Act, 1956, within the stipulated time.

### 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 organizational 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 the 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 senior most 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 Fertilizers 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 IOCL.

## 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 utilization 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.

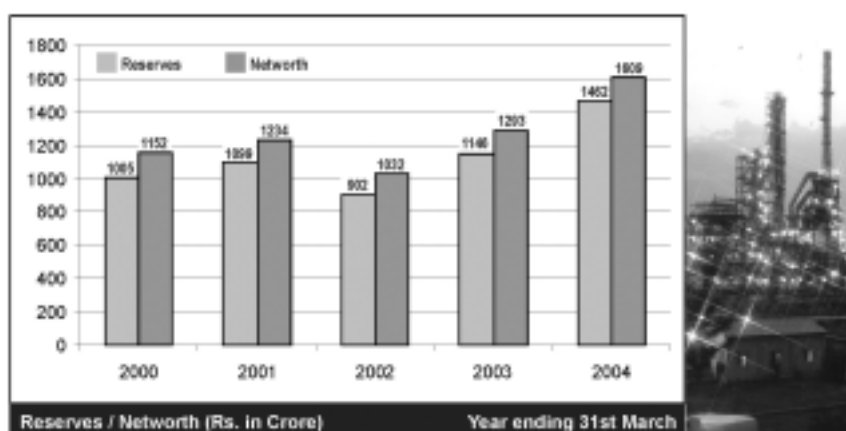
### On-going Projects

#### 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.

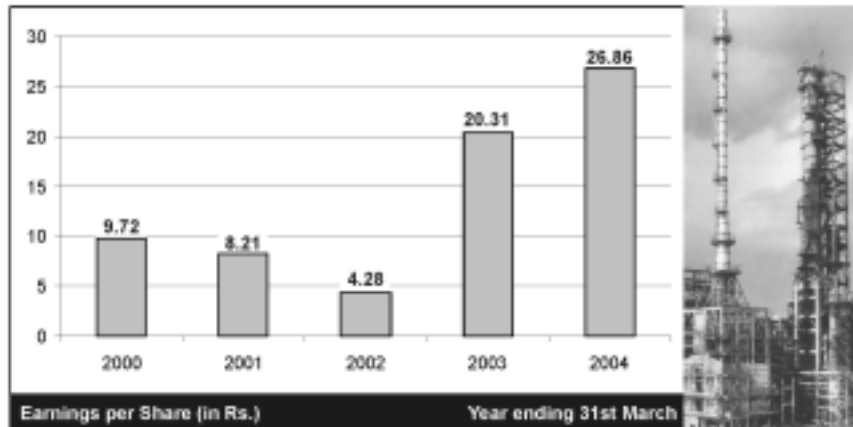
### **New Project Initiatives**

#### ***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 kms. 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 (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 organization. Also, the Company has plans to increase the network capacity to one Gigabit.

## **RESEARCH AND DEVELOPMENT (R&D)**

Your Company recognizes 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.

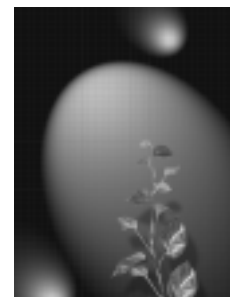
Your Company's R&D has been providing technical support to refinery operations in evaluation of catalysts and feedstocks for various process units. R&D provides analytical support for process unit troubleshooting. R&D Pilot Plant provides data for optimization of process parameters.

The significant contributions of R&D during the year include :

- Providing crude assay data for optimization 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 optimization 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 sulfur 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 sulfur 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 on 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 and 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 as 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 NOx burner to reduce NOx emissions.
- Six state-of-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<sub>2</sub> & NOx levels in the stack emissions.
- Stack monitoring facilities for all stacks are installed in 3MMTPA project.

Some of the recent initiatives towards scaling further heights in environment management include

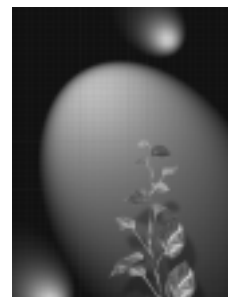
- DeNOx facility, a state-of-art technology, is being installed in all major furnaces of the expansion project to reduce NOx levels to a great extent.
- Establishment of a new Effluent Treatment Plant along with zero discharge facilities for handling the expansion project effluents.
- Establishment of Hydrocracker Unit in the expansion project, which will reduce SO<sub>2</sub> 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 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 minimize 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.

#### **OPTIMIZATION**

Your Company has been the forerunner among the Indian Refineries in the implementation of optimization and Advance Control techniques. Your Company recognizes the fact that making available the right information at the right time and optimum utilization of the resources is vital for attaining higher productivity and maintaining high quality standards. The efforts of the Optimization 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 program 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 recognizes 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 Organizational 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 organizational 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 organization 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 organized.

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 Optimization, 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 Birla Institute of Technology and Science (BITS), Pilani, is conducting an off-campus Bachelor of Science (BS) 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**

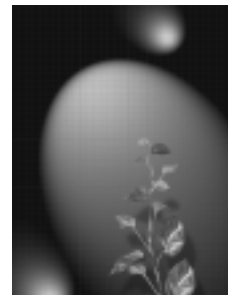
Your Company evinced keen interest in the promotion of sports activities during the year. Your Company organized the Petroleum Sports Promotion Board (PSPB) Inter Unit Carrom Tournament at Chennai. This was participated by all the petroleum companies.

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 for 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 SC / ST 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.

### **FULFILLMENT OF SOCIAL OBLIGATIONS**

Recognizing the need for upliftment 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 center, 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 Challenged 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 ensure that all the employees of the Company 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 institutionalized system of redressal of investors' grievance 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, 14,45,98,355 equity shares have been dematerialized representing 97.08 % 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 centralize 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 Central Vigilance Commission.

Training programme on "Preventive Vigilance" was organised for the benefit of the Company's officials.

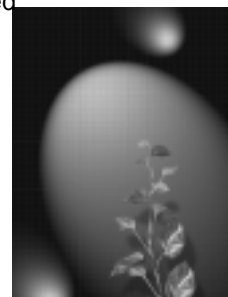
The observance of the Vigilance Awareness Week marked by the organising of lectures, contests, etc. proved very useful for creating vigilance awareness in the organization.

## **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 organized. 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 45 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 Tamilnadu, 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 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 Tamilnadu and Comptroller & Auditor General of India. The Directors thank National Iranian Oil Company and their affiliate, M/s.Naftiran Intertrade Company Limited, for their continued co-operation.

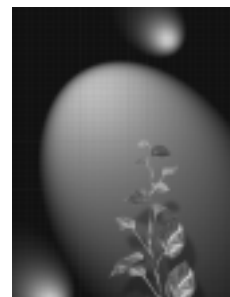
Your Directors highly appreciate the committed and dedicated efforts of all the employees, who have contributed to the excellent performance of the organization.

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**

Date : June 14, 2004  
Place : New Delhi

M.S.RAMACHANDRAN  
*Chairman*





## Annexures to Directors' Report

### 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 01.01.2004

| Group / Class                         | (1)                    | (2)                           | (3)                           | (4)                           | (5)                           | (6)     | (7) |
|---------------------------------------|------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------|-----|
| 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 |     |
| 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.

Annexure – I (Contd.)

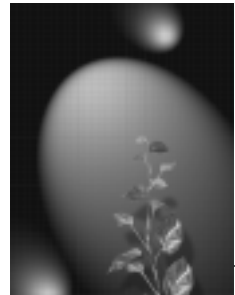
ANNUAL STATEMENT SHOWING THE REPRESENTATION OF SCs/STs and OBCs as on 01.01.2004  
AND NUMBER OF APPOINTMENTS MADE DURING THE PRECEDING CALENDAR YEAR

MINISTRY / DEPARTMENT / ATTACHED / SUB-ORDINATE OFFICE : CPCL, CHENNAI

| GROUPS                             | Representation of SCs/STs/OBCs as on 01.01.2004 |     |     |      | No. of appointments made during the calendar year 2003 |     |     |      |              |      |      |                     |      |      |
|------------------------------------|---|-----|-----|------|--|-----|-----|------|--------------|------|------|---------------------|------|------|
|                                    | Tot. no. of employees                           | SCs | STs | OBCs | By Dir. Recruitment                                    |     |     |      | By Promotion |      |      | By Deptn/Absorption |      |      |
|                                    |   |     |     |      | 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<br>(Excluding<br>Sweepers) | Nil   | Nil | Nil | Nil  | Nil  | Nil | Nil | Nil  | Nil          | Nil  | Nil  | Nil                 | Nil  | Nil  |
| Group D<br>(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    |

\$ Applicable upto lowest rung of Group A

# Includes 18 OBC candidates recruited on Merit.





**ANNEXURE TO DIRECTORS' REPORT ON ENERGY CONSERVATION**

**Form A**

**Form for disclosure of particulars with respect to Conservation of Energy**

**A. Power and Fuel Consumption**

|  | <b>Current year<br/>2003-2004</b> | <b>Previous year<br/>2002-2003</b> |
|--|-----------------------------------|------------------------------------|
| <b>1. Electricity</b>                          |                                   |                                    |
| a) Purchased                                   |                                   |                                    |
| Unit (in Million KW Hr.)                       | <b>3.792</b>                      | 2.736                              |
| Total Amount (Rs. in Crore)                    | <b>1.48</b>                       | 1.03                               |
| (excluding demand and other charges)           |                                   |                                    |
| Demand and other charges (Rs. in Crore)        | <b>8.95</b>                       | 9.51                               |
| Rate/Unit (average) (Rs./KWHr.)                | <b>3.91</b>                       | 3.77                               |
| (excluding demand and other charges)           |                                   |                                    |
| b) Own generation                              |                                   |                                    |
| (i) Through diesel generator                   | <b>Not Applicable</b>             | Not Applicable                     |
| (ii) Through steam turbine / generator         |                                   |                                    |
| Unit (in Million KW Hr.)                       | <b>400.525</b>                    | 369.952                            |
| Units per litre of fuel oil / gas              | <b>3.24</b>                       | 2.89                               |
| Fuel Cost / Unit (Rs.)                         | <b>2.79</b>                       | 3.26                               |
| <b>2. Coal</b>                                 | <b>Not Applicable</b>             | Not Applicable                     |
| <b>3. Furnace Oil</b>                          |                                   |                                    |
| Quantity (in thousand K.Litres)                | <b>385.786</b>                    | 382.204                            |
| Average rate (Rs. / MT)                        | <b>9505.19</b>                    | 9917.63                            |
| <b>4. Others/Internal generation Fuel gas</b>  |                                   |                                    |
| For Manali Refinery only                       |                                   |                                    |
| Gas Turbine                                    |                                   |                                    |
| Quantity                                       |                                   |                                    |
| Power (in Million KW Hr.)                      | <b>19.905</b>                     | 30.37                              |
| Fuel (in thousand MTs)                         | <b>11.166</b>                     | 14.784                             |
| Total Cost (Rs. in Crore)                      | <b>14.70</b>                      | 14.99                              |
| Fuel Cost / Unit (in Rs.)                      | <b>7.39</b>                       | 4.93                               |
| Fuel Gas (TMT) (including CBR)                 | <b>78.509</b>                     | 64.440                             |
| <b>B. Consumption Per Unit of Production :</b> |                                   |                                    |
| Electricity (KWHr / MT. of Crude)              | <b>51.068</b>                     | 55.710                             |
| Furnace Oil (KG / MT. of Crude)                | <b>54.643</b>                     | 53.370                             |
| Coal   | <b>Not Applicable</b>             | Not Applicable                     |
| Other (specify)                                |                                   |                                    |
| FCCU Coke (KG / MT of Crude)                   | <b>6.12</b>                       | 5.46                               |
| Fuel Gas (KG / MT of Crude)                    | <b>11.152</b>                     | 9.450                              |

## 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/optimization 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 :**

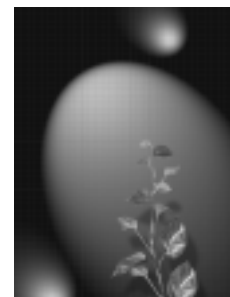
- Support for optimization of process units configured in 3 MMTPA expansion project
- Formulation of Polymer Modified Bitumens
- Transesterification process for Bio Diesel
- Commercial trials of catalyst for ultra low sulfur diesel

**4. Expenditure on R&D :**

|   | (Rs. in lakh)  |                |
|---|----------------|----------------|
|   | <u>2003-04</u> | <u>2002-03</u> |
| Capital                                   | <b>38.81</b>   | 3.58           |
| Recurring                                 | <b>260.75</b>  | 330.69         |
| Total                                     | <b>299.56</b>  | 334.27         |
| Total R&D expenditure<br>As % of turnover | <b>0.03</b>    | 0.04           |

**5. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :****1. Efforts in brief, made towards technology absorption, adaptation and innovation :**

- Nanoparticle catalyst development for ultra low sulfur 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 liters per day capacity R.O. Demonstration plant has been established with indigenously developed membranes for recovery of water from treated sewages.
- Optimization 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 sulfur diesel containing sulfur 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 - N.A
  - c) Has technology been fully absorbed - N.A
  - d) If not fully absorbed, areas where this has not taken place and reasons thereof - N. A.

#### **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 Optimization 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 Volatility and other emerging specifications for Lubricating Oils.

The development of Nanoparticle catalyst for Ultra Low Sulfur 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 liters/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. "Hydro-processing for Fuels and Lubes Production" at 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, Bhubaneshwar Dec.19-22, 2003.
3. Three Phase Reactor Model for Hydrotreating of Diesel fractions in a Trickle Bed Reactor. Paper presented in Chemcon 2003, Bhubaneshwar Dec. 19-22, 2003.
4. A four lump kinetic model for simulation of Hydrocracking process – Paper accepted for publication in Petroleum Science & Technology.

**Annexure - II (Contd.)**

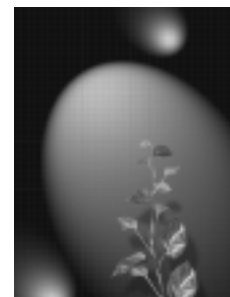
**Foreign Exchange earning and outgo :**

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)    |           |
|-----------|------------------|-----------|
|           | <b>2003-2004</b> | 2002-2003 |
| a) Used   | <b>1944.67</b>   | 1152.38   |
| b) Earned | <b>Nil</b>       | 1971.88   |





**Annexure-III**

**COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Shareholders of  
Chennai Petroleum Corporation Limited

We have examined the compliance of conditions of Corporate Governance by Chennai Petroleum Corporation Limited for the year ended March 31, 2004 as stipulated under Clause - 45 of the Company's Listing Agreement with Madras Stock Exchange Limited.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was 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, we certify that the company has complied with the conditions of Corporate Governance, as stipulated in the above mentioned Listing Agreement for the year ended March 31, 2004.

We state that no investor grievance is pending against the company for a period exceeding one month as per the certificate furnished by the Share Transfer Agent 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.

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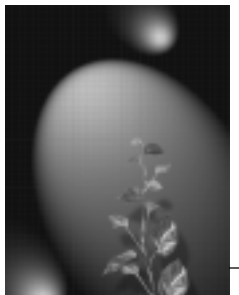
Chennai  
May 19, 2004

for B. Purushottam & Co.,  
*Chartered Accountants*  
B.S. Purshotham  
*Partner*  
*Membership No.26785*

for Padmanabhan Prakash & Co.,  
*Chartered Accountants*  
E. Prakash  
*Partner*  
*Membership No.19388*

# ***Report of the Statutory Auditors***

|   |    |
|---|----|
| <i>Auditors' Report</i>                 | 48 |
| <i>Annexure to the Auditors' Report</i> | 49 |





## **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 and 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 and 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 and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - 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 of 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 and 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.

Chennai  
May 19, 2004

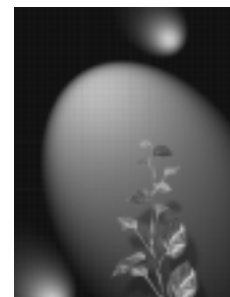
for B. Purushottam & Co.,  
*Chartered Accountants*  
B.S. Purshotham  
*Partner*  
*Membership No.26785*

for Padmanabhan Prakash & Co.,  
*Chartered Accountants*  
E. Prakash  
*Partner*  
*Membership No.19388*

**Annexure to 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 section 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 31<sup>st</sup> 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.

Chennai  
May 19, 2004

for B. Purushottam & Co.,  
*Chartered Accountants*  
B.S. Purshotham  
*Partner*  
*Membership No.26785*

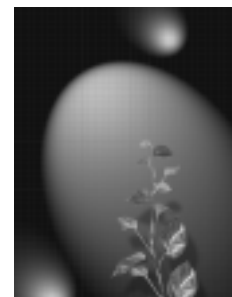
for Padmanabhan Prakash & Co.,  
*Chartered Accountants*  
E. Prakash  
*Partner*  
*Membership No.19388*

*Note : The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts for the year ended March 31, 2004 are being sent separately.*

## Annexure referred to in clause (ix) (c) of Companies (Auditor's Report) Order, 2003

## Annexure - II

| Name of the Statute             | Nature of the dues   | Amount (Rs. in Lakhs) | Period to which the amount relates | Forum where the dispute is pending                |
|---------------------------------|--|-----------------------|------------------------------------|---|
| TamilNadu General Sales Tax Act | Sales Tax Dues on disallowance of export and Form XVII                                     | 5.30                  | 1992-93                            | TN State Appellate Tribunal                       |
| TamilNadu General Sales Tax Act | Penal Interest for Sales Tax Dues  | 29.66                 | 1987-88                            | Appellate Deputy Commissioner (CT)                |
| TamilNadu 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 | 533.70                | Jan 2000 to Dec 2001               | Commissioner of Central Excise (Appeals)          |





| Name of the Statute | Nature of the dues  | Amount (Rs. in Lakhs) | Period to which the amount relates | Forum where the dispute is pending                |
|---------------------|---|-----------------------|------------------------------------|---|
| 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                               | 1364.82               | 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)          |

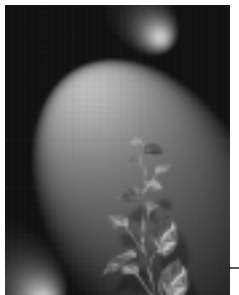
for B. Purushottam & Co.,  
Chartered Accountants  
B.S. Purshotham  
Partner  
Membership No.26785

for Padmanabhan Prakash & Co.,  
Chartered Accountants  
E. Prakash  
Partner  
Membership No.19388

Chennai  
May 19, 2004

# ***Financial Information***

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**Balance Sheet as at March 31, 2004**

(Rs. in Lakhs)

| Schedule  | March 31, 2004   | March 31, 2003 |
|---|------------------|----------------|
| <b>SOURCES OF FUNDS</b>   |                  |                |
| <b>1. Shareholders' Funds</b>   |                  |                |
| a) Capital  | A 14900.46       | 14900.39       |
| b) Reserves and Surplus   | B 146232.58      | 114627.65      |
|   | <b>161133.04</b> | 129528.04      |
| <b>2. Loan Funds</b>  |                  |                |
| a) Secured Loans  | C 94728.99       | 17500.00       |
| b) Unsecured Loans  | D 141801.83      | 180067.05      |
|   | <b>236530.82</b> | 197567.05      |
| <b>3. Deferred Tax Liability (Net)</b>                                    |                  |                |
| Total   | <b>34635.60</b>  | 27324.00       |
|   | <b>432299.46</b> | 354419.09      |
| <b>APPLICATION OF FUNDS</b>   |                  |                |
| <b>1. Fixed Assets</b>  |                  |                |
| 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 Work-in-Progress   | F 82319.11       | 139922.28      |
|   | <b>339392.36</b> | 259749.34      |
| <b>2. Intangible Assets</b>   |                  |                |
| 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     | -              |
|   | <b>3976.16</b>   | -              |
| <b>3. Investments</b>   |                  |                |
|   | G 1196.80        | 2397.17        |
| <b>4. Current Assets, Loans and Advances</b>                              |                  |                |
| 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       |
|   | <b>203573.14</b> | 211078.23      |
| <b>5. Less: Current Liabilities and Provisions</b>                        |                  |                |
| a) Current Liabilities  | L 105388.88      | 101381.83      |
| b) Provisions   | L-I 10591.39     | 17618.40       |
|   | <b>115980.27</b> | 119000.23      |
| <b>6. Net Current Assets (4-5)</b>  |                  |                |
|   | <b>87592.87</b>  | 92078.00       |
| <b>7. Miscellaneous Expenditure</b>                                       |                  |                |
| (to the extent not written off or adjusted)                               | L-II 141.27      | 194.58         |
| Total   | <b>432299.46</b> | 354419.09      |
| <b>8. Statement of Significant Accounting Policies</b>                    |                  |                |
| <b>9. Notes on Accounts</b>   |                  |                |
| <b>10. Other Schedules forming part of Accounts</b>                       |                  |                |
| <b>11. Balance Sheet Abstract and Company's General Business Profile</b>  |                  |                |
| <b>12. Cash Flow Statement</b>  |                  |                |

(M.S. Ramachandran)  
Chairman

(S.V. Narasimhan)  
Managing Director

(N.C. Sridharan)  
Director (Finance)

(V. Srinivasan)  
Company Secretary

As per our Report of even date

B. Purushottam & Co.,  
Chartered Accountants

Padmanabhan Prakash & Co.,  
Chartered Accountants

B.S. Purshotham  
Partner

E. Prakash  
Partner

Chennai  
May 19, 2004

Membership No.26785

Membership No.19388

## Profit & Loss Account for the year ended March 31, 2004

(Rs. in Lakhs)

|   | Schedule | March 31, 2004   | March 31, 2003 |
|---|----------|------------------|----------------|
| <b>INCOME</b>   |          |                  |                |
| 1. Sale of Products (Gross)   |          | <b>943423.81</b> | 864911.28      |
| Less: Excise Duty   |          | <b>73693.39</b>  | 56038.69       |
|   |          | <b>869730.42</b> | 808872.59      |
| Less: Commission and Discounts  |          | <b>379.07</b>    | 1259.78        |
| Sale of products (Net)  |          | <b>869351.35</b> | 807612.81      |
| 2. Company's use of own Products  |          | <b>2569.88</b>   | 337.50         |
| 3. Net claim from / (surrender to) Industry Pool Accounts                 |          | <b>1981.87</b>   | (993.92)       |
| 4. Increase / (Decrease) in Stocks  | M        | <b>5950.63</b>   | 17703.76       |
| 5. Interest and other Income  | N        | <b>3041.36</b>   | 4039.19        |
| Total Income  |          | <b>882895.09</b> | 828699.34      |
| <b>EXPENDITURE</b>  |          |                  |                |
| 1. Purchase of products for resale  |          | <b>0.00</b>      | 335.57         |
| 2. Manufacturing, Admn., Selling & Other Expenses                         | O        | <b>808908.63</b> | 757017.89      |
| 3. Duties other than Excise Duty on sales -<br>(Note No.10 of Schedule R) |          | <b>(445.18)</b>  | 1439.36        |
| 4. Depreciation and Amortisation  |          | <b>11745.90</b>  | 10201.93       |
| 5. Interest Payments on :   |          |                  |                |
| a) Fixed period loans from Banks / Financial Institutions / Others        |          | <b>2511.01</b>   | 9514.70        |
| b) Short Term Loans from banks  |          | <b>1855.83</b>   | 57.53          |
| c) Public Deposits  |          | <b>312.92</b>    | 808.24         |
| d) Others   |          | <b>0.00</b>      | 284.71         |
| Total Expenditure   |          | <b>4679.76</b>   | 10665.18       |
|   |          | <b>824889.11</b> | 779659.93      |
| <b>PROFIT FOR THE YEAR</b>  |          |                  |                |
| Income / (Expenses) pertaining to previous years (Net)                    | P        | <b>58005.98</b>  | 49039.41       |
|   |          | <b>(779.76)</b>  | (243.49)       |
| <b>PROFIT BEFORE TAX</b>  |          |                  |                |
|   |          | <b>57226.22</b>  | 48795.92       |
| Provision for Tax (net)   |          |                  |                |
| - Current year  |          | <b>9910.00</b>   | 16110.19       |
| - Previous year   |          | <b>0.00</b>      | (13.66)        |
|   |          | <b>9910.00</b>   | 16096.53       |
| <b>PROFIT BEFORE DEFERRED TAX</b>   |          |                  |                |
|   |          | <b>47316.22</b>  | 32699.39       |
| Provision for Deferred Tax  |          | <b>7311.60</b>   | 2410.57        |
| <b>PROFIT AFTER TAX</b>   |          |                  |                |
|   |          | <b>40004.62</b>  | 30288.82       |
| <b>DISPOSABLE PROFIT</b>  |          |                  |                |
|   |          | <b>40004.62</b>  | 30288.82       |
| <b>APPROPRIATIONS</b>   |          |                  |                |
| Proposed Dividend   |          | <b>7446.13</b>   | 5215.14        |
| Dividend Distribution Tax   |          | <b>954.04</b>    | 668.19         |
| General Reserve   |          | <b>31604.45</b>  | 24405.49       |
|   |          | <b>40004.62</b>  | 30288.82       |
| 6. Earning Per Share (Rupees) (Basic & Diluted)                           |          | <b>26.86</b>     | 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<br>General Business Profile      | Y        |                  |                |
| 11. Cash Flow Statement   | Z        |                  |                |

(M.S. Ramachandran)  
Chairman

(S.V. Narasimhan)  
Managing Director

(N.C. Sridharan)  
Director (Finance)

(V. Srinivasan)  
Company Secretary

As per our Report of even date

B. Purushottam & Co.,  
Chartered Accountants

Padmanabhan Prakash & Co.,  
Chartered Accountants

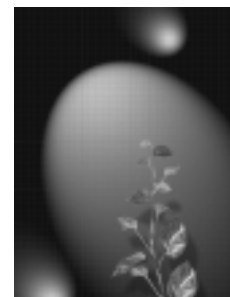
B.S. Purshotham  
Partner

E. Prakash  
Partner

Chennai  
May 19, 2004

Membership No.26785

Membership No.19388





## Schedules

### CAPITAL

### Schedule A

(Rs. in Lakhs)

|   | Note | March 31, 2004         | March 31, 2003  |
|---|------|------------------------|-----------------|
| <b>Authorised</b>                                 |      |                        |                 |
| 40,00,00,000 Equity Shares of Rs.10 each          | A    | <u>40000.00</u>        | <u>40000.00</u> |
| <b>Issued</b>                                     |      |                        |                 |
| 17,00,00,000 Equity Shares of Rs.10 each          |      | <u>17000.00</u>        | <u>17000.00</u> |
| <b>Subscribed, Called-up and Paid-up</b>          |      |                        |                 |
| 14,89,43,200 Equity Shares of Rs.10 each          | B    | <b>14894.32</b>        | 14913.11        |
| (2003 : 14,91,31,100 Equity Shares of Rs.10 each) |      |                        |                 |
| Less: Calls in Arrears (Other than Directors)     |      | <u>2.06</u>            | <u>12.72</u>    |
|   |      | <b>14892.26</b>        | 14900.39        |
| Add : Forfeited Shares                            | C    | <u>8.20</u>            | <u>0.00</u>     |
| Total   |      | <u><b>14900.46</b></u> | <u>14900.39</u> |

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, 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.

### RESERVES AND SURPLUS

### Schedule B

(Rs. in Lakhs)

|  |  | March 31, 2004          | March 31, 2003   |
|--|--|-------------------------|------------------|
| <b>1. Share Premium Account</b>                |  |                         |                  |
| As per last account                            |  | <b>25018.21</b>         | 25018.21         |
| Less : Calls in Arrears (Other than Directors) |  | <u>14.39</u>            | <u>14.87</u>     |
|  |  | <b>25003.82</b>         | 25003.34         |
| <b>2. General Reserve</b>                      |  |                         |                  |
| As per last account                            |  | <b>89624.31</b>         | 65218.82         |
| Add : Transferred from Profit and Loss Account |  | <u>31604.45</u>         | <u>24405.49</u>  |
|  |  | <b>121228.76</b>        | 89624.31         |
| Total  |  | <u><b>146232.58</b></u> | <u>114627.65</u> |

**SECURED LOANS****Schedule C**

(Rs. in Lakhs)

|  | Note  | March 31, 2004  | March 31, 2003  |
|--|-------|-----------------|-----------------|
| <b>Loans and Advances from Banks</b>                                   |       |                 |                 |
| 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<br>(Includes interest accrued and due - Rs.10.77 lakhs) | B & C | 74408.90        | 0.00            |
| Total  |       | <u>94728.99</u> | <u>17500.00</u> |

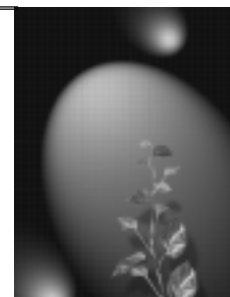
## Note:

- A. Against hypothecation of inventories, book-debts, outstanding monies, receivables present and future to the extent of Rs.49500 lakhs.
- B. First paripassu charge on the company's fixed assets at Manali Refinery with State Bank of India to the extent of Rs.68500 lakhs.
- C. Against hypothecation of all movable plant and machinery at Manali Refinery on a paripassu basis with HDFC Bank alongwith State Bank of India to the extent of Rs.15000 lakhs.

**UNSECURED LOANS****Schedule D**

(Rs. in Lakhs)

|  |  | March 31, 2004          | March 31, 2003   |
|--|--|-------------------------|------------------|
| <b>1. Fixed Deposits</b>   |  | <b>330.65</b>           | 6872.27          |
| (including payment within one year <b>Rs.330.65 lakhs</b> ;<br>2003 : Rs.6586.51 lakhs)                                  |  |                         |                  |
| <b>2. Short Term Loans and Advances</b>  |  |                         |                  |
| <b>From Banks / Financial Institutions</b>   |  |                         |                  |
| 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)   |  | <u>17522.45</u>         | 0.00             |
|  |  | <b>29572.43</b>         | 23194.65         |
| <b>3. Other Loans and Advances</b>   |  |                         |                  |
| <b>From Others</b>   |  |                         |                  |
| Oil Industry Development Board<br>(due for payment within one year<br><b>Rs.7496.25 lakhs</b> ; 2003: Rs.40101.38 lakhs) |  | <b>111898.75</b>        | 150000.13        |
| Total  |  | <u><b>141801.83</b></u> | <u>180067.05</u> |





**FIXED ASSETS**

**Schedule E**

(Rs.in Lakhs)

| Note                                     | At Cost                     |   |                                     | Depreciation/Amortisation                      |   |  | Net Depreciated Block |                      |
|--|-----------------------------|---|-------------------------------------|--|---|--|-----------------------|----------------------|
|  | Gross block As at 01-Apr-03 | Additions/ Adjust. during the year (Ref. Note No.A) | Disposals/ Transfer during the year | Gross Block as at 31-Mar-2004 (Ref. Note No.B) | Depreciation and Amortisation for the year (Ref. Note No.C) | Total depreciation and Amortisation upto 31-Mar-2004 | As at March 31, 2004  | As at March 31, 2003 |
| 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                           | 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 Equipments                     | 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               |
| Railway 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               |
| <b>Total</b>                             | <b>226518.60</b>            | <b>149616.98</b>                                    | <b>142.77</b>                       | <b>375992.81</b>                               | <b>12317.81</b>   | <b>118919.56</b>                                     | <b>257073.25</b>      | <b>119827.06</b>     |
| Previous Year                            | 210721.86                   | 15847.96  | 51.22                               | 226518.60                                      | 10201.93  | 106691.54  | 119827.06             | 114201.89            |

Note :

A. Addition to fixed assets includes Rs.11.43 lakhs on account of Foreign Exchange variation (2003 : Rs.Nil)

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

C. Depreciation and Amortisation for the year includes Rs.587.01 lakhs (2003 : Rs.Nil) pertaining to prior year.

Depreciation and amortisation for the year includes Rs.6.94 lakhs 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.

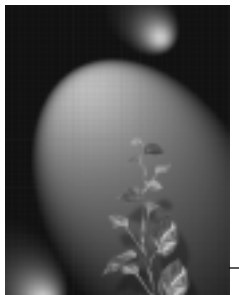
**INTANGIBLE ASSETS**

**Schedule E-I**  
(Rs.in Lakhs)

| Note   | At Cost                     |                                    |                            | Amortisation                  |  | Net Depreciated Block |                      |
|--|-----------------------------|------------------------------------|----------------------------|-------------------------------|--|-----------------------|----------------------|
|  | Gross block As at 01-Apr-03 | Additions/ Adjust. during the year | Disposals/ during the year | Gross Block as at 31-Mar-2004 | Amortisation for the year upto 31-Mar-2004 | As at March 31, 2004  | As at March 31, 2003 |
| A  | -                           | 30.68                              | -                          | 30.68                         | -  | 30.68                 | -                    |
| Right of Way<br>Technical Know-How,<br>Royalty and<br>License Fees | -                           | 886.39                             | -                          | 886.39                        | 22.04                                      | 864.35                | -                    |
| Total  | -                           | 917.07                             | 0.00                       | 917.07                        | 22.04                                      | 895.03                | -                    |

Note :

A. No amortisation provided, the right being perpetual in nature.





**CAPITAL WORK-IN-PROGRESS**

**Schedule F**

(Rs. in Lakhs)

|  | Note | March 31, 2004         | March 31, 2003   |
|--|------|------------------------|------------------|
| <b>1. Construction Work in progress</b><br>(including unallocated capital expenditure) |      | <b>71233.84</b>        | 117675.06        |
| Less : Provision for Losses  |      | <u>0.00</u>            | <u>215.23</u>    |
|  |      | <b>71233.84</b>        | 117459.83        |
| <b>2. Advance for Capital Expenditure</b>  |      | <b>56.67</b>           | 2984.94          |
| <b>3. Capital Stores</b>   |      | <b>7902.41</b>         | 9645.15          |
| Less : Provision for Losses  |      | <u>148.55</u>          | <u>113.72</u>    |
|  |      | <b>7753.86</b>         | 9531.43          |
| <b>4. Capital goods in transit</b>   |      | <b>3274.74</b>         | 9946.08          |
| <b>5. Construction period expenses pending allocation :</b>                            |      |                        |                  |
| Expenditure during the year  |      | <b>16889.40</b>        | 8483.13          |
| Less : Allocated to Assets /<br>Work-in-Progress during the year                       |      | <u>16889.40</u>        | <u>8483.13</u>   |
|  |      | <b>0.00</b>            | 0.00             |
| Total  | A    | <u><b>82319.11</b></u> | <u>139922.28</u> |

Note :

A. Includes Rs.27.48 lakhs on account of foreign exchange variation (2003 : Rs.1.51 Lakhs)

**CONSTRUCTION PERIOD EXPENSES (NET) DURING THE YEAR**

**Schedule F-I**

(Rs. in Lakhs)

|   | March 31, 2004     | March 31, 2003 |
|---|--------------------|----------------|
| 1. Payments to and Provision for Employees                    | <b>777.48</b>      | 520.31         |
| 2. Power, Water and Fuel                                      | <b>1256.85</b>     | 190.47         |
| 3. Company's use of own products (Net)                        | <b>2336.17</b>     | 0.00           |
| 4. Repairs & Maintenance                                      | <b>38.21</b>       | 16.41          |
| 5. Rent   | <b>65.24</b>       | 72.30          |
| 6. Travelling & Conveyance                                    | <b>83.25</b>       | 90.88          |
| 7. Communication Expenses                                     | <b>3.07</b>        | 3.30           |
| 8. Printing & Stationery                                      | <b>1.52</b>        | 1.84           |
| 9. Security Force Expenses                                    | <b>48.65</b>       | 45.19          |
| 10. Other Expenses  | <b>0.46</b>        | 74.40          |
| 11. Depreciation  | <b>6.94</b>        | 0.00           |
| 12. Interest  | <b>12271.56</b>    | 7468.03        |
|   | <b>16889.40</b>    | 8483.13        |
| Less : Allocated to Assets / Work-in-Progress during the year | <u>16889.40</u>    | <u>8483.13</u> |
| Total   | <u><b>0.00</b></u> | <u>0.00</u>    |

**CAPITAL WORK-IN-PROGRESS - PENDING AMORTISATION****Schedule F-II**

(Rs. in Lakhs)

|  | March 31, 2004 | March 31, 2003 |
|--|----------------|----------------|
| Intangible Assets - Pending Amortisation | <b>3081.13</b> | -              |
| Total                                    | <b>3081.13</b> | -              |

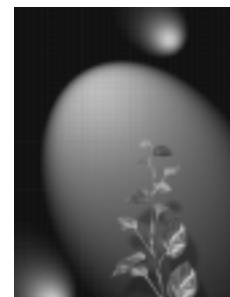
**INVESTMENTS****Schedule G**

(Rs. in Lakhs)

| Note   | No. and Particulars of Shares / Units                    | Face value per share Rupees      | March 31, 2004 | March 31, 2003 |         |
|--|--|----------------------------------|----------------|----------------|---------|
| <b>LONG TERM INVESTMENTS UNQUOTED, AT COST</b>                         |  |                                  |                |                |         |
| <b>1. Non-Trade Investments :</b>                                      |  |                                  |                |                |         |
| <b>In Others</b>   |  |                                  |                |                |         |
|  | a) CPCL Industrial Cooperative Service Society Ltd.      | 9000 Shares fully paid           | 10             | <b>0.90</b>    | 0.90    |
|  | b) UTI Venture Capital Unit Scheme 1990                  | 370 Units fully paid             | 100            | <b>0.00</b>    | 0.37    |
|  | c) Bio Tech Consortium India Ltd.                        | 100000 Equity Shares fully paid  | 10             | <b>10.00</b>   | 10.00   |
|  |  |                                  |                | <b>10.90</b>   | 11.27   |
| <b>2. Trade Investments :</b>  |  |                                  |                |                |         |
| <b>In Joint Venture Companies</b>                                      |  |                                  |                |                |         |
|  | Indian Additives Ltd.                                    | 1183401 Equity Shares fully paid | 100            | <b>1183.40</b> | 1183.40 |
| <b>In Others :</b>   |  |                                  |                |                |         |
|  | National Aromatics and Petrochemical Corporation Limited | 25000 Equity Shares fully paid   | 10             | <b>2.50</b>    | 2.50    |
|  |  |                                  |                | <b>1185.90</b> | 1185.90 |
| <b>CURRENT INVESTMENTS (AT LOWER OF COST OR MARKET VALUE) UNQUOTED</b> |  |                                  |                |                |         |
| <b>Non-Trade Investments :</b>   |  |                                  |                |                |         |
|  | 6.96% Oil Companies, GOI Special Bonds, 2009             |                                  |                | <b>0.00</b>    | 1200.00 |
|  | Total  |                                  |                | <b>1196.80</b> | 2397.17 |

Note :

A. Transferred to Claims Recoverable on maturity. B. Sold during the year 2003-04.





## INVENTORIES

### Schedule H

(Rs. in Lakhs)

|                            | March 31, 2004          | March 31, 2003   |
|----------------------------|-------------------------|------------------|
| <b>1. In Hand</b>          |                         |                  |
| a) Stores, Spares etc.     | <b>8826.84</b>          | 9510.09          |
| Less: Provision for losses | <u>1617.77</u>          | <u>1326.96</u>   |
|                            | <b>7209.07</b>          | 8183.13          |
| b) Raw Materials           | <b>40365.11</b>         | 32108.12         |
| c) Finished Products       | <b>43920.42</b>         | 40792.82         |
| d) Stock in Process        | <u>12177.26</u>         | <u>9354.23</u>   |
|                            | <b>103671.86</b>        | 90438.30         |
| <b>2. In Transit</b>       |                         |                  |
| a) Stores and Spares       | <b>558.01</b>           | 290.93           |
| b) Raw Materials           | <u>16083.46</u>         | <u>29578.58</u>  |
|                            | <b>16641.47</b>         | 29869.51         |
| Total                      | <u><b>120313.33</b></u> | <u>120307.81</u> |

## SUNDRY DEBTORS

### Schedule I

(Rs. in Lakhs)

|                               | Note | March 31, 2004         | March 31, 2003  |
|-------------------------------|------|------------------------|-----------------|
| <b>1. Over Six Months</b>     |      |                        |                 |
| a) Unsecured, Considered Good |      | <b>376.96</b>          | 1084.57         |
| <b>2. Other Debts</b>         |      |                        |                 |
| a) Unsecured, Considered Good | A    | <b>52150.55</b>        | 59906.88        |
| Total                         |      | <u><b>52527.51</b></u> | <u>60991.45</u> |

Note:

A. Includes due from Indian Oil Corporation Ltd., the holding company - Rs.42423.49 Lakhs (2003:Rs.45124 Lakhs)

## CASH AND BANK BALANCES

### Schedule J

(Rs. in Lakhs)

|  | Note | March 31, 2004        | March 31, 2003 |
|--|------|-----------------------|----------------|
| <b>1. Cash Balances</b>                      |      |                       |                |
| Cash balances including imprest              | A    | <b>4.04</b>           | 2.72           |
| <b>2. Bank Balances with Scheduled Banks</b> |      |                       |                |
| a) Current Account                           |      | <b>758.70</b>         | 785.56         |
| b) Fixed Deposit Account                     |      | <u>480.15</u>         | <u>113.00</u>  |
|  |      | <b>1238.85</b>        | 898.56         |
| Total  |      | <u><b>1242.89</b></u> | <u>901.28</u>  |

Note :

A. Includes 163 (2003 : 78) Gold Medals valued at Rs.2.77 lakhs (2003 : Rs.1.68 lakhs)

**LOANS & ADVANCES**
**Schedule K**

(Rs. in Lakhs)

|  | Note | March 31, 2004         | March 31, 2003         |
|--|------|------------------------|------------------------|
| <b>1. Advances recoverable in cash or in kind or for value to be received</b>      |      |                        |                        |
| 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                   |
|  |      | <u>8147.47</u>         | <u>8209.37</u>         |
| Less : Provision for Doubtful Advances   |      | <u>0.90</u>            | <u>1.98</u>            |
|  |      | <b>8146.57</b>         | <b>8207.39</b>         |
| <b>2. Amount recoverable from Industry Pool Account (Net)</b>                      |      |                        |                        |
| Unsecured, Considered Good   |      | <b>8795.27</b>         | 7135.71                |
| <b>3. Claims recoverable</b>   | B    |                        |                        |
| a) Unsecured, Considered Good  |      | 4003.90                | 6573.80                |
| b) Unsecured, Considered Doubtful  |      | 52.99                  | 35.13                  |
|  |      | <u>4056.89</u>         | <u>6608.93</u>         |
| Less : Provision for Doubtful Claims   |      | <u>52.99</u>           | <u>35.13</u>           |
|  |      | <b>4003.90</b>         | <b>6573.80</b>         |
| <b>4. Balance with Customs, Port Trust &amp; Excise Authorities</b>                |      |                        |                        |
| Unsecured, Considered Good   |      | <b>7789.55</b>         | 5677.33                |
| <b>5. Advance Tax (Net)</b>  |      | <b>473.99</b>          | 0.00                   |
| <b>6. Materials given on Loan</b>  | C    | 54.41                  | 38.31                  |
| Less : Deposits received   |      | <u>54.41</u>           | <u>38.31</u>           |
|  |      | <b>0.00</b>            | <b>0.00</b>            |
| <b>7. Excess Deposits given for materials taken on loan</b>                        |      |                        |                        |
| - Unsecured, Considered Good   | D    | <b>32.08</b>           | 10.77                  |
| <b>8. Sundry Deposits</b> (including amounts adjustable on receipt of Final bills) |      |                        |                        |
| Unsecured, Considered Good   |      | <b>231.54</b>          | 1262.28                |
| <b>Total</b>   | E    | <u><b>29472.90</b></u> | <u><b>28867.28</b></u> |

Note :

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 |

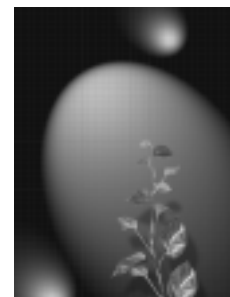
 B. Includes due from Indian Oil Corporation Ltd., the holding Company **24.93** 29.72

 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 **30.18** 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      |





## CURRENT LIABILITIES

## Schedule L

(Rs. in Lakhs)

|   | Note | March 31, 2004          | March 31, 2003          |
|---|------|-------------------------|-------------------------|
| <b>1. Sundry Creditors</b>  |      |                         |                         |
| 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    | <u>98622.49</u>         | <u>93271.22</u>         |
|   |      | <b>98675.52</b>         | <b>93374.36</b>         |
| <b>2. Other Liabilities</b>   | C    | <b>4194.52</b>          | <b>3886.24</b>          |
| <b>3. Investor Education and Protection Fund shall be credited by</b>     |      |                         |                         |
| a) Unpaid Dividend  |      | 185.27                  | 165.91                  |
| b) Unpaid Matured Deposits  |      | 12.82                   | 8.90                    |
| c) Interest accrued on b) above   |      | <u>1.13</u>             | <u>0.96</u>             |
|   |      | <b>199.22</b>           | <b>175.77</b>           |
| <b>4. Security Deposits</b>   |      | <b>2251.28</b>          | <b>1253.95</b>          |
| <b>5. Materials taken on loan</b>   | D    | 21.48                   | 58.02                   |
| Less : Deposits given   |      | <u>21.48</u>            | <u>58.02</u>            |
|   |      | <b>0.00</b>             | <b>0.00</b>             |
| <b>6. Excess deposits received for materials given on loan</b>            | E    | <b>35.48</b>            | <b>29.11</b>            |
| <b>7. Interest accrued but not due on loans</b>                           |      | <b>32.86</b>            | <b>2662.40</b>          |
| Total   |      | <u><b>105388.88</b></u> | <u><b>101381.83</b></u> |

Note:

- Name of the Small Scale Undertakings to whom the company owe which is outstanding for more than 30 Days are given in Schedule R - Notes to Accounts.
- Includes due to Indian Oil Corporation Ltd., the holding company - Rs.49387.51 Lakhs (2003: Rs.39482.36 Lakhs)
- Includes due to Indian Oil Corporation Ltd., the holding company - Rs.29.27 Lakhs (2003: Rs.Nil)
- Includes material taken on loan from Indian Oil Corporation Ltd., the holding company - Rs.Nil (2003: Rs.29.72 Lakhs)
- Includes due to Indian Oil Corporation Ltd., the holding company - Rs.35.48 Lakhs (2003: Rs.29.11 Lakhs)

## PROVISIONS

## Schedule L-I

(Rs. in Lakhs)

|   | March 31, 2004         | March 31, 2003         |
|---|------------------------|------------------------|
| <b>1. Provision for Taxation</b>            | 26724.40               | 16814.40               |
| Less : Advance Payments                     | <u>26724.40</u>        | <u>10059.25</u>        |
|   | <b>0.00</b>            | <b>6755.15</b>         |
| <b>2. Proposed Dividend</b>                 | <b>7446.13</b>         | <b>5215.14</b>         |
| <b>3. Dividend Distribution Tax</b>         | <b>954.04</b>          | <b>668.19</b>          |
| <b>4. Provision for Retirement Benefits</b> | <b>2191.22</b>         | <b>4979.92</b>         |
| Total                                       | <u><b>10591.39</b></u> | <u><b>17618.40</b></u> |

**MISCELLANEOUS EXPENDITURE****Schedule L-II**

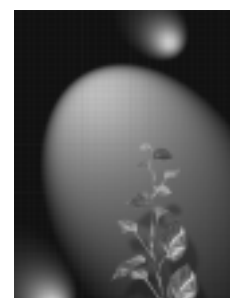
(Rs. in Lakhs)

|                                     | <u>March 31, 2004</u> | <u>March 31, 2003</u> |
|-------------------------------------|-----------------------|-----------------------|
| <b>Deferred Revenue Expenditure</b> |                       |                       |
| Voluntary Retirement Compensation   |                       |                       |
| As per last accounts                | <b>194.58</b>         | 74.60                 |
| Add : Expenditure during the year   | <b>0.00</b>           | 173.29                |
| Less : Amortised during the year    | <b>53.31</b>          | 53.31                 |
| Total                               | <u><b>141.27</b></u>  | <u>194.58</u>         |

**DETAILS OF INCREASE / (DECREASE) IN STOCK****Schedule M**

(Rs. in Lakhs)

|                      | <u>March 31, 2004</u> | <u>March 31, 2003</u> |
|----------------------|-----------------------|-----------------------|
| <b>Closing Stock</b> |                       |                       |
| a) Finished products | <b>43920.42</b>       | 40792.82              |
| b) Stock in process  | <b>12177.26</b>       | 9354.23               |
|                      | <b>56097.68</b>       | 50147.05              |
| Less :               |                       |                       |
| <b>Opening Stock</b> |                       |                       |
| a) Finished products | <b>40792.82</b>       | 27109.99              |
| b) Stock in process  | <b>9354.23</b>        | 5333.30               |
|                      | <b>50147.05</b>       | 32443.29              |
| Total                | <u><b>5950.63</b></u> | <u>17703.76</u>       |





**INTEREST AND OTHER INCOME**

**Schedule N**

(Rs. in Lakhs)

|  | Note | March 31, 2004 | March 31, 2003 |
|--|------|----------------|----------------|
| <b>1. Interest on</b>  |      |                |                |
| a) Loans and Advances  |      | <b>432.37</b>  | 811.92         |
| b) Fixed Deposits with Banks   |      | <b>23.26</b>   | 11.75          |
| c) Short Term Deposits with Banks  |      | <b>39.89</b>   | 942.11         |
| d) Customer Outstandings   |      | <b>659.10</b>  | 1018.64        |
| e) 6.96% Oil Companies, GOI Special Bonds 2009                                   | A    | <b>7.89</b>    | 83.52          |
|  |      | <b>1162.51</b> | 2867.94        |
| <b>2. Dividend</b>   |      |                |                |
| a) From others   | B    | <b>0.38</b>    | 0.00           |
| <b>3. Sale of Power</b>  |      | <b>679.76</b>  | 620.91         |
| <b>4. Profit on sale and disposal of assets</b>                                  |      | <b>37.68</b>   | 26.64          |
| <b>5. Profit on sale of investments</b>  |      | <b>50.52</b>   | 0.00           |
| <b>6. Unclaimed / Unspent liabilities written back</b>                           |      | <b>1.32</b>    | 1.54           |
| <b>7. Provision for Doubtful Debts, Advances, Claims and Stores written back</b> |      | <b>319.78</b>  | 22.21          |
| <b>8. Sale of scrap</b>  |      | <b>384.45</b>  | 170.15         |
| <b>9. Other Miscellaneous Income</b>   |      | <b>404.96</b>  | 329.80         |
| Total  |      | <b>3041.36</b> | 4039.19        |

Note :

- A. Represents income on Current, Non-Trade Investments
- B. Represents income on Long-Term, Non-Trade Investments

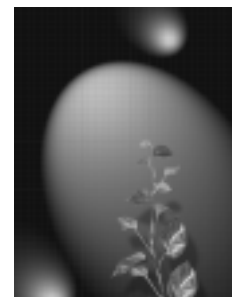
**MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES**
**Schedule O**

(Rs. in Lakhs)

|   | Note | March 31, 2004          | March 31, 2003          |
|---|------|-------------------------|-------------------------|
| <b>1. Raw Material Consumed</b>   |      |                         |                         |
| Opening Balance   |      | 61686.70                | 34442.85                |
| Add : Receipts  |      | 762912.72               | 751366.76               |
|   |      | <u>824599.42</u>        | <u>785809.61</u>        |
| Less : Closing Stock  |      | 56448.57                | 61686.70                |
|   |      | <b>768150.85</b>        | <b>724122.91</b>        |
| <b>2. Consumption</b>   |      |                         |                         |
| a) Stores, Spares and Consumables   |      | 4064.07                 | 3236.72                 |
| b) Packages and Drum Sheets   |      | 52.53                   | 90.89                   |
|   |      | <u>4116.60</u>          | <u>3327.61</u>          |
| <b>3. Power, Water and Fuel</b>   |      | 54280.54                | 51948.09                |
| Less : Own Fuel   |      | 51286.12                | 49038.87                |
|   |      | <b>2994.42</b>          | <b>2909.22</b>          |
| <b>4. Octroi, Other Levies and Irrecoverable Taxes</b>                          | A    | <b>8470.09</b>          | <b>2194.50</b>          |
| <b>5. Repairs and Maintenance</b>   |      |                         |                         |
| i) Buildings  |      | 411.79                  | 338.50                  |
| ii) Plant & Machinery   |      | 6401.54                 | 4202.95                 |
| iii) Others   |      | 340.94                  | 322.55                  |
|   |      | <u>7154.27</u>          | <u>4864.00</u>          |
| <b>6. Freight, Transportation charges and Demurrage</b>                         |      | <b>454.60</b>           | <b>581.70</b>           |
| <b>7. Payments to and Provisions for Employees</b>                              |      |                         |                         |
| a) Salaries, wages, bonus etc.  | B    | 5352.64                 | 5843.96                 |
| b) Contribution to Provident and other Funds                                    |      | 3453.70                 | 1705.55                 |
| c) Amortisation of Voluntary Retirement Compensation                            |      | 53.31                   | 53.31                   |
| d) Staff Welfare Expenses   |      | 1170.97                 | 1051.47                 |
|   |      | <u>10030.62</u>         | <u>8654.29</u>          |
| <b>8. Office Administration, Selling and Other Expenses</b><br>(Schedule O - I) |      | <b>7537.18</b>          | <b>10363.66</b>         |
| Total   |      | <u><b>808908.63</b></u> | <u><b>757017.89</b></u> |

Note :

- A. Includes CST under recovery amounting to Rs.6538.90 lakhs (2003 : Rs. Nil)
- B. Includes towards previous years Rs.Nil (2003 : Rs.569.89 lakhs) on account of removal of ceiling for the payment of Performance Linked Incentive.





**OFFICE ADMINISTRATION, SELLING AND OTHER EXPENSES**

**Schedule O-I**

(Rs. in Lakhs)

|  | <b>March 31, 2004</b> | March 31, 2003 |
|--|-----------------------|----------------|
| <b>1. Rent</b>   | <b>1310.53</b>        | 1071.64        |
| <b>2. Insurance</b>  | <b>1190.26</b>        | 1262.18        |
| <b>3. Rates &amp; Taxes</b>  | <b>108.65</b>         | 202.97         |
| <b>4. Donations</b>  | <b>69.45</b>          | 16.78          |
| <b>5. Payment to Auditors :</b>  |                       |                |
| a) Audit Fees  | <b>4.32</b>           | 3.78           |
| b) Other Services (for issuing certificates etc.,)                                   | <b>0.43</b>           | 1.54           |
| c) Out of Pocket Expenses  | <b>0.00</b>           | 3.20           |
|  | <b>4.75</b>           | 8.52           |
| <b>6. Travelling and Conveyance</b>  | <b>712.54</b>         | 721.61         |
| <b>7. Communication Expenses</b>   | <b>157.07</b>         | 187.49         |
| <b>8. Printing and Stationery</b>  | <b>60.97</b>          | 62.72          |
| <b>9. Electricity and Water</b>  | <b>62.26</b>          | 94.72          |
| <b>10. Bank Charges</b>  | <b>33.21</b>          | 33.84          |
| <b>11. Bad Debts, Advances, Claims and Materials written off</b>                     | <b>105.44</b>         | 2217.26        |
| <b>12. Loss on Assets sold, lost or written off</b>                                  | <b>228.25</b>         | 11.82          |
| <b>13. Provision for Doubtful Debts, Advances, claims and Obsolescence of Stores</b> | <b>446.97</b>         | 651.18         |
| <b>14. Security Force Expenses</b>   | <b>391.29</b>         | 382.28         |
| <b>15. Handling Expenses</b>   | <b>484.54</b>         | 220.40         |
| <b>16. Other Expenses</b>  | <b>2171.00</b>        | 3218.25        |
| Total  | <b>7537.18</b>        | 10363.66       |

**INCOME / EXPENSES RELATING TO PRIOR YEARS**

**Schedule P**

(Rs. in Lakhs)

|   | <b>March 31, 2004</b> | March 31, 2003 |
|---|-----------------------|----------------|
| <b>Income :</b>   |                       |                |
| 1. Net claim from / surrender to Industry Pool Accounts | <b>(44.07)</b>        | 0.00           |
| 2. Other Miscellaneous Income                           | <b>0.00</b>           | 30.02          |
| Total Income  | <b>(44.07)</b>        | 30.02          |
| <b>Expenditure :</b>                                    |                       |                |
| 1. Depreciation and Amortisation                        | <b>587.01</b>         | 0.00           |
| 2. Consumption - Stores, Spares and Consumables         | <b>0.00</b>           | 110.70         |
| 3. Repairs and Maintenance                              | <b>0.00</b>           | 69.65          |
| 4. Interest   | <b>148.68</b>         | 93.16          |
| Total Expenses  | <b>735.69</b>         | 273.51         |
| Net Income / (Expenditure)                              | <b>(779.76)</b>       | (243.49)       |

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Schedule Q

### 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.

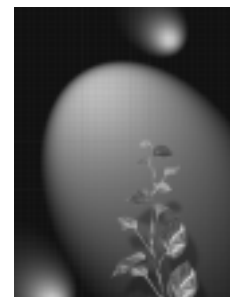
Financing cost, if any, incurred on general borrowings used for projects is capitalised at the weighted average cost.

#### 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 and Loss Account.

#### **7. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

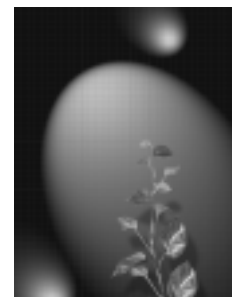
Recognition of amounts under 'Contingent Liabilities' and 'Capital Commitments' is considered only in the case of items exceeding Rs.5,00,000/-. Subject to this limit, contingent liabilities in respect of show cause notices are considered only when they are converted into demands, if disputed by the company.

#### **8. PROFIT AND 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.





**NOTES ON THE ACCOUNTS FOR THE PERIOD ENDED 31st MARCH, 2004**

**Schedule R**

**1. Contingent Liabilities:**

- a) Claims against the Corporation not acknowledged as debts Rs.12459.59 lakhs (2003: Rs. 10632.26 lakhs).

These include:

- i) Rs.6109.55 lakhs (2003: Rs. 6115.68 lakhs) being the demands raised by the Central Excise authorities.
  - ii) Rs.234.44 lakhs (2003: Rs. 233.33 lakhs) in respect of Sales Tax demands.
  - iii) Rs.3088.97 lakhs (2003: Rs. 1750.80 lakhs) in respect of Income Tax demands.
  - iv) Rs.2729 lakhs (2003: Rs. 2467 lakhs) relating to projects.
- b) Demands of Excise Duty of Rs. 4613.17 lakhs (2003: Rs.5432.35 lakhs) 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 lakhs (2003: Rs. 102700.94 lakhs).
2. The corporation has export obligation to the extent of Rs.2624.26 lakhs (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 IndianOil Tanking 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 lakhs.
    - 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 lakhs to the profit and loss account.
7. 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 31.03.2004 stood at Rs.1441.69 lakhs. 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 lakhs) includes Rs.707 lakhs 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:

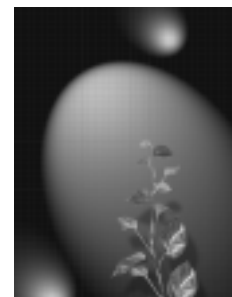
**Operating Leases:**

The corporation has taken an operating lease of twenty two Product Tankages from IOC 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 lakhs are included in Rent (2003: Rs. 255.28 lakhs).

14. In compliance of Accounting Standard – 20 on “Earning Per Share” issued by Institute of Chartered Accountants of India, the elements considered for calculation of Earning Per Share (Basic and Diluted) are as under:

|  | <b>March 2004</b> | March 2003 |
|--|-------------------|------------|
| Profit After Tax (Rupees in Lakhs)             | <b>40004.62</b>   | 30288.82   |
| Weighted Average number of equity shares       | <b>148943200</b>  | 149131100  |
| Earning Per Share (Basic and Diluted) (Rupees) | <b>26.86</b>      | 20.31      |
| Face value per share (Rupees)                  | <b>10</b>         | 10         |

15. In compliance of Accounting Standard – 22 on “Accounting for Taxes on Income” issued by Institute of Chartered Accountants of India, Deferred Tax Liability for the financial period ended 31st March 2004 amounting to Rs.7311.60 lakhs has been provided.





The item-wise details of Deferred tax liability (net) are as under:

(Rs. lakhs)

|   | <b>As on<br/>31.03.2004</b> | As on<br>31.03.2003 |
|---|-----------------------------|---------------------|
| Deferred Tax Liability:                                   |                             |                     |
| i) Depreciation   | <b>36074.70</b>             | 26551.50            |
| ii) Interest  | <b>0.00</b>                 | 3197.52             |
| iii) Miscellaneous Expenditure                            | <b>0.00</b>                 | (27.81)             |
| Less: Deferred Tax Assets                                 |                             |                     |
| iv) Provision for Retirement Benefits                     | <b>786.10</b>               | 1786.55             |
| v) Provisions on inventories, debtors, loans and advances | <b>653.00</b>               | 610.66              |
| <b>Deferred Tax Liability (Net)</b>                       | <b>34635.60</b>             | 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:

|   |                       |
|---|-----------------------|
| <b>a) Name of the Joint Venture</b>     | Indian Additives Ltd. |
| <b>Proportion of ownership interest</b> | 50%                   |
| <b>Country of Incorporation</b>         | India                 |

**Aggregate amount of interests in Joint Venture**

(Rs. lakhs)

|                        | <b>2003-04</b> | 2002-03 |
|------------------------|----------------|---------|
| Corporation's share of |                |         |
| Assets                 | <b>3038.36</b> | 3375.20 |
| Liabilities            | <b>759.28</b>  | 983.55  |
| Income                 | <b>5222.97</b> | 5700.55 |
| Expenditure            | <b>5146.74</b> | 5014.08 |
| Contingent Liabilities | <b>563.65</b>  | 58.09   |

|   |  |
|---|--|
| <b>b) Name of the Joint Venture</b>     | National Aromatics and Petrochemicals Corporation Ltd. |
| <b>Proportion of ownership interest</b> | 50%  |
| <b>Country of Incorporation</b>         | 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.

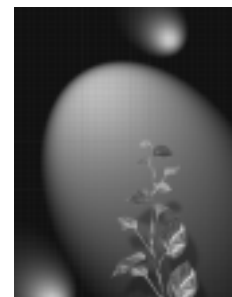
18. Remuneration paid/payable to Directors:

|   | (Rs. lakhs)         |                |
|---|---------------------|----------------|
|   | <u>2003-04</u>      | <u>2002-03</u> |
| i) Salaries and Allowances                              | <b>16.75</b>        | 29.81          |
| ii) Contribution to Provident Fund                      | <b>1.69</b>         | 2.06           |
| iii) Contribution to Gratuity/Superannuation Fund, etc. | <b>2.00</b>         | 1.22           |
| iv) Other benefits and Perquisites                      | <b>8.18</b>         | 4.46           |
| v) Sitting Fees to Part Time Directors                  | <b>0.60</b>         | 0.50           |
| Total   | <u><b>29.22</b></u> | <u>38.05</u>   |

19. The Profit and Loss Account includes:

- a) Expenditure on Public Relations and Publicity amounting to Rs.57.97 lakhs (2003: Rs. 67.79 lakhs). 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 lakhs (2003: Rs.65.33 lakhs). 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 lakhs (2003: Rs. 330.69 lakhs).
- d) Entertainment Expenses Rs. 16.19 lakhs (2003: Rs. 19.70 lakhs).

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





**Annexure - 1**

**Disclosure requirements under AS –18 as per Note No. 12**

(Rs. in lakhs)

| Details of Transactions                             | Key Management Personnel |           | Joint Ventures |           | Others        |           | Total         |           |
|---|--------------------------|-----------|----------------|-----------|---------------|-----------|---------------|-----------|
|   | 31-Mar.04                | 31-Mar.03 | 31-Mar.04      | 31-Mar.03 | 31-Mar.04     | 31-Mar.03 | 31-Mar.04     | 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)                                    | -                        | -         | <b>3.15</b>    | -         | -             | -         | <b>3.15</b>   | -         |
| Terminalling charges                                | -                        | -         | -              | -         | <b>314.79</b> | -         | <b>314.79</b> | -         |
| Remuneration  | <b>20.44</b>             | 33.09     | -              | -         | -             | -         | <b>20.44</b>  | 33.09     |
| Other Benefits/ Recoveries                          | <b>8.18</b>              | 4.46      | -              | -         | -             | -         | <b>8.18</b>   | 4.46      |
| Outstanding Loans/ advances receivables             | <b>1.48</b>              | 1.67      | -              | -         | -             | -         | <b>1.48</b>   | 1.67      |
| Assets on Hire                                      | <b>1.50</b>              | 2.80      | -              | -         | -             | -         | <b>1.50</b>   | 2.80      |

**Key Management Personnel**

**Whole-time Directors**

- 1) Shri S.V. Narasimhan
- 2) Shri K.Narayanan (upto 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**

IndianOil Tanking 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., Tamilnadu Air Products, Paitandi Fluorocarbons 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.

**LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION**
**Schedule S**

(Figures in Lakhs)

|                             | UNIT | Licensed Capacity                |                | Installed Capacity               |                | Actual Production             |                |
|-----------------------------|------|----------------------------------|----------------|----------------------------------|----------------|-------------------------------|----------------|
|                             |      | 31 March, 2004<br>(Refer Note A) | 31 March, 2003 | 31 March, 2004<br>(Refer Note B) | 31 March, 2003 | 31 March, 2004                | 31 March, 2003 |
| i) Crude Processing         | MTs  | <b>70.00</b>                     | 70.00          | <b>105.00</b>                    | 70.00          | <b>70.39</b>                  | 68.40          |
| ii) Propylene Recovery Unit | MTs  | <b>0.17</b>                      | 0.17           | <b>0.17</b>                      | 0.17           | <b>0.22</b><br>(Refer Note C) | 0.17           |
| iii) Wax Plant              | MTs  | <b>0.30</b>                      | 0.30           | <b>0.30</b>                      | 0.30           | <b>0.27</b><br>(Refer Note C) | 0.22           |

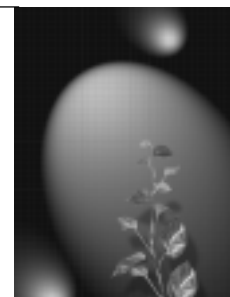
Note :

- License Capacity in respect of 3 MMTPA expansion at Manali Refinery has been applied for.
- 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.
- Represents finished petroleum products.

**FINISHED PRODUCTS - QUANTITY AND VALUE PARTICULARS**
**Schedule T**

(Figures in Lakhs)

|  | Opening Stock |                 | Purchases    |              | Sales        |                  | Closing Stock |                 |
|--|---------------|-----------------|--------------|--------------|--------------|------------------|---------------|-----------------|
|  | Quantity MTs  | Value Rupees    | Quantity MTs | Value Rupees | Quantity MTs | Value Rupees     | Quantity MTs  | Value Rupees    |
| 1. PETROLEUM / PETRO-CHEMICAL PRODUCTS |               |                 |              |              |              |                  |               |                 |
| Year ended 31.03.04                    | <b>2.20</b>   | <b>26396.89</b> | <b>0.00</b>  | <b>0.00</b>  | <b>73.43</b> | <b>934947.97</b> | <b>2.60</b>   | <b>43015.65</b> |
| 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                    | <b>0.02</b>   | <b>713.10</b>   | <b>0.00</b>  | <b>0.00</b>  | <b>0.26</b>  | <b>8475.84</b>   | <b>0.03</b>   | <b>904.77</b>   |
| 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                    | <b>2.22</b>   | <b>27109.99</b> | <b>0.00</b>  | <b>0.00</b>  | <b>73.69</b> | <b>943423.81</b> | <b>2.63</b>   | <b>43920.42</b> |
| Year ended 31.03.03                    | 2.11          | 27109.99        | 0.01         | 335.57       | 62.56        | 864911.28        | 2.22          | 40792.82        |





**CONSUMPTION PARTICULARS OF RAW MATERIALS, STEEL COILS / SHEETS / STORES / SPARE PARTS AND COMPONENTS**

**Schedule U**

|   | Imported                |                           | Indigenous              |                           | Quantity          | Total                |
|---|-------------------------|---------------------------|-------------------------|---------------------------|-------------------|----------------------|
|   | Value<br>(Rs. In Lakhs) | % to total<br>Consumption | Value<br>(Rs. In Lakhs) | % to total<br>Consumption | MTs<br>(in Lakhs) | Rupees<br>(in Lakhs) |
| <b>31 March, 2004</b>                                     |                         |                           |                         |                           |                   |                      |
| Crude Oil and Gas   | <b>580015.65</b>        | <b>76</b>                 | <b>188135.20</b>        | <b>24</b>                 | <b>70.64</b>      | <b>768150.85</b>     |
| Packing Materials Consumed                                | <b>0</b>                | <b>0</b>                  | <b>52.53</b>            | <b>100</b>                | <b>0</b>          | <b>52.53</b>         |
| Steel Coils / Sheets / Stores / Component and Spare Parts | <b>2026.76</b>          | <b>24</b>                 | <b>6266.84</b>          | <b>76</b>                 | <b>0</b>          | <b>8293.60</b>       |
| <b>31 March, 2003</b>                                     |                         |                           |                         |                           |                   |                      |
| 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              |

**EXPENDITURE IN FOREIGN CURRENCY FOR ROYALTY, KNOW-HOW, PROFESSIONAL & CONSULTATION FEES, DIVIDEND & OTHER MATTERS**

**Schedule V**

(Rs. in Lakhs)

|   | Note | <b>31 March, 2004</b> | 31 March, 2003 |
|---|------|-----------------------|----------------|
| 1. Royalty  |      | <b>0.00</b>           | 40.32          |
| 2. Professional, Consultation Fees and Technical Fees |      | <b>736.95</b>         | 683.80         |
| 3. Interest   |      | <b>369.91</b>         | 0.00           |
| 4. Dividend (Net of taxes)                            | A    | <b>807.63</b>         | 364.78         |
| 5. Others   |      | <b>30.18</b>          | 63.48          |
| Total   | B    | <b>1944.67</b>        | 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.

**EARNINGS IN FOREIGN CURRENCY****Schedule W**

(Rs. in Lakhs)

|                              | Note | 31 March,<br>2004 | 31 March, 2003<br>(Refer Note C) |
|------------------------------|------|-------------------|----------------------------------|
| 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 lakhs representing value of exports made to Nepal

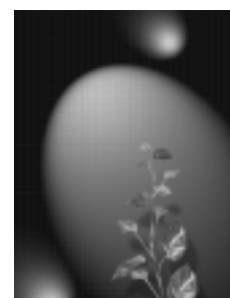
**CIF VALUE OF IMPORTS****Schedule X**

(Rs. in Lakhs)

|   | Note | 31 March,<br>2004 | 31 March,<br>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, canalising agent.





**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**Schedule - Y**

**I. Registration Details**

|                              |                 |                    |      |       |      |
|------------------------------|-----------------|--------------------|------|-------|------|
| Registration No. : 5389 1965 | State Code : 18 | Balance Sheet Date | 31   | 03    | 2004 |
|                              |                 |                    | Date | Month | Year |

**II. Capital Raised During the Year** (Amount in Rs. Thousands)

|              |              |             |                   |
|--------------|--------------|-------------|-------------------|
| Public Issue | Rights Issue | Bonus Issue | Private Placement |
| NIL          | NIL          | NIL         | NIL               |

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

|                   |              |
|-------------------|--------------|
| Total Liabilities | Total Assets |
| 43229946          | 43229946     |

**Sources of Funds**

|                 |                    |               |                 |                        |
|-----------------|--------------------|---------------|-----------------|------------------------|
| Paid-up Capital | Reserves & Surplus | Secured Loans | Unsecured Loans | Deferred Tax Liability |
| 1490046         | 14623258           | 9472899       | 14180183        | 3463560                |

**Application of Funds**

|                  |                   |             |                    |                   |                    |
|------------------|-------------------|-------------|--------------------|-------------------|--------------------|
| Net Fixed Assets | Intangible Assets | Investments | Net Current Assets | Misc. Expenditure | Accumulated Losses |
| 33939236         | 397616            | 119680      | 8759287            | 14127             | NIL                |

**IV. Performance of Company** (Amount in Rs. Thousands)

|                              |                             |                          |
|------------------------------|-----------------------------|--------------------------|
| Turnover                     | Total Expenditure           | Earning Per Share in Rs. |
| 87390310                     | 82566887                    | 26.86                    |
| +/- Profit / Loss Before Tax | +/- Profit / Loss After Tax | Dividend rate %          |
| + 5722622                    | + 4000462                   | 50                       |

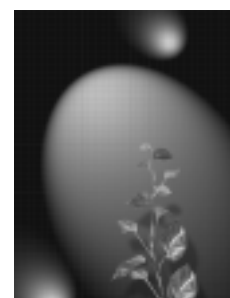
**V. Generic Names of Three Principal Products / Services of Company** (as per monetary terms)

|                             |                       |
|-----------------------------|-----------------------|
| Item Code No.<br>(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 Lakhs)

| Particulars  | Year ended<br>March 31, 2004 | Year ended<br>March 31, 2003 |
|--|------------------------------|------------------------------|
| <b>A. Cash Flow from Operating Activities</b>                            |                              |                              |
| 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   | -37.68                       | -26.64                       |
| Profit on Sale 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<br>Obsolescence of Stores              | 446.97                       | 651.18                       |
| Loss on Sale of Assets   | 228.25                       | 11.82                        |
| Interest on Borrowings   | 4679.76                      | 10665.18                     |
| Interest income from short term investment                               | -63.15                       | -953.86                      |
| <b>B. Operating Profit Before Working Capital Changes</b>                | <b>74452.48</b>              | <b>73263.31</b>              |
| <b>C. Changes in Working Capital</b><br>(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                    |
| <b>D. Cash generated from Operations</b>                                 | <b>86371.48</b>              | <b>34626.49</b>              |
| <b>E. Adjustments for</b>  |                              |                              |
| Direct Taxes Paid  | -17140.23                    | -9348.92                     |
| Direct Taxes Received  | 0.00                         | 2470.84                      |
| <b>F. Net Cash flow from Operating Activities</b>                        | <b>69231.25</b>              | <b>27748.41</b>              |





**Schedule Z (Contd.,)**

(Rs. in Lakhs)

| Particulars  | Year ended<br>March 31, 2004 | Year ended<br>March 31, 2003 |
|--|------------------------------|------------------------------|
| <b>G. Cash Flow from Investing Activities</b>                              |                              |                              |
| Purchase of Fixed Assets   | -96196.55                    | -104966.01                   |
| Deferred Revenue Expenditure   | 0.00                         | -173.29                      |
| Sale of Assets   | 46.95                        | 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 Investing Activities                                      | <b>-94680.69</b>             | -104142.03                   |
| <b>H. Net Cash Flow from Financing Activities</b>                          |                              |                              |
| Proceeds from Calls in arrears /<br>Issue of Shares including premium      | 0.55                         | 0.48                         |
| Proceeds from Long Term Borrowings   | 135000.00                    | 87500.00                     |
| Repayment of Borrowings  | -96047.00                    | -15726.05                    |
| Interest Paid  | -7298.53                     | -8048.50                     |
| Dividend Paid  | -5195.78                     | -3015.48                     |
| Corporate Dividend Tax Paid  | -668.19                      | 0.00                         |
| Net Cash Generated from<br>Financing Activities                            | <b>25791.05</b>              | 60710.45                     |
| <b>I. Net change in Cash &amp; Cash Equivalents (F+G+H)</b>                | <b>341.61</b>                | -15683.17                    |
| <b>J. Cash and Cash equivalents at the end of<br/>Financial Year</b>       | <b>1242.89</b>               | 901.28                       |
| <b>K. Cash and Cash equivalents at the beginning of<br/>Financial Year</b> | <b>901.28</b>                | 16584.45                     |
| <b>Net Change in Cash and Cash equivalents (J-K)</b>                       | <b>341.61</b>                | -15683.17                    |

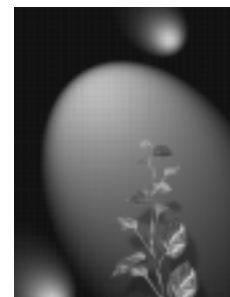
## Financial Indicators

|   | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | <b>2003-2004</b> |
|---|-----------|-----------|-----------|-----------|------------------|
| Debt Equity Ratio   | 0.87      | 0.93      | 1.22      | 1.53      | <b>1.47</b>      |
| Earnings per share (Rupees)                                     | 9.72      | 8.21      | 4.28      | 20.31     | <b>26.86</b>     |
| Cash Earnings per share (Rupees)                                | 15.22     | 15.05     | 9.57      | 27.15     | <b>35.14</b>     |
| Profit Before Interest & Tax to<br>Average Capital Employed (%) | 15.20     | 12.78     | 10.21     | 28.87     | <b>22.21</b>     |
| Profit After Tax to Average Networth (%)                        | 12.93     | 10.26     | 5.62      | 26.05     | <b>27.56</b>     |
| Networth per Equity Share (Rupees)                              | 78.22     | 82.75     | 69.19     | 86.72     | <b>108.09</b>    |
| Dividend (%)  | 30.00     | 25.00     | 20.00     | 35.00     | <b>50.00</b>     |
| Dividend Payout (%)   | 30.83     | 30.26     | 46.77     | 17.22     | <b>18.61</b>     |
| Dividend Payout % (including<br>Dividend Distribution Tax)      | 37.61     | 33.35     | 46.77     | 19.42     | <b>21.00</b>     |

## Production Performance

| (Qty in '000 MT) |                |                   |                      |                       |                    |               |             |             |                |
|------------------|----------------|-------------------|----------------------|-----------------------|--------------------|---------------|-------------|-------------|----------------|
| Year             | Crude          | Net Gas<br>Intake | Light<br>Distillates | Middle<br>Distillates | Lube Base<br>Stock | Heavy<br>Ends | Wax         | Others      | Fuel &<br>Loss |
| 1999-2000        | 7013.0         | 7.7               | 1320.8               | 3470.9                | 248.4              | 1423.7        | 18.1        | 8.0         | 530.8          |
| 2000-2001        | 6625.3         | 16.2              | 1262.4               | 3256.9                | 205.4              | 1345.9        | 22.0        | 12.3        | 536.6          |
| 2001-2002        | 6688.8         | 15.7              | 1330.8               | 3239.9                | 177.1              | 1463.0        | 20.7        | -43.1       | 516.1          |
| 2002-2003        | 6819.4         | 20.2              | 1382.4               | 3170.7                | 252.0              | 1466.0        | 21.6        | 10.6        | 536.2          |
| <b>2003-2004</b> | <b>7039.9*</b> | <b>25.3</b>       | <b>1438.0</b>        | <b>3390.1</b>         | <b>232.9</b>       | <b>1389.3</b> | <b>27.2</b> | <b>22.4</b> | <b>565.4</b>   |

\* Production figures includes 108 TMT of crude processed in New 3MMTPA Crude unit on trial basis



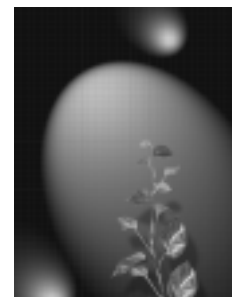


## Funds Flow Statement

|   | (Rs. in Lakhs)  |                  |                  |                  |                         |
|---|-----------------|------------------|------------------|------------------|-------------------------|
|   | 1999-2000       | 2000-2001        | 2001-2002        | 2002-2003        | 2003-2004               |
| <b>Sources of Funds</b>                     |                 |                  |                  |                  |                         |
| 1. Internal Resources                       |                 |                  |                  |                  |                         |
| Retained Earnings                           | 8878.91         | 8159.89          | 3391.12          | 24405.49         | <b>31604.45</b>         |
| Depreciation                                | 8190.42         | 10286.31         | 8007.50          | 10201.93         | <b>12339.85</b>         |
| Deferred Revenue Expenditure Written Off    | 0.61            | 358.55           | 572.62           | 1910.65          | <b>53.31</b>            |
| Deferred Tax Liability                      |                 |                  | 1798.48          | 2410.57          | <b>7311.60</b>          |
|   | <u>17069.94</u> | <u>18804.75</u>  | <u>13769.72</u>  | <u>38928.64</u>  | <u><b>51309.21</b></u>  |
| 2. External Resources                       |                 |                  |                  |                  |                         |
| Share Capital including Share Premium       | 0.58            | 1519.82          | 0.28             | 0.48             | <b>0.55</b>             |
| Borrowing from Govt./Others                 | 37615.25        | 30328.00         | 23500.00         | 87500.00         | <b>135000.00</b>        |
|   | <u>37615.83</u> | <u>31847.82</u>  | <u>23500.28</u>  | <u>87500.48</u>  | <u><b>135000.55</b></u> |
| Total-Sources                               | <u>54685.77</u> | <u>50652.57</u>  | <u>37270.00</u>  | <u>126429.12</u> | <u><b>186309.76</b></u> |
| <b>Uses of Funds</b>                        |                 |                  |                  |                  |                         |
| Investments                                 | 78.35           | 104.89           | 1258.69          | -764.56          | <b>-1200.37</b>         |
| Increase in Fixed Assets                    | 11953.42        | 12675.96         | 44182.83         | 104945.15        | <b>95959.03</b>         |
| Repayment of Loans                          | 29917.44        | 15667.84         | 12952.61         | 15726.05         | <b>96036.23</b>         |
| Increase in Net Current Assets *            | 12736.56        | 20411.13         | -22194.49        | 6349.19          | <b>-4485.13</b>         |
| Deferred Revenue Expenditure                | 0.00            | 1792.75          | 1070.36          | 173.29           | <b>0.00</b>             |
| Total-Uses                                  | <u>54685.77</u> | <u>50652.57</u>  | <u>37270.00</u>  | <u>126429.12</u> | <u><b>186309.76</b></u> |
| * Changes in Working Capital                |                 |                  |                  |                  |                         |
| a) Current Assets                           |                 |                  |                  |                  |                         |
| 1. Interest accrued on Investments          | 0.00            | 0.00             | 0.46             | -9.48            | <b>6.10</b>             |
| 2. Inventories                              | 32647.12        | -10538.55        | -10075.26        | 44602.96         | <b>5.52</b>             |
| 3. Sundry Debtors                           | 14450.15        | 2449.87          | 12642.38         | 24812.83         | <b>-8463.94</b>         |
| 4. Cash and Bank Balances                   | -29411.36       | 5265.23          | 7846.73          | -15683.17        | <b>341.61</b>           |
| 5. Loans and Advances                       | 4399.85         | 6501.43          | -25337.82        | -312.27          | <b>605.62</b>           |
|   | <u>22085.76</u> | <u>3677.98</u>   | <u>-14923.51</u> | <u>53410.87</u>  | <u><b>-7505.09</b></u>  |
| b) Less: Current Liabilities and Provisions | 9349.20         | -16733.15        | 7270.98          | 47061.68         | <b>-3019.96</b>         |
|   | <u>9349.20</u>  | <u>-16733.15</u> | <u>7270.98</u>   | <u>47061.68</u>  | <u><b>-3019.96</b></u>  |
| c) Working Capital (a-b)                    | <u>12736.56</u> | <u>20411.13</u>  | <u>-22194.49</u> | <u>6349.19</u>   | <u><b>-4485.13</b></u>  |

## Value Added Statement

|                                     | (Rs. in Lakhs)  |                 |                 |                 |                         |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------------|
|                                     | 1999-2000       | 2000-2001       | 2001-2002       | 2002-2003       | 2003-2004               |
| <b>Value of Production</b>          | 566944.71       | 708040.46       | 629644.97       | 880698.84       | <b>953547.12</b>        |
| Less: Cost of Direct Materials      | 516840.40       | 652283.37       | 585988.70       | 788124.08       | <b>848284.92</b>        |
| <b>Value Added</b>                  | 50104.31        | 55757.09        | 43656.27        | 92574.76        | <b>105262.20</b>        |
| Interest income                     | 2871.76         | 3928.53         | 2881.92         | 2867.94         | <b>1162.51</b>          |
| Miscellaneous Receipts              | 997.55          | 880.69          | 775.47          | 523.70          | <b>1161.41</b>          |
| Profit on Sale of Assets            | 6.33            | 2.66            | 287.55          | 26.64           | <b>37.68</b>            |
|                                     | <u>53979.95</u> | <u>60568.97</u> | <u>47601.21</u> | <u>95993.04</u> | <u><b>107623.80</b></u> |
| <b>Applied Towards</b>              |                 |                 |                 |                 |                         |
| Operating Expenses                  | 18116.08        | 22117.11        | 17429.68        | 24419.36        | <b>33918.61</b>         |
| Interest                            | 8598.05         | 13146.34        | 12808.54        | 10665.18        | <b>4679.76</b>          |
| Depreciation                        | 8096.54         | 10203.43        | 7901.86         | 10201.93        | <b>11745.90</b>         |
| Deferred Revenue Expenditure        | 0.61            | 358.55          | 572.62          | 1910.65         | <b>53.31</b>            |
| Income Tax (Including Deferred Tax) | 4854.33         | 2500.41         | 2517.32         | 18507.10        | <b>17221.60</b>         |
| Dividend                            | 4413.07         | 3705.30         | 2980.07         | 5215.14         | <b>7446.13</b>          |
| Dividend Distribution Tax           | 1022.36         | 377.94          | 0.00            | 668.19          | <b>954.04</b>           |
| Retained Earnings                   | 8878.91         | 8159.89         | 3391.12         | 24405.49        | <b>31604.45</b>         |
|                                     | <u>53979.95</u> | <u>60568.97</u> | <u>47601.21</u> | <u>95993.04</u> | <u><b>107623.80</b></u> |





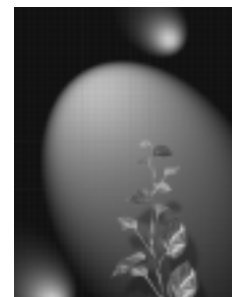
## A Ten Year Profile

|   | 1994-95 | 1995-96 | 1996-97 | 1997-98 |
|---|---------|---------|---------|---------|
| <b>What We Owe</b>  |         |         |         |         |
| Share Capital   | 14345   | 14361   | 14361   | 14710   |
| Reserves *  | 52194   | 58400   | 65012   | 76381   |
| Networth  | 66539   | 72761   | 79373   | 91091   |
| Borrowings  | 82839   | 74224   | 93702   | 91405   |
| Deferred Tax Liability                                    | –       | –       | –       | –       |
|   | 149378  | 146985  | 173075  | 182496  |
| <b>What We Own</b>  |         |         |         |         |
| Fixed Assets (including Capital WIP)                      | 138456  | 143573  | 149267  | 157472  |
| Less: Depreciation  | 39284   | 46243   | 54147   | 62313   |
|   | 99172   | 97330   | 95120   | 95159   |
| Intangible Assets (including WIP) Net                     | –       | –       | –       | –       |
| Investments   | 1205    | 1204    | 1749    | 18149   |
| Working Capital   | 49001   | 48451   | 76206   | 69188   |
|   | 149378  | 146985  | 173075  | 182496  |
| <b>Income</b>   |         |         |         |         |
| Sales   | 244276  | 219970  | 249511  | 272008  |
| Interest  | 2664    | 1018    | 1380    | 6249    |
| Miscellaneous Receipts                                    | 1002    | 1775    | 529     | 1904    |
| Inventory Difference                                      | 6644    | -592    | 7466    | -3894   |
| Adjustment - Prior Years                                  | 142     | -17     | -42     | 109     |
|   | 254728  | 222154  | 258844  | 276376  |
| <b>Expenditure</b>  |         |         |         |         |
| Raw Materials   | 210675  | 173105  | 200780  | 213014  |
| Manufacturing Expenses                                    | 14596   | 14203   | 18203   | 17109   |
| Salaries & Benefits to Employees                          | 2734    | 5383    | 2885    | 4613    |
| Administration Expenses                                   | 3014    | 3060    | 4221    | 4921    |
| Interest  | 9869    | 10079   | 13170   | 14187   |
| Depreciation  | 5555    | 6913    | 7850    | 8085    |
|   | 246443  | 212743  | 247109  | 261929  |
| <b>Profit Before Tax</b>                                  | 8285    | 9411    | 11735   | 14447   |
| Provision for Taxation                                    | -934    | –       | 1517    | 1519    |
| <b>Profit After Tax</b>                                   | 9219    | 9411    | 10218   | 12928   |
| Dividend  | 3427    | 3590    | 3587    | 3970    |
| Dividend Distribution Tax                                 | –       | –       | 359     | 397     |
| <b>Financial Indicators</b>                               |         |         |         |         |
| Debt/Equity   | 1.25    | 1.02    | 1.18    | 1.00    |
| Earnings per share (Rs)                                   | 6.41    | 6.55    | 7.11    | 8.78    |
| Profit After Tax to Average Networth (%)                  | 15.16   | 13.51   | 13.43   | 15.17   |
| Dividend (%)  | 25      | 25      | 25      | 27.50   |
| Dividend Payout (%) (including Dividend Distribution Tax) | 37.17   | 38.15   | 38.62   | 33.78   |

\* After adjusting Miscellaneous Expenditure

(Rs. in Lakhs)

| 1998-99 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004     |
|---------|-----------|-----------|-----------|-----------|---------------|
| 14710   | 14710     | 14900     | 14900     | 14900     | <b>14900</b>  |
| 91576   | 100456    | 108511    | 88290     | 114433    | <b>146091</b> |
| 106286  | 115166    | 123411    | 103190    | 129333    | <b>160991</b> |
| 92888   | 100585    | 115246    | 125793    | 197567    | <b>236531</b> |
| -       | -         | -         | 24913     | 27324     | <b>34636</b>  |
| 199174  | 215751    | 238657    | 253896    | 354224    | <b>432158</b> |
| 192827  | 204737    | 217335    | 261526    | 366441    | <b>458312</b> |
| 70187   | 78334     | 88543     | 96520     | 106692    | <b>118920</b> |
| 122640  | 126403    | 128792    | 165006    | 259749    | <b>339392</b> |
| -       | -         | -         | -         | -         | <b>3976</b>   |
| 1720    | 1798      | 1903      | 3161      | 2397      | <b>1197</b>   |
| 74814   | 87550     | 107962    | 85729     | 92078     | <b>87593</b>  |
| 199174  | 215751    | 238657    | 253896    | 354224    | <b>432158</b> |
| 374739  | 551429    | 713262    | 627309    | 862995    | <b>947597</b> |
| 6871    | 2872      | 3929      | 2882      | 2868      | <b>1163</b>   |
| 3056    | 1004      | 883       | 1966      | 1171      | <b>1878</b>   |
| 644     | 15516     | -5222     | 2336      | 17704     | <b>5951</b>   |
| -22     | -50       | 951       | -22       | -243      | <b>-780</b>   |
| 385288  | 570771    | 713803    | 634471    | 884495    | <b>955809</b> |
| 308491  | 498770    | 630676    | 559807    | 725030    | <b>768606</b> |
| 18671   | 22180     | 27024     | 31089     | 68799     | <b>87998</b>  |
| 5272    | 7451      | 9473      | 6566      | 8654      | <b>10031</b>  |
| 6188    | 6508      | 8538      | 7410      | 12349     | <b>15522</b>  |
| 11201   | 8598      | 13146     | 12809     | 10665     | <b>4680</b>   |
| 7900    | 8096      | 10203     | 7902      | 10202     | <b>11746</b>  |
| 357723  | 551603    | 699060    | 625583    | 835699    | <b>898583</b> |
| 27565   | 19168     | 14743     | 8888      | 48796     | <b>57226</b>  |
| 7071    | 4854      | 2500      | 2517      | 18507     | <b>17221</b>  |
| 20494   | 14314     | 12243     | 6371      | 30289     | <b>40005</b>  |
| 5149    | 4413      | 3705      | 2980      | 5215      | <b>7446</b>   |
| 515     | 1022      | 378       | -         | 668       | <b>954</b>    |
| 0.87    | 0.87      | 0.93      | 1.22      | 1.53      | <b>1.47</b>   |
| 13.92   | 9.72      | 8.21      | 4.28      | 20.31     | <b>26.86</b>  |
| 20.77   | 12.93     | 10.26     | 5.62      | 26.05     | <b>27.56</b>  |
| 35      | 30        | 25        | 20        | 35        | <b>50</b>     |
| 27.89   | 37.61     | 33.35     | 46.77     | 19.42     | <b>21.00</b>  |





**ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT**

To  
(In case of Physical Holding)  
Karvy Computershare Private Limited  
**Unit : Chennai Petroleum Corporation Ltd.**  
"Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills,  
**HYDERABAD -500 034**

To  
(In case of Electronic Holding)  
The Depository Participant

Dear Sir,

**FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND**

I wish to participate in the Electronic Clearing Services (ECS) and give below the details of my bank account, to which you may electronically credit the payment due to me against the reference folio number mentioned below:

**1. For Shares held in physical form**

Folio No.:

**2. For shares held in electronic form**

(Shareholders holding shares in electronic form i.e. in Demat mode, should forward this form to their respective Depository Participant).

DP ID :

Client ID :

**3. Shareholder's Name :** Shri/Smt/Kum./M/s. ....

**4. Shareholder's Address** .....

**5. Particulars of Bank :**

\* Bank Name : .....

\* Branch Name & Address : .....

\* Mention the 9 digit-code number of the bank and branch appearing on the MICR cheque issued by the bank : .....

(Please attach the photocopy of a cheque or a cancelled bank cheque issued by your bank for verifying the accuracy of the code number)

\* Account Type (Please Tick) : Savings  Current  Cash Credit

\* Account Number (as appearing on the cheque book) : .....

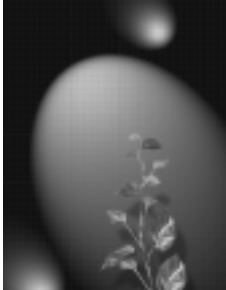
**6. Date from which the mandate should be effective :** .....

I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the Company / Registrars & Share Transfer Agents of the Company responsible. I also undertake to advise any change in the particulars of my account to facilitate updation of records for purpose of credit of dividend amount through ECS.

Place :

Date :

Signature of the First Shareholder







**Chennai Petroleum Corporation Limited**

**PROXY**

Folio No. :  
.....

No. of Shares :  
.....

I/We ..... of ..... in the District of .....  
being member(s) of the above named Company hereby appoint ..... of ..... in the  
District of ..... or failing him/her ..... of ..... in the District of  
..... as my/our proxy to vote for me/us on my/our behalf at the Thirty Eighth Annual General Meeting of  
the Company to be held on the **23rd day of August 2004** and at every adjournment thereof.

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

Full Name .....

For Office use only.

Affix 30 paise  
Revenue Stamp

Proxy No. : .....

Notes :

1. The instrument of proxy, to be valid, should be deposited at the Registered Office at 536, Anna Salai, Teynampet, Chennai 600 018, 48 hours before the meeting.
2. The instrument of proxy should be executed on 30 paise revenue stamp.



**Chennai Petroleum Corporation Limited**

Registered Office : 536, Anna Salai, Teynampet, Chennai 600 018.

**ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF KAMARAJ ARANGAM, CHENNAI 600 006.

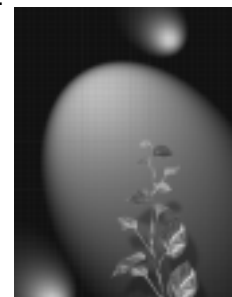
.....  
NAME OF THE MEMBER/PROXY :

FOLIO NO. :

.....  
I hereby record my presence at the THIRTY EIGHTH ANNUAL GENERAL MEETING at 3.00 p.m. on  
23rd AUGUST 2004 at KAMARAJ ARANGAM, CHENNAI-600 006.

.....  
SIGNATURE OF THE MEMBER OR PROXY :

.....  
Note : Members who come to attend the meeting are requested to bring their copies of Annual Report with them.





## Hand in hand with nature and progress



### Ensuring the right **environment** for one and for all.

CPCL has always striven to maintain and improve the quality of life by managing environmental balance. It has successfully commissioned and implemented many initiatives to conserve nature.

- Usage of Ultrafiltration technology and Reverse Osmosis to reclaim refinery treated effluents at the prestigious Zero Discharge Plant.
- Reclaim city sewage for industrial use.
- Conversion of High Speed Diesel to 0.05% Ultra Low Sulphur Diesel Oil at Diesel Hydro Desulphuriser Unit.
- The Rs.2360 crore 3 MMPTA capacity expansion and modernization project at Manali has been commissioned. The hydro cracker unit will be commissioned by July 2004. This will meet Bharat Stage II and Euro III equivalent auto fuel specifications which will become mandatory by April 1, 2005.
- Continuous Ambient Air Quality and Stack Monitoring stations.
- CPCL's Manali and CBR refineries are QEHS (ISO 14001, ISO 9001 and OHSAS 18001) certified units.

It is our ideology that is mirrored in these efforts - preserving nature and enhancing life is an ongoing process, making us a responsible citizen of the society.



**Chennai Petroleum Corporation Limited**

(A group company of IndianOil)

536, Anna Salai, Teynampet, Chennai - 600 018

Visit us at: [www.cpcl.co.in](http://www.cpcl.co.in)

**Energy. Synergy**



चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड  
(इंडियनऑयल की गुप कम्पनी)

***Chennai Petroleum Corporation Limited***

(A group company of IndianOil)

Regd. Office : 536, Anna Salai, Teynampet, Chennai 600 018

Visit us at : [www.cpcl.co.in](http://www.cpcl.co.in)