हिन्दुस्तान पेट्रोलियम कॉर्पोरेशन लिमिटेड
वार्षिक रिपोर्ट 2011-12

Hindustan Petroleum Corporation Limited
Annual Report 2011-12

Energy for **tomorrow**

Energy for tomorrow

Energy is vital for our daily lives. It is as important to us as air and water. Today, energy enriches people's lives more than ever before. It is central to all development.

As the quality of life improves and the world consumes more and more energy, we need to secure enough supplies. The issues of energy access and efficiency need to be addressed. We need to connect the dots, repower and empower the planet. Harnessing energy supplies and enabling energy security remains a key concern.

At HPCL, we are doing our bit to create a safe, secure, sustainable and equitable future. We are working towards securing the nation's fuel supplies and improving our operational efficiency. Conducting business by ensuring a strong focus on preserving the environment has become our moral imperative.

Sustainable energy for all is our call to action to make the development goals possible. We are constantly engendering ways to align our energy and sustainability goals. We are redefining our vision, objectives and business processes to move towards energy security.

Contents

Our Directors

Whole Time Directors	Ex-Officio Part-Time Directors	Non-Official Part-time Directors
Shri S. Roy Choudhury Chairman & Managing Director	**Dr. S.C. Khuntia** Director (From 03.08.2012)	**Dr. Gitesh K. Shah** Director
Shri B. Mukherjee Director – Finance	**Shri L.N. Gupta** Director	**Shri Anil Razdan** Director
Shri K. Murali Director – Refineries	**Shri P.K. Sinha** Director (Till 29.02.2012)	**Shri S.K. Roongta** Director
Smt. Nishi Vasudeva Director – Marketing (From 04.07.2011)		**Shri G.K. Pillai** Director (From 09.04.2012)
Shri Pushp Kumar Joshi Director – Human Resources (From 01.08.2012)		**Shri A.C. Mahajan** Director (From 09.04.2012)
Dr. V. Viziasaradhi Director – Human Resources (Till 31.07.2012)		**Dr. G. Raghuram** Director (From 09.04.2012)

Chairman's Message

Dear Shareholders,

It gives me great pleasure to present to you the 60th Annual report for the year 2011-12.

The Indian economy slowed down perceptibly in 2011-12. The GDP growth was estimated to be 6.5% during 2011-12 compared to 8.4% in 2010-11. The economy witnessed slowdown in agricultural & manufacturing sectors, increasing inflation and weakening of the Indian rupee. The high oil prices have contributed to the widening of the current account deficit.

Oil production in the country increased marginally and oil imports have increased over the years. The trend of increasing import dependence is unlikely to be reversed in near future given the current reserves of oil in India and increasing demand for oil. This in turn means continued exposure to international price trends. Throughout the last year, global crude prices remained above US $ 100 per barrel, fluctuating in the $100/bbl to $125/bbl band despite subdued global economy and oil demand due to turbulence in the Middle East and crisis in Europe.

The consumption of petroleum products in India despite the slowdown in the economy, increased by 4.9% in 2011-12 compared to 2.6% in 2010-11. Petroleum products consumption in 2011-12 was about 151 million tons. Consumption of all products increased in 2011-12 except SKO, LDO, FO and LSHS. HSD grew at 8%, almost double the annual average growth rate of 4.7% during the last decade.

The Gross Sales of your Corporation (inclusive of excise duty) increased by 32% to ₹ 1,88,131 Crore during the year. Profit after Tax was ₹ 911 Crore during the year. The lower PAT is due to higher interest cost which increased to ₹ 2,139 Crore from ₹ 892 Crore in 2010-11. The higher interest cost was due to delayed compensation for increased under-recoveries on sale of sensitive petroleum products.

With pan-India presence in refining and marketing, we are supplying about 25% of the country's retail demand for petrol, diesel and LPG. Retail sales of petrol and diesel by the company in 2011-12 increased by 7.5% and 14.7% respectively. These growth rates were far ahead of the industry growth rates. The total sale of products (including exports) for 2011-12 was 29.48 MMT as against 27.03 MMT during 2010-11. Our performance in the year 2011-12 validates the robustness of our strategy which was co-created by the employees.

The sales are backed by strong physical performance from our refineries. During the year 2011-12, HPCL's refineries at Mumbai and Visakh maximized crude processing and achieved combined refining throughput of 16.19 MMT with a capacity utilization of 109%. Refining margins were lower this year as the crude and product prices have not moved in tandem. Our refineries have maximized the MS production meeting Euro III /Euro IV fuel specifications through newly commissioned clean fuel projects.The Clean Fuel projectat Visakh Refinery was dedicated to the nation by the Hon'ble Minister of Petroleum & Natural Gas by Shri S. Jaipal Reddy on February 20th, 2012.

Crude supplies from Iran were affected by the US Sanctions but we managed the impact by increased quantities from other term suppliers. Since sales of industrial products such as naphtha have been affected by availability of cheaper alternatives, we have reduced production of naphtha by converting it to MS to the maximum possible extent, the balance surplus Napthawas exported. To cater to the bunkering fuel market, our refineries have started producing fuel oil with less than 3.5% Sulphur content. We have achieved highest ever Lube Oil Base Stock (LOBS) production of 382 TMT during the year representing an increase 27%.

We have expanded our pipeline network during the year. The 30 km long Ramanmandi-Bathinda pipeline has been commissioned. To facilitate evacuation of MS, HSD, SKO and ATF products to Bahadurgarh, pre-commissioning activities of the 250 km long cross country pipeline have been completed. We have achieved a throughput of about 13.6 million tons against a target throughput of 11 million tons through our pipelines.

Apart from our core business of refining and marketing, we have invested in other ventures such as exploration & production, renewables, biofuels and gas to diversify our revenue stream and to gain foothold in emerging sectors. Integrated sugar-cum-ethanol plants have been commissioned in Sugauli and Lauriya in Bihar and have started commercial production of sugar, ethanol and power. A total of 816 Lakh KWH of wind power energy was generated during the year through our 50 MW capacity wind farms located in the states of Rajasthan and Maharashtra.

To build a strong foundation for the E&P business, M/s Prize Petroleum Company Limited (Prize) has been converted into a wholly owned subsidiary during 2011-12. In future, M/s Prize Petroleum Company Limited shall be the upstream arm of HPCL

Chairman's Message

and all the exploration and production activities, which were being carried out by HPCL and Prize separately, will be carried out by the subsidiary.

To ensure transparency and visibility of information across the Corporation, end-to-end processes have been configured in our ERP systems for reducing cycle times and providing better management control.

The infrastructure has been augmentedduring the year by commissioning additional product tankages and tank truck gantries at various locations.

The commissioning of 9 MMTPA Guru Gobind Singh Refinery, a Joint Venture Companyoperated by HPCL – Mittal Energy Limited (HMEL) at Bhatinda during the year 2011-12 is an important first step towards achieving our objective of achieving product sufficiency by bridging the gap between refining capacity and the product demand catered to by the marketing SBUs. Guru Gobind Singh Refinery at Bhatinda was dedicated to the nation by Hon'ble Prime Minister of India, Dr. Manmohan Singh on April 28th, 2012. The refinery would further strengthen product availability in northern markets.

Over the years, we have shouldered our responsibility of meeting the nation's fuel and energy needs through our highly qualified, experienced and dedicated manpower who have constantly strived to realize our vision to be a World Class Energy Company. I would like to acknowledge the effort put in by all the employees for ensuring above industry performance while ensuring highest standards in safety, occupational health, environment protection and profitable operations.

For guiding the collective effort of organizational members towards the common goal of being a World Class Energy Company, we have undertaken a unique leadership development initiative, christened "Project Akshay" based on experiential learning model. Culture is the foundation for all successful enterprises. To ensure long term and sustainable decisions we have adopted the concept of "HP First" as our culture. We are committed to improving employee engagement, productivity and promotion of industrial harmony.

We will continue to work on the strategic areas that have been identified for building value to the shareholders and achieve equitable balance in all Business Lines for safe guarding the company against all volatilities in the external environment.

Our customers, business associates and shareholders have always been a source of strength and I thank them for their support. The Ministry of Petroleum & Natural Gas, has guided and supported us in all our efforts. We look forward to their continued support in all our endeavors.

Thank you,

S. Roy Choudhury

Senior Management Team

Shri Suneet Mohan Misra	Chief Vigilance Officer
Shri D.K. Deshpande	ED – SHE (HSE Corporate)& Refinery Advisor to C&MD
Shri P A B Raju	ED – Visakh Refinery
Shri A. B. Thosar	ED – O & D
Shri O.P. Pradhan	ED – PCPIR Project & Additional Charge of CEC(Refineries)
Shri R. Sudhakara Rao	ED – Audit
Shri K.V. Rao	ED – Corporate Finance
Shri S.P. Gupta	ED*
Shri M.S. Damle	ED – Retail
Shri Y.K. Gawali	ED – LPG
Shri Rajan K. Pillai	ED *
Shri B.K. Namdeo	ED – IT&S
Shri S.C. Mehta	ED – Mumbai Refinery
Shri S. Jeyakrishnan	ED – Direct Sales
Shri S.P. Singh	ED *
Shri G. Sriganesh	ED – Refineries (R&D Corporate)
Shri H. Kumar	ED – Corp. Strategy & Planning
Shri Anil Pande	ED – Projects & Pipelines
Shri S.T. Sathiavageeswaran	ED – Information Systems
Shri Ajit Singh	ED – Co-ordination, DCO
Shri Rakesh Misri	ED – Human Resources
Shri Sandeep Joseph	GM – Industrial Relations
Shri P. Rajendran	GM – Marketing Projects
Shri K. Srinivasan	GM – SHE (Refinery)
Shri R. Ganesan	GM – Finance, MR
Shri Rakesh Kumar	GM – HR (Comp. Management)
Shri A. V. Sarma	GM – Commercial, P&P
Shri D.K. Hota	GM – Natural Gas
Shri S. Babu Ganesan	GM – Engg.& Projects
Shri Y.K. Rao	GM – Materials, VR
Shri N.S. Jagannadharao	GM – Maintenance, MR
Shri P.P. Nadkarni	GM – Retail, South Zone
Shri Ramanuj Roy	GM – Commercial, LPG
Shri R. Radhakrishnan	GM – Aviation
Shri H.R. Wate	GM – Retail, HQO
Shri M.K. Surana	GM – Projects, VR
Shri V.V.R. Narasimhan	GM – Operations, VR

Senior Management Team

Shri V.K. Jain	GM – Tax
Ms. Sonal Desai	GM – Finance, CSR
Shri J. Ramaswamy	GM – Finance (Marketing)
Shri M. Naveen Kumar	GM – Finance, IT&S
Shri A.K. Bhan	GM – Lubes
Shri M. Rambabu	GM – Materials, CEC
Shri S.K. Kulkarni	GM – Materials, MR
Ms. Geeta M. Jerajani	GM – Finance, CP&S
Shri MVR Krishna Swamy	GM *
Shri S.P. Nair	GM – Legal
Shri H.C. Mehta	GM – O&D
Shri R. Kesavan	GM – Finance, CEC
Shri B. Ravindran	GM – Commercial, Retail SBU
Shri U.K. Vishwekar	GM – Shipping
Shri Anil Khurana	GM *
Shri G S V S S Sarma	GM – Technical, VR
Shri S.P. Gaikwad	GM – CEC (Maharashtra Refinery)
Shri Rajnish Mehta	GM – Retail, West Zone
Shri J.S. Prasad	GM – Pipelines
Shri N.S. Mane	GM – HR, MR
Shri V.S. Shenoy	GM – Technical, MR
Shri M.D. Pawde	GM – Operations, MR
Shri S. Paul	GM – Commercial, Direct Sales
Shri N.V. Choudhury	GM – Process Technologies, Corporate R&D
Shri Venugopal Lekshman	GM – Project Materials, VR
Shri S Raja	GM – Maintenance, VR
Shri G Chiranjeevi	GM – Retail, North Zone
Shri Dilip Kumar Pattanaik	GM – Retail, East Zone
Shri S Bhattacharjee	GM – Joint Venture
Shri K Daniel Santosh	GM – Finance, VR
Shri Shrikant M. Bhosekar	Company Secretary

*on deputation

Offices, Auditors & Bankers

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

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

Mumbai Refinery
B.D. Patil Marg, Chembur,
Mumbai – 400 074

Visakh Refinery
Post Box No.15,
Visakhapatnam – 530 001

Zonal Offices

East Zone
6, Church Lane,
Post Box No. 146,
Kolkata – 700 001

North Zone
6th & 7th Floor,
Core 1 & 2, North Tower,
Scope Minar, Laxmi Nagar,
Delhi – 110 092

North Central Retail Zone
C/o. Lucknow Retail R.O.
4, Shanajaf Road, 1, Nehru Enclave,
Besides VishwasKhand, Gomti Nagar,
Lucknow – 226 001 (U.P.)

North West Retail Zone
Auto Care Centre
Judges Bunglow Road,
Bodakdev, Near Satyagraha Chav,
Ahmedabad – 380 054

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

South Central Retail Zone
111, Chandralok Complex,
First Floor, Sarojini Devi Road,
Secunderabad – 500 003 (AP)

West Zone
R & C Building,
Sir J.J. Road, Byculla,
Mumbai – 400 008

Statutory Auditors

Om Agarwal & Co.
Chartered Accountants, Jaipur

B. K. Khare & Co.
Chartered Accountants, Mumbai

Branch Auditors

Sriramamurthy & Co.
Chartered Accountants, Visakhapatnam.

Cost Auditors

R. Nanabhoy & Co.
Jer Mansion, 1st Floor,
70, August Kranti Marg,
Mumbai – 400 036

CMA Rohit J. Vora
1103, Raj Sunflower,
Royal Complex, Eksar Road,
Borivali West,
Mumbai – 400 092

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

Company Secretary
Shrikant M. Bhosekar

Notice of Annual General Meeting

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

NOTICE

NOTICE is hereby given that the **60th ANNUAL GENERAL MEETING** of the Members of Hindustan Petroleum Corporation Limited will be held on September 18, 2012 at 11.00 A.M at Y.B. Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannathrao Bhonsle Marg, Mumbai – 400 021 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as on March 31, 2012, Profit and Loss Account for the year ended on that date and Reports of the Board of Directors and Auditors thereon.
2. To declare Equity Dividend for the Financial Year 2011-12.
3. To appoint a Director in place of Shri L.N. Gupta, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Dr. Gitesh K. Shah, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Shri B. Mukherjee, who retires by rotation and is eligible for reappointment.
6. To appoint a Director in place of Shri Anil Razdan, who retires by rotation and is eligible for reappointment.

SPECIAL BUSINESS :

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

   "RESOLVED that Shri G.K. Pillai who was appointed as Additional Director of the Company by the Board of Directors under Article 112 of the Articles of Association of the Company with effect from 09.04.2012 and who holds office under the said Article and pursuant to Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting, and who is eligible for reappointment under the relevant provisions of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member signifying his i ntention to propose him as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

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

   "RESOLVED that Shri A.C. Mahajan who was appointed as Additional Director of the Company by the Board of Directors under Article 112 of the Articles of Association of the Company with effect from 09.04.2012 and who holds office under the said Article and pursuant to Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting, and who is eligible for reappointment under the relevant provisions of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

9. To consider and, if thought fit, to pass with or with modification(s) the following resolution as Ordinary Resolution.

   "RESOLVED that Dr. G. Raghuram who was appointed as Additional Director of the Company by the Board of Directors under Article 112 of the Articles of Association of the Company with effect from 09.04.2012 and who holds office under the said Article and pursuant to Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting, and who is eligible for reappointment under the relevant provisions of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

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

    "RESOLVED that Shri Pushp Kumar Joshi who was appointed as Additional Director of the Company by the Board of Directors under Article 112 of the Articles of Association of the Company with effect from 01.08.2012 and who holds office under the said Article and pursuant to Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting, and who is eligible for reappointment under the relevant provisions of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

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

    "RESOLVED that Dr. S. C. Khuntia who was appointed as Additional Director of the Company by the Board of Directors under Article 112 of the Articles of Association of the Company with effect from 03.08.2012 and who holds office under the said Article and pursuant to Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting, and who is eligible for reappointment under the relevant provisions of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

BY THE ORDER OF THE BOARD

Date : August 10, 2012
Regd.Office : 17, Jamshedji Tata Road
Churchgate, Mumbai - 400 020

Shrikant M. Bhosekar
Company Secretary

Notice of Annual General Meeting

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.
2. The Explanatory Statement made pursuant to Section 173(2) of the Companies Act, 1956 in respect of the item No. 7 to 11 of the Notice is annexed herewith.
3. Dividend on Equity Shares as recommended by the Board of Directors for the year ended March 31, 2012, if approved at the meeting, will be payable to those eligible members whose names appear :
   (1) As Beneficial owners, as on August 31, 2012 as per the list to be furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. in respect of shares held in Dematerialised form, and
   (2) As Members in the Register of Members of the Company as on September 18, 2012 after giving effect to all valid share transfers in physical form lodged with the Company or its R & T Agents on or before August 31, 2012.
   (3) In terms of circular no. MRD/DoP/Cir-05/2009 dated 20th May, 2009 issued by Securities and Exchange Board of India (SEBI), it is now mandatory for the transferee of the physical shares to furnish copy of PAN card to R&T Agents for registration of transfer of shares. Transferees are requested to furnish copy of PAN card alongwith Transfer Deed duly completed & physical share certificate(s).
4. Members are requested to bring their copies of the Annual Report to the Meeting. Members / Proxies attending the Meeting should bring the Attendance Slip, duly filled, for handing over at the venue of the meeting.
5. (a) Members holding shares in physical form are requested to advise immediately change in their address, if any, quoting their Folio number(s), to M/s. Link Intime India Pvt. Ltd., the Registrars & Transfer Agents at their address given below.
   (b) Shareholders holding shares in dematerialised form are requested to advise immediately change in address, if any, quoting their respective Client ID / DP ID Nos., to their respective **Depository Participants only** and not to M/s. Link Intime India Pvt. Ltd or to the Company.
6. (a) Members are also requested to inform their valid E-mail ID to **M/s. Link Intime India Pvt.Ltd.,** the R & T Agents by post quoting their Folio Number and also any change therein from time to time.
   (b) Shareholders holding shares in Dematerialized Form are also requested to inform/update their valid E-mail ID to their respective **Depository Participants** only, and any change therein from time to time.
   (c) In support of the "Green Initiative" measure taken by Ministry of Corporate Affairs, Government of India, New Delhi enabling electronic delivery of documents, E-mail ID's so provided will be used for sending documents in the electronic form at their E-mail address. However, an option is available to the shareholders to continue to receive the physical copies of the documents/Annual Report by making a specific request quoting their Folio No./Client ID & DP ID.
7. (a) Members holding shares in physical form, who have not given the Bank Particulars / Mandate, ECS Mandates earlier or if there is any change in the details, are requested to send the same quoting the Folio number(s), to our Registrars M/s. Link Intime India Pvt. Ltd. on or before August 31, 2012.
   (b) All Shareholders who are holding shares in Dematerialised form are requested to advise change, if any, in details of their bank account / ECS Mandates to their respective Depository Participants immediately to enable the Company to pay the dividend accordingly.
8. Members are hereby informed that Dividends which remain unclaimed / unencashed over a period of 7 years have to be transferred by the Company to Investor Education & Protection Fund constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956.

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

Date of declaration of Dividend	Dividend for the year	Month & year of transfer to the Fund
21.09.2005	2004-05 (Final)	Oct. 2012
14.09.2006	2005-06 (Final)	Oct. 2013
20.12.2006	2006-07 (Interim)	Jan. 2014
06.09.2007	2006-07 (Final)	Oct. 2014
22.09.2008	2007-08 (Final)	Oct. 2015
28.08.2009	2008-09 (Final)	Sept. 2016
16.09.2010	2009-10 (Final)	Oct. 2017
22.09.2011	2010-11 (Final)	Oct. 2018

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

Notice of Annual General Meeting

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

9. The address of Registrars and Transfer Agents of the Company is as follows:
M/s. LINK INTIME INDIA PVT. LTD.
Unit: **HINDUSTAN PETROLEUM CORPORATION LTD.**
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078
Telephone No.: 022 – 25963838 Fax No.: 022 - 25946969
E-mail : mumbai@linkintime.co.in

10. Appointment / Re-appointment of Directors

At the ensuing Annual General Meeting, Shri L.N. Gupta, Dr. Gitesh K. Shah, Shri B.Mukherjee and Shri Anil Razdan retire by rotation and being eligible, offer themselves for re-appointment.

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

Explanatory Statement with respect to items covered under Special Business covered in the Notice of Meeting is given below:

7. Shri G.K. Pillai, was appointed as an Additional Director on the Board effective 09.04.2012. In terms of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company has received a notice proposing the candidature of Shri G.K. Pillai, for the office of a Director in terms of Sections 255 & 257 of the Companies Act, 1956. Shri G.K. Pillai, is a retired IAS Officer.The Board recommends appointment of Shri G.K. Pillai.

   None of the Directors other than Shri G.K. Pillai, is interested in the resolution.

8. Shri A.C. Mahajan, was appointed as an Additional Director on the Board effective 09.04.2012. In terms of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company has received a notice proposing the candidature of Shri A.C. Mahajan, for the office of a Director in terms of Sections 255 & 257 of the Companies Act, 1956. Shri A.C. Mahajan, is Ex Chairman & Managing Director of M/s. Canara Bank. The Board recommends appointment of Shri A.C. Mahajan.

   None of the Directors other than Shri A.C. Mahajan, is interested in the resolution.

9. Dr. G. Raghuram, was appointed as an Additional Director on the Board effective 09.04.2012. In terms of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company has received a notice proposing the candidature of Dr. G. Raghuram, for the office of a Director in terms of Sections 255 & 257 of the Companies Act, 1956. Dr. G. Raghuram, is a Professor, IIM, Ahmedabad. The Board recommends appointment of Dr. G. Raghuram.

   None of the Directors other than Dr. G. Raghuram, is interested in the resolution.

10. Shri Pushp Kumar Joshi was appointed as an Additional Director on the Board effective 01.08.2012 consequent to his appointment as Director - HR of HPCL by the Government of India. In terms of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company has received a notice proposing the candidature of Shri Pushp Kumar Joshi for the office of a Director in terms of Sections 255 & 257 of the Companies Act, 1956. Shri Pushp Kumar Joshi was earlier ED-HR Co-ordination of the Corporation. The Board recommends appointment of Shri Pushp Kumar Joshi.

    None of the Directors other than Shri Pushp Kumar Joshi is interested in the resolution.

11. Dr.S.C. Khuntia, was appointed as an Additional Director on the Board effective 03.08.2012. In terms of Section 260 of the Companies Act, 1956 and Article 112 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company has received a notice proposing the candidature of Dr. S.C. Khuntia, for the office of a Director in terms of Sections 255 & 257 of the Companies Act, 1956. Dr. S.C. Khuntia is Additional Secretary & Financial Advisor in MOP&NG. The Board recommends appointment of Dr. S.C. Khuntia.

    None of the Directors other than Dr. S.C. Khuntia, is interested in the resolution.

BY THE ORDER OF THE BOARD

Date : August 10, 2012
Regd.Office : 17, Jamshedji Tata Road
Churchgate, Mumbai - 400 020

Shrikant M. Bhosekar
Company Secretary

Notice of Annual General Meeting

ANNEXURE TO ITEMS 3 TO 11 OF THE NOTICE

Details of Directors seeking appointment / reappointment at the 60th Annual General Meeting in pursuance of Clause 49 of the Listing Agreement

Name of the Director	**L.N. Gupta**	**Dr. Gitesh K. Shah**	**B. Mukherjee**	**Anil Razdan**	**G.K. Pillai**	**A.C. Mahajan**	**Dr. G. Raghuram**	**Pushp Kumar Joshi**	**Dr. S.C. Khuntia**
Date of Birth	17.08.1959	20.10.1961	03.05.1953	07.12.1948	30.11.1949	05.07.1950	20.07.1955	08.08.1964	21.11.1957
Nationality	Indian	Indian	Indian	Indian	Indian	Indian	Indian	Indian	Indian
Date of Appointment on the Board	25.06.2008	07.12.2009	01.02.2008	10.01.2011	09.04.2012	09.04.2012	09.04.2012	01.08.2012	03.08.2012
Qualifications	IAS M.A. (Economics) MBA, Birmingham University	D.Sc. (Organic Chemistry) USA Ph.D. (Organic Chemistry) Gujarat University M.Sc. (Organic Chemistry) Gujarat University	B.Sc., FCA	IAS	IAS M.Sc.	M.Sc. (Hons)	B. Tech. PGDM Ph.D.	B.A., LLB PG (PM&IR), XLRI, Jamshedpur	IAS Post Graduate in Physics, Economics, Socilology & Ph.D. in Art Economics
List of Directorships held in other Companies	1. Engineers India Limited 2. Indian Strategic Petroleum Reserve Limited	1. Harita Projects Pvt. Ltd.	1. Petronet India Limited 2. HPCL Mittal Energy Limited 3. CREDA HPCL Biofuel Limited 4. HPCL Biofuels Limited 5. Hindustan Colas Limited 6. Prize Petroleum Company Limited 7. South Asia LPG Co.Pvt Ltd., 8. HPCL Mittal Pipelines Limited	1. Bharat Electronics Ltd. 2. Era Infra Engg. Ltd. 3. Green Valley Engery Venture (P) Ltd. 4. Era Khandwa Power Ltd. 5. MMTC Ltd. 6. Power Trading Corporation of India	IvyCap Ventures Advisors Pvt Ltd	Himvati Power Private Limited	1. Arshiya International Ltd. 2. Take Solution Ltd 3. DARCL Logistics Ltd 4. Alcock Ashdown Gujarat Ltd 5. India Infrastructure Finance Company Limited 6. Vidya Vardhini Education Foundation 7. Adani Ports and Special Economic Zone	1. Prize Petroleum Company Limited 2. CREDA HPCL Biofuel Limited	1. Indian Oil Corporation Limited 2. Indian Strategic Petroleum Reserve Limited

Performance Profile

FINANCIAL	2011-12	2011-12	2010-11	2009-10	2008-09	2007-08
	US $ Million	₹ / Crores				₹ / Crores
Sales / Income from operations	**36,975**	**1,88,130.95**	1,42,396.49	1,14,888.63	1,31,802.65	1,12,098.27
Gross Profit	**997**	**5,071.41**	4,637.09	4,193.18	3,776.36	2,725.59
Depreciation	**337**	**1,712.93**	1,406.95	1,164.40	981.29	850.82
Interest	**420**	**2,139.23**	884.00	903.75	2,082.84	766.10
Tax Inclusive Deferred Tax	**60**	**307.81**	807.14	823.61	123.23	(39.34)
Provision for Fringe Benefit Tax	**–**	**–**	–	0.05	14.03	13.13
Net Profit	**179**	**911.43**	1,539.01	1,301.37	574.98	1,134.88
Dividend	**57**	**287.83**	474.08	406.35	177.78	101.59
Tax on Distributed Profits	**9**	**46.70**	76.91	67.49	30.21	17.26
Retained Earnings	**113**	**576.90**	988.02	827.53	366.99	1,016.03
INTERNAL RESOURCES GENERATED	**428**	**2,179.48**	2,785.93	2,196.53	1,382.56	2,069.38
VALUE ADDED	**2,324**	**11,824.30**	10,017.94	9,365.26	8,267.54	6,045.40
WHAT CORPORATION OWNS						
Gross Fixed Assets	**6,576**	**33,459.00**	29,648.39	24,988.37	20,208.83	19,570.05
Depreciation	**2,478**	**12,609.35**	11,003.86	9,681.70	8,554.08	7,640.77
Net Fixed Assets	**4,098**	**20,849.65**	18,644.53	15,306.67	11,654.75	11,929.28
Capital Work in Progress	**879**	**4,474.73**	3,798.70	3,887.59	5,001.07	3,315.94
Investments - JVCs & Subsidiary	**672**	**3,416.64**	3,819.30	2,623.83	1,493.07	1,077.24
- Others	**1,367**	**6,953.86**	7,515.73	8,763.39	12,703.40	5,759.82
Net Current/Non Current Assets	**2,033**	**10,344.16**	6,984.38	4,086.83	4,237.21	6,863.70
Deferred Tax Liability	**(606)**	**(3,085.28)**	(3,195.63)	(1,807.97)	(1,603.37)	(1,595.98)
Total	**8,442**	**42,953.76**	37,567.00	32,860.34	33,486.13	27,350.00
WHAT CORPORATION OWES						
Net Worth	**2,579**	**13,122.52**	12,545.80	11,557.97	10,730.63	10,563.29
Share Capital	**67**	**339.71**	339.71	339.71	339.71	339.71
Share Forfeiture	**(0)**	**(0.70)**	(0.70)	(0.70)	(0.70)	(0.70)
Reserves	**2,512**	**12,783.51**	12,206.79	11,218.96	10,391.62	10,224.28
Borrowings	**5,863**	**29,831.24**	25,021.19	21,302.37	22,755.51	16,786.70
Total	**8,442**	**42,953.76**	37,567.00	32,860.34	33,486.13	27,350.00
PHYSICAL						
CRUDE THRUPUT		**16.19**	14.75	15.76	15.81	16.77
– Mumbai Refinery		**7.51**	6.55	6.96	6.65	7.36
– Visakh Refinery		**8.68**	8.20	8.80	9.16	9.41
PIPELINE THRUPUT		**13.62**	12.98	11.95	10.58	7.83
MARKET SALES		**29.48**	27.03	26.27	25.39	24.47

Notes:

1. Previous year figures regrouped/reclassified wherever necessary.
2. 1 US$ = ₹ 50.88 (Exchange Rate as on 31.03.2012).

Performance Profile

	2011-12	2011-12	2010-11	2009-10	2008-09	2007-08
	US $ Million	₹ / Crores				₹ / Crores
FUND FLOW STATEMENT						
Sources of Funds :						
Profit after Tax	**179**	**911.43**	1,539.01	1,301.37	574.98	1,134.88
Depreciation	**337**	**1,712.93**	1,406.95	1,164.40	981.29	850.82
LPG Deposits	**189**	**959.97**	694.18	515.68	193.98	189.59
Borrowings (Net)	**1,000**	**5,085.67**	3,177.02	(1,270.19)	6173.46	6,301.17
Share Capital	**–**	**–**	–	–	–	0.07
Share Premium	**0**	**0.00**	–	–	–	2.05
Redemption of Oil bonds	**222**	**1,127.90**	1486.00	5,270.27	9,238.92	4,535.00
Amortisation of Capital Grant received from OIDB	**(0)**	**(0.18)**	(0.19)	(0.19)	(0.19)	(0.20)
Amortisation from General Reserve on account of Transitional Liab of AS-15	**–**	**–**	–	–	–	(53.31)
Exchange Rate Variation on Restatment of ECB of 2007-08 in line with transitional provisions of AS-11	**–**	**–**	–	–	(199.46)	–
Oil bond recievable	**–**	**–**	–	–	2,033.99	3,448.45
Prov. for Deferred Tax	**(22)**	**(110.36)**	1,387.66	204.60	7.39	175.08
Adj on account of sale/ deletion of Assets & Prov. for diminution in Investment	**(1)**	**(4.28)**	(238.33)	703.73	(75.28)	62.42
Total	**1,903**	**9,683.09**	9,452.30	7,889.67	18,929.09	16,646.02
Utilisation of Funds :						
Dividend	**57**	**287.83**	474.08	406.35	177.78	101.59
Tax on Distributed Profits	**9**	**46.70**	76.91	67.49	30.21	17.26
Capital Expenditure	**908**	**4,620.63**	4,655.92	3,712.68	2,372.80	3,077.16
Working capital : Increase/ (Decrease)	**845**	**4,298.67**	3,431.07	141.74	(1,999.74)	5,497.52
Investment - JVCs (Incl. Adv. towards Equity & Share app. Money pending allotment)	**84**	**429.26**	814.32	1,527.41	206.82	249.49
Investment Oil Bonds	**–**	**–**	–	2,033.99	18,141.22	7,703.00
Total	**1,903**	**9,683.09**	9,452.30	7,889.67	18,929.09	16,646.02
CONTRIBUTION TO EXCHEQUER						
Excise Duty	**176**	**8,948.91**	8,589.25	7,121.14	6,463.49	7,422.32
Customs Duty	**26**	**1,321.34**	3,192.08	564.74	2,094.37	3,256.14
Sales Tax	**378**	**19,233.85**	15,804.52	12,583.82	12,352.48	10,964.99
Service Tax	**2**	**83.52**	70.32	55.41	51.13	38.07
Income Tax	**5**	**271.92**	542.00	382.32	11.86	61.17
Fringe Benefit Tax	**–**	**–**	–	0.05	17.00	10.64
Others *	**28**	**1,440.99**	665.98	448.54	369.42	602.86
Total	**615**	**31,300.53**	28,864.15	21,156.02	21,359.75	22,356.19
RATIOS						
Gross Profit/Sales (%)		**2.70**	3.26	3.65	2.87	2.43
Net Profit/Sales (%)		**0.48**	1.08	1.13	0.44	1.01
Earnings Per Share (₹)		**26.92**	45.45	38.43	16.98	33.48
Cash Earnings Per Share (₹)		**77.70**	98.54	78.86	46.92	64.55
Avg. Sales/Employee (₹ Crores)		**15.06**	11.79	9.62	10.35	9.48
Avg. Net Profit/Employee (₹ Crores)		**0.08**	0.14	0.11	0.05	0.11
Debt Equity Ratio (Long term debt to equity)		**0.66:1**	0.54:1	0.30:1	0.30:1	0.26:1
MANPOWER (NOs.)		**11,226**	11,248	11,291	11,246	10,949

* Figures for Previous Year regrouped.

Performance Profile

	2011-12	2011-12	2010-11	2009-10	2008-09	2007-08
	US $ Million	₹ / Crores				₹ / Crores
HOW VALUE IS ADDED						
Income:						
Sales / Income from operations	36,975	1,88,130.95	1,42,396.49	1,14,888.63	1,31,802.65	1,12,098.27
Add: Increase/(Decrease) in Inventory	162	824.29	3,438.78	3,249.96	(1,836.78)	2,359.59
	37,137	1,88,955.24	1,45,835.27	1,18,138.59	1,29,965.87	1,14,457.86
Cost of Raw materials:						
Raw Material Consumption	11,192	56,943.23	40,362.01	37,722.89	40,995.22	38,024.65
Purchase for resale	21,496	1,09,370.73	85,396.86	62,677.82	73,394.61	62,205.94
Packages	36	181.67	143.42	136.39	127.12	111.91
Stores & Spares	24	121.41	116.66	174.27	121.36	93.86
Utilities	181	921.87	615.68	473.71	192.19	190.82
	32,928	1,67,538.89	1,26,634.63	1,01,185.08	1,14,830.51	1,00,627.18
Duties applicable to products:						
Duties	1,885	9,592.04	9,182.70	7,588.25	6,867.83	7,785.28
Total Value added	2,324	11,824.30	10,017.94	9,365.26	8,267.54	6,045.40
HOW VALUE IS DISTRIBUTED						
Operations:						
Operating & Service Costs	1,016	5,169.80	3,363.69	3,551.24	3,355.65	2,448.56
Employees' Benefits	311	1,583.10	2,017.16	1,617.32	1,135.53	871.26
Providers of Capital:						
Interest on borrowings	420	2,139.23	884.00	903.75	2,082.84	766.10
Dividend	66	334.53	550.99	473.84	207.99	118.85
Income Tax/Fringe Benefit Tax	60	307.81	807.14	823.66	137.25	(26.21)
Re-deployment in Business:						
Retained Profit	113	576.90	988.02	827.53	366.97	1,016.03
Depreciation	337	1,712.93	1,406.95	1,167.92	981.29	850.82
Total Value distributed	2,324	11,824.30	10,017.94	9,365.26	8,267.54	6,045.40

Performance Profile

'000 Tonnes

SALES VOLUME *	2011-12	2010-11	2009-10	2008-09	2007-08
Light Distillates					
Liquified Petroleum Gas	**3,957.80**	3,700.04	3,317.66	3,024.78	2,872.13
Naphtha	**778.77**	875.69	1,341.85	2,102.40	2,295.97
Motor Spirit	**3,869.06**	3,599.97	3,247.14	2,843.57	2,525.20
Hexane	**23.45**	14.77	16.58	27.81	35.09
Propylene	**52.30**	41.44	23.21	31.48	35.51
Sub-total	**8,681.38**	8,231.91	7,946.44	8,030.04	7,763.90
Middle Distillates					
Mineral Turpentine Oil	**37.35**	42.67	59.83	53.59	58.42
Aviation Turbine Fuel	**768.24**	698.56	744.12	682.12	738.16
Superior Kerosene Oil	**1,549.13**	1,685.29	1,798.48	1,769.03	1,790.84
High Speed Diesel	**14,216.02**	12,328.00	11,747.13	10,807.11	9,551.72
JBO/WO	**1.37**	2.25	1.54	1.69	3.47
Light Diesel Oil	**171.00**	157.95	121.09	130.88	147.51
Sub-total	**16,743.11**	14,914.72	14,472.19	13,444.43	12,290.12
Lubes & Greases	**426.63**	413.57	469.67	337.37	491.62
Heavy Ends					
Furnace oil	**2,243.47**	2,008.04	1,778.01	2,037.79	2,472.75
Low Sulphur Heavy Stock	**220.16**	273.76	393.46	449.86	325.56
Bitumen	**930.24**	810.17	906.41	880.11	909.78
Others	**239.39**	379.89	306.12	213.66	211.16
Sub-total	**3633.26**	3,471.86	3,384.00	3,581.41	3,919.23
Total	**29,484.38**	27,032.06	26,272.30	25,393.26	24,464.88

* Including Exports

MARKETING NETWORK (Nos.)	2011-12	2010-11	2009-10	2008-09	2007-08
Regional Offices	**101**	101	101	90	91
Terminals/Installations/TOPs	**33**	32	31	31	42
Depots (including Exclusive Lube Depots)	**90**	93	92	100	93
LPG Bottling Plants	**45**	44	44	43	43
ASFs	**34**	32	31	21	16
Retail Outlets	**11,253**	10,212	9,127	8,539	8,329
SKO/LDO Dealers	**1,638**	1,638	1,638	1,638	1,648
LPG Distributors	**2,897**	2,633	2,404	2,250	2,232
LPG Customers (in crores)	**3.62**	3.28	2.92	2.70	2.52

Performance Profile

'000 Tonnes

PRODUCTION VOLUME - MUMBAI REFINERY	2011-12	2010-11	2009-10	2008-09	2007-08
Light Distillates					
Liquified Petroleum Gas	**448.60**	253.70	257.80	226.30	250.98
Naphtha	**491.20**	390.90	549.30	742.20	927.75
Motor Spirit	**1,182.50**	935.40	727.50	374.40	413.51
Hexane	**26.10**	12.60	17.60	26.10	36.69
Solvent 1425	**8.20**	4.10	6.10	5.20	9.10
Sub-total	**2,156.60**	1,596.70	1,558.30	1,374.20	1,638.03
Middle Distillates					
Mineral Turpentine Oil	**40.50**	44.20	62.90	54.90	60.18
Aviation Turbine Fuel	**587.10**	543.30	580.00	580.96	610.62
Superior Kerosene Oil	**285.20**	69.30	142.10	155.30	152.72
High Speed Diesel	**1,979.20**	1,902.40	2,211.40	2,050.65	2,133.20
Light Diesel Oil	**93.40**	87.90	46.20	59.30	87.71
Sub-total	**2,985.40**	2,647.10	3,042.60	2,901.11	3,044.43
LOBS/TOBS	**382.40**	300.20	347.00	312.40	351.36
Heavy Ends					
Furnace Oil	**1,018.00**	1,034.70	857.80	854.80	1,003.93
Low Sulphur Heavy Stock	**8.30**	48.20	68.10	129.20	138.06
Bitumen	**577.40**	430.20	559.60	551.50	631.55
Others (Incl.input of BH Gas)	**(83.70)**	(58.90)	(19.90)	81.50	98.86
Sub-total	**1,520.00**	1,454.20	1,465.60	1,617.00	1,872.40
Total	**7,044.40**	5,998.20	6,413.50	6,204.71	6,906.22
Intermediate Stock Differential	**(116.90)**	146.70	19.50	5.20	(55.08)
Fuel & Loss	**592.80**	505.10	532.10	441.80	504.25
Total*	**7,520.30**	6,650.00	6,965.10	6,651.71	7,355.39

* Inlcudes Processing of 13.7 TMT other inputs.

Performance Profile

'000 Tonnes

PRODUCTION VOLUME - VISAKH REFINERY	2011-12	2010-11	2009-10	2008-09	2007-08
Light Distillates					
Liquified Petroleum Gas	**360.80**	281.10	310.05	363.92	369.09
Naphtha	**270.00**	448.20	734.04	1,148.36	1,264.23
Motor Spirit	**1,357.50**	1,097.30	932.16	779.36	827.79
Propylene	**52.70**	41.90	23.15	31.59	34.94
Sub-total	**2,041.00**	1,868.50	1,999.40	2,323.23	2,496.05
Middle Distillates					
Mineral Turpentine Oil	**–**	–	–	(0.01)	–
Aviation Turbine Fuel	**60.00**	57.50	79.87	57.67	41.35
Superior Kerosene Oil	**640.20**	704.90	720.33	832.25	897.09
High Speed Diesel	**3,438.00**	3,233.60	3,441.39	3,610.71	3,586.81
JBO/WO	**1.00**	2.30	1.83	1.75	4.23
CO	**–**	–	–	–	4.96
Light Diesel Oil	**83.10**	93.00	70.73	104.32	90.77
Sub-total	**4,222.30**	4,091.30	4,314.15	4,606.69	4,625.21
Heavy Ends					
Furnace Oil	**1,220.70**	1,020.50	1,033.74	1,175.72	1,295.07
Low Sulphur Heavy Stock	**139.30**	150.20	340.33	186.14	153.52
Bitumen	**367.20**	295.90	328.51	337.56	307.54
Others	**26.30**	205.80	101.41	24.86	31.92
Sub-total	**1,753.50**	1,672.40	1,803.99	1,724.28	1,788.05
Total	**8,016.80**	7,632.20	8,117.54	8,654.20	8,909.31
Intermediate Stock Differential	**24.50**	(28.30)	83.05	(20.12)	(25.44)
Fuel & Loss	**641.00**	595.80	595.87	520.76	525.61
Total	**8,682.30**	8,199.70	8,796.46	9,154.84	9,409.48

Directors' Report

TO THE MEMBERS

On behalf of the Board of Directors, I have great pleasure in presenting to you the sixtieth Annual Report on the working of the Company, together with the Audited Accounts for the year ended 31st March 2012.

HIGHLIGHTS

₹ / Crores

	2011-12	2010-11
FINANCIAL		
Sales/Income from Operation	**1,88,130.95**	1,42,396.49
Profit before Depreciation, Interest and Tax	**5,071.40**	4,636.75
Depreciation	**(1,712.93)**	(1,406.95)
Interest	**(2,139.23)**	(892.06)
Profit before Tax	**1,219.24**	2,337.74
Provision for Tax		
Current Tax	**(396.65)**	(417.11)
Deferred Tax	**(6.94)**	(390.96)
Taxation of earlier years written back	**95.78**	(82.17)
MAT Credit Entitlement	–	91.51
Profit after Tax	**911.43**	1,539.01
Balance brought forward from previous year	**9,373.12**	8,715.15
Appropriations:		
General Reserve	**(91.14)**	(153.90)
Debenture Redemption Reserve	**(176.15)**	(176.15)
Proposed Dividend	**(287.83)**	(474.08)
Tax on distributed profits	**(46.70)**	(76.91)
Balance carried forward	**9,682.74**	9,373.12
PHYSICAL PERFORMANCE (MMT)		
Market Sales (Including Exports)	**29.48**	27.03
Crude Thruput:		
Mumbai Refinery	**7.51**	6.55
Visakh Refinery	**8.68**	8.20
SHAREHOLDERS' VALUE (₹)		
Earnings per Share	**26.92**	45.45
Cash Earnings per Share	**77.70**	98.58
Book Value per Share	**387.52**	370.49

DIVIDEND

Your Directors, after taking into account the financial results of the Company during the year, have recommended dividend of ₹ 8.50 per share for the year 2011-12 as against ₹ 14 per share paid for the year 2010-11. The dividend for 2011-12, including dividend tax provision will absorb ₹ 334.53 crores (2010-11: ₹ 550.99 crores).

SALES/INCOME FROM OPERATIONS

Your Company has achieved sales/income from operations of ₹ 1,88,130.95 crores as compared to ₹ 1,42,396.49 crores in 2010-11.

PROFIT

Your Company has earned gross profit of ₹ 5,071.40 crores as against ₹ 4,636.75 crores in 2010-11 and profit after tax of ₹ 911.43 crores as compared to ₹ 1,539.01 crores in 2010-11.

Directors' Report

INTERNAL RESOURCES GENERATION

The Internal Resources generated were ₹ 2,179.48 crores as compared to ₹ 2,785.93 crores in 2010-11.

CONTRIBUTION TO EXCHEQUER

Your Company has contributed a sum of ₹ 31,300.53 crores to the exchequer by way of duties and taxes, as compared to ₹ 28,864.15 crores in 2010-11.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) In the preparation of the Annual Accounts, all the applicable Accounting Standards have been followed along with proper explanation relating to material departures.

(ii) The Company has selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2012 and Statement of Profit & Loss of the Company for the year ended on that date.

(iii) The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

(iv) These Accounts have been prepared on a going concern basis.

MEMORANDUM OF UNDERSTANDING (MOU) WITH GOVERNMENT OF INDIA

Your Corporation has been signing a Memorandum of Understanding (MOU) with the Ministry of Petroleum & Natural Gas. The performance of the Corporation of the year 2011-12 qualifies for "Excellent" rating basis self evaluation.

REFINERY PERFORMANCE

HPCL refineries processed a combined crude thruput of 16.19 MMT (14.75 MMT in 2010-11) with a capacity utilization of 109% of the installed capacity of 14.80 MMT.

The Combined Distillate yield of 73.2% was higher than MoU Excellent target of 73.0%.

HPCL refineries recorded the highest ever HS crude processing of 68.3%.

Gross refining margins of Mumbai Refinery averaged at US$ 2.83 per barrel as against US$ 4.65 per barrel for the year 2010-11.

Gross refining margins of Visakh Refinery averaged at US$ 2.95 per barrel as against US$ 5.81 per barrel for the year 2010-11.

Mumbai Refinery :

During the year, Mumbai Refinery achieved crude thruput of 7.51 MMT as against installed capacity of 6.50 MMT. The refinery has set a milestone by recording the highest ever crude thruput surpassing the previous best of 7.42 MMT during 2006-07.

The Distillate yield at 72.3% was higher than MoU Excellent target of 71.7%.

Mumbai Refinery achieved Specific Energy Consumption (MBTU/BBL/NRGF) of 81.4 against MoU Excellent target of 89.0 for the current year.

The fuel and loss for the year was 7.9% against the target of 8.2 %

Visakh Refinery :

Visakh Refinery achieved crude thruput of 8.68 MMT as against installed capacity of 8.30 MMT.

The Distillate yield at 74.0% was inline with the MoU Excellent target of 74.10%.

Visakh Refinery achieved Specific Energy Consumption (MBTU/BBL/NRGF) of 84.20 against MoU Excellent target of 88.0 for the current year.

The fuel and loss for the year was 7.4% against the target of 7.9 %.

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

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

Directors' Report

MARKETING PERFORMANCE

During the year 2011-12, your Corporation achieved sales volume (including exports) of 29.48 million tonnes as against 27.03 million tonnes recorded in 2010-11. HPCL recorded a growth of 7.9% in Marketing Sales, over the sales volume of the previous year and amongst public sector oil companies increased its market share to 19.96% as on 31st March 2012 from 19.65% recorded in the previous year.

During the year, your Corporation commissioned 1,056 new retail outlets, which include 329 retail outlets in the rural areas taking the total tally to 11,253 Retail Outlets. Your Corporation increased its market share in MS and HSD (combined) by 0.55%, the highest gain in market share by HPCL during the last 26 years. In the LPG business line, enrolled 33.56 Lakhs new HP Gas customers taking their total to 362 lakh as on 31st March 2012. In order to provide LPG to rural India, your Corporation commissioned 218 distributors under the Rajiv Gandhi Gramin LPG Vitaran Yojana. In the Aviation Business line, your Corporation achieved the highest ever sales of 768 TMT during the year. A record thruput of 41 million tonnes was handled by POL installations and your Corporation's pipeline network achieved a thruput of 13.62 million tonnes during the year, exceeding the targeted thruput.

VIGILANCE

Vigilance Department has always striven to create an environment of proactive vigilance, to give importance to transparency, to adhere to professionalism and high standards in Customer Service and Project Execution.

On the occasion of Vigilance Awareness Week which was observed from 31st October 2011 to 5th November 2011 all over India in all the offices of HPCL, various competitions like slogan, quiz, essay writing contests etc. were organised for creating awareness amongst the employees. These competitions were also held in various schools and colleges all over India.

INDUSTRIAL RELATIONS

The Industrial Relations climate during the year 2011-12 continued to be harmonious across all locations. Long Term Settlement discussions were conducted for Marketing division and Mumbai & Visakh Refineries. A Settlement on Career Development Policy for Marketing division was signed with all-India Marketing Unions on 31st March 2012 before CLC (C), Delhi.

A total number of 31 Industrial Relations related workshops were held in the year 2011-12 against an MoU target of 24.

OFFICIAL LANGUAGE IMPLEMENTATION

Official Language Implementation has been given the utmost importance in the Corporation. The Corporation was awarded prestigious Indira Gandhi Rajbhasha Award for the fourth consecutive year by Home Ministry.

SC / ST LIAISON

The overall representation of SC / ST employees in the Corporation is 27.67%. During the year, your Corporation has carried out a number of Welfare / Development activities such as primary education, scholarships, drinking water facilities, health care, income generating schemes / vocational training, rehabilitation of persons with disabilities & other welfare activities.

CORPORATE GOVERNANCE

The Corporation has complied with the requirements of Corporate Governance as provided under Clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance.

The detailed Corporate Governance Report forms part of this Annual Report separately.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report has been given separately.

PARTICULARS OF EMPLOYEES

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

FINANCIAL STATEMENTS OF SUBSIDIARIES

In accordance with the general exemption granted by the Ministry of Corporate Affairs, Government of India, the Annual Accounts and related information of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the registered office of the Company and that of the respective subsidiary companies.

Directors' Report

COST AUDIT

The Cost Audit for the financial year 2010-11 was carried out and the Cost Audit Reports were filed with the Ministry of Corporate Affairs before the stipulated date of filing.

DIRECTORS

HPCL Board presently comprises of 12 Directors. The Whole Time Directors are Shri S. Roy Choudhury, Chairman & Managing Director, Dr. V. Vizia Saradhi, Director – Human Resources, Shri B. Mukherjee, Director – Finance, Shri K. Murali, Director – Refineries and Smt. Nishi Vasudeva, Director – Marketing.

The Part-Time Directors are S/Shri L.N. Gupta, Dr. Gitesh K. Shah, Anil Razdan, S.K. Roongta, G.K. Pillai, A.C. Mahajan and G. Raguram.

The following are the details of Directors appointment /cessation:-

- Shri P.K. Sinha, Special Secretary and Financial Advisor, MOP & NG, who joined HPCL Board on March 01, 2006 ceased to be the Ex-Officio Part-Time Director of the Corporation effective March 01, 2012, consequent upon his appointment as Secretary, Ministry of Shipping, Government of India. The Board place on record its sincere appreciation to Shri P.K. Sinha for the valuable services rendered by him during his tenure as Director of the Corporation.

  Shri L.N. Gupta, Joint Secretary (Refineries), MOP & NG who joined HPCL Board on June 25, 2008 continues to be the Ex-Officio Part-Time Director of the Corporation.
- Dr. Gitesh K. Shah who joined HPCL Board on December 07, 2009 and Shri Anil Razdan and Shri S.K. Roongta who have joined HPCL Board on January 10, 2011 continue to be the Part-time Non-official Directors of the Corporation.
- S/Shri G.K. Pillai, A.C. Mahajan and G. Raghuram were appointed as Part-time Non-Official Directors of the Corporation effective April 09, 2012.
- Smt. Nishi Vasudeva, Director (Marketing) was appointed as Whole-Time Director on HPCL Board effective July 04, 2011. Shri S. Roy Choudhury, (Chairman & Managing Director), Dr. V. Vizia Saradhi (Director – Human Resources), Shri B. Mukherjee (Director – Finance), and Shri K. Murali (Director – Refineries) continue as Whole Time Directors of the Corporation.

As per the provisions of Section 256 of the Companies Act, 1956 , Shri L.N. Gupta, Dr. Gitesh K. Shah, Shri B. Mukherjee and Shri Anil Razdan retire by rotation at the next Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGEMENTS

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

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

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

Your Directors are thankful to the shareholders for their faith and continued support in the endeavors of the Company.

For and on behalf of the Board of Directors

S. ROY CHOUDHURY
Chairman & Managing Director

29th May 2012

Annexure to Directors' Report

Annexure-I

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

ENERGY CONSERVATION & TECHNOLOGY ABSORPTION

I) CONSERVATION OF ENERGY

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

The energy conservation measures undertaken by both the refineries during the year 2011-12 have resulted in a savings of 23,780 SRFT/year (standard refinery fuel tonnage per year). This translates to savings of ₹ 86 crores/year approximately.

Savings envisaged from proposals planned by both refineries for the year 2012-13 would result in a savings of 74,277 SRFT/year (standard refinery fuel tonnage per year).This translates to savings of ₹ 211 crore/year approximately.

The major energy conservation measures undertaken during 2011-12 are as follows:

Mumbai Refinery :

1. In an effort to recover hydrocarbon losses, refinery has commissioned a flare gas recovery system at Lube Refinery, thereby reducing the overall flare losses. The facility was commissioned during the second quarter of 2011-12.
2. Refinery has installed Magnetic Resonators at Gas Turbine Generators (GTG III & GTG V) for increasing the combustion efficiency and reducing the carbon emissions. This has resulted in reduction of fuel consumption by 0.8 %.
3. The refinery has contributed significantly to Natural Resource conservation by recycling of effluent water. Water conserved during the year 2011-12 was 4,22,282 KL. Cumulative water recycled since the inception of the "Effluent Treatment Plant" is 7,61,300 KL thereby saving equivalent amount of Natural Water resource for the community.
4. Naphtha Splitter Unit (NSU) furnace efficiency improvement was carried out resulting in lower fuel consumption. Furthermore, maximization of hot feed from Crude Distillation Unit (CDU I/II) Naphtha stabilizer to NSU has resulted in substantial amount of energy savings.

Visakh Refinery :

1. Make up water heater was commissioned in one of the HRSGs (HRSG 6), resulting in considerable amount of energy savings.
2. Antifoulant injection was carried out at SR side of crude/SR preheat exchangers in CDU-III, thus enabling reduced fouling of exchangers and hence resulting in energy savings.
3. Periodic steam leak survey and steam trap survey was carried out for the entire Refinery by engaging external surveyor using ultrasonic detector and visual methods as a part of regular steam leak monitoring. Arresting of steam leaks was carried out.
4. Operation of new boiler with higher efficiency in lieu old boiler, resulted in better steam to fuel ratio and fuel saving.
5. Reduction in specific fuel consumption achieved in CPP by operation of GTGs at higher loads.
6. Online chemical cleaning of CDU-I, CDU-II, CDU-III & DHDS furnaces was carried out, which resulted in reduced stack temperatures and increased heater efficiencies.

   Oil and Gas Conservation Fortnight was observed both at Mumbai and Visakh refineries from January 15 to January 31, 2012 to create awareness among the public for conservation of petroleum products.

b) Impact of above on energy conservation measures and consequent impact on cost of production of goods :

Mumbai Refinery :

The above energy conservation measures undertaken during the year 2011-12 have resulted in a savings of 10,732 SRFT/year (standard refinery fuel tonnage per year).This translates to savings of ₹ 38 crore/Year approximately.

Annexure to Directors' Report

Savings envisaged from proposals planned for FY 2012-13 viz. Routing of Hot condensate directly from NHT-CCR & FRE units to boiler house, Magnetic Resonator installation in all GTG's, maintenance of GTG IV & V with an expected increase in efficiency by 0.5% & HRSG IV& V efficiency increase by 5 %, Stack damper to be made operational at NHT/CCR heaters, Routing of hot HVN to NHT CCR, Online Chemical Cleaning of Mix Fired furnaces, routing of VDU off gases from FR / LR VDU to APS furnace, FR/LOUP flare gas routing to recovery systems etc. is around 59,236 SRFT/year. This translates to savings of ₹ 156 crore/year approximately.

Visakh Refinery :

The above energy conservation measures undertaken during the year 2011-12 have resulted in a savings of 13,048 SRFT/year (standard refinery fuel tonnage per year). This translates in to savings of ₹ 48 crores/year approximately.

Savings envisaged from proposals planned for FY 2012-13 viz. implementation of air-fuel controls in CDU's, slop cut steam generator in CDU-III, Insulation of FCCU-I/II MAB discharge line, routing of preheated DM water from DHDS to IBH , online chemical cleaning of heaters etc. is around 15041 SRFT/year. This translates in to savings of ₹ 55 crores/year approximately.

c) **Total energy consumption and energy consumption per unit of production :**
Please refer Form-A of the Annexure I to the Directors Report.

II) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

a) Efforts made towards technology absorption, adaptation & innovation information is given in **Form-B of the Annexure I** to the Directors Report.

b) Imported Technology (Imported during last 5 years) is tabulated below.

Technology Imported	Year of Import	Whether fully absorbed or not	If not absorbed, Reasons
Mumbai Refinery			
Integrated effluent Treatment Plant	2008	Yes	
Solvent Deasphalting (SDA)	2009	No	Project is under implementation
Diesel Hydro Treater (DHT)	2009	No	Project is under implementation
Isotherming Technology	2011	No	Project is under implementation
Visakh Refinery			
Introduction of new catalyst in FCCU-II (UOP) to improve LPG yield	2007	Yes	
Introduction of new ZSM-5 additive in FCC-I to improve Propylene yields and CRN octane	2007	Yes	
New type of nozzles in Wash Oil Distributor in Vacuum column (CDU-I)	2008	Yes	
Refracto type Skin Thermocouples in furnaces (CDU-I)	2008	Yes	
FCC-NHT/NIU OTS	2008	No	Installation and commissioning planned shortly
Diesel Hydro Treater (DHT)	2008	No	Project is under implementation
Intelligent pigging of 36'' crude line	2009	Yes	
LOTIS inspection of Naphtha Steam Reformer tube	2009	Yes	

III. FOREIGN EXCHANGE EARNING AND OUTGO

a) **Activities relating to exports :**

Various initiatives have been taken to increase exports and for development of new Export markets for products and services. Efforts are on to access international markets and to tap export potential for free trade products and lubricants.

b) **Total Foreign Exchange used and earned :**

Please refer Notes to Accounts – 46 E, F, G & H.

Annexure to Directors' Report

Form A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY
MUMBAI REFINERY

	2011-12	2010-11
(A) Power and Fuel Consumption		
1 (a) Electricity Purchased		
Units (Million KWH)	**334.89**	169.98
Total Amount (₹ / Crores)	**208.20**	98.69
Rate Per Unit (Excluding demand charges) (₹ / KWH)	**5.87**	5.36
Maximum Demand Charges (₹ / Crores)	**11.55**	7.52
(b) Own Generation		
Through Steam Turbine / Generator		
Units (Million KWH)	**320.65**	307.67
Units per tonne of fuel	**2,789.00**	2,762.97
Cost per unit (₹ / KWH)	**2.34**	1.31
2 Furnace oil / Liquid fuel (LSHS/HSD)		
Quantity (Thousand tonnes)	**144.33**	142.59
Total amount (₹ / Crores)	**512.54**	366.19
Average rate (₹ / tonne)	**35,512**	25,681
3 Other /Internal Generation :		
i. Naphtha		
Quantity (Thousand tonnes)	**0.05**	0.07
Total amount (₹ / Crores)	**0.22**	0.23
Average rate (₹ / tonne)	**45,738**	34,788
ii. LPG		
Quantity (Thousand tonnes)	**14.37**	2.26
Total amount (₹ / Crores)	**60.81**	7.77
Average rate (₹ / tonne)	**42,307**	34,350
iii. Refinery Gas		
Quantity (Thousand tonnes)	**85.70**	82.70
Total amount (₹ / Crores)	**304.35**	212.39
Average rate (₹ / tonne)	**35,512**	25,681
iv. BH Gas		
Quantity (Thousand tonnes)	**6.36**	7.76
Total amount (₹ / Crores)	**7.04**	7.81
Average rate (₹ / tonne)	**11,071**	10,064
v. RLNG		
Quantity (Thousand tonnes)	**192.90**	170.31
Total amount (₹ / Crores)	**542.10**	355.76
Average rate (₹ / tonne)	**28,102**	20,889
vi. Coke		
Quantity (Thousand tonnes)	**67.35**	32.19
Total amount (₹ / Crores)	**239.19**	82.66
Average rate (₹ / tonne)	**35,512**	25,681
(B) Consumption per Unit of Production		
Electricity (KWH / Tonne of Crude)	**87.33**	72.88
Liquid Fuel (Tonnes / Thousand Tonnes of Crude)	**19.23**	21.77
Gas (Tonnes / Thousand Tonnes of Crude)*	**39.88**	40.13
Coke (Tonnes / Thousand Tonnes of Crude)	**8.97**	4.91

* RLNG processing included

Annexure to Directors' Report

VISAKH REFINERY

				2011-12	2010-11
(A)	**Power and Fuel Consumption**				
	1.	(a)	**Electricity purchased**		
			Units (Million KWH)	**8.79**	12.32
			Total amount (₹ / Crores)	**6.53**	7.84
			Rate Per Unit (Excluding demand charges) (₹ / KWH)	**3.87**	3.78
			Electricity Exported (Million KWH)	**0.02**	0.13
			Maximum Demand charges (₹ / crores)	**3.13**	3.17
		(b)	**Own Generation (CPP)**		
			Units (Million KWH)	**528.52**	437.09
			Units Per Tonne of Fuel	**2,756.02**	2,559.03
			Cost Per Unit (₹ / KWH)	**8.55**	7.00
	2.	**Furnace Oil /LSHS**			
			Quantity (Thousand Tonnes)	**82.64**	119.11
			Total amount (₹ / Crores)	**293.49**	309.71
			Average Rate per unit (₹ / Tonne)	**35,513**	26,003
	3.	**Other/Internal Generation**			
		i.	**CPP Fuel (HSD / Naphtha)**		
			Quantity (Thousand Tonnes)	**191.77**	170.80
			Total amount (₹ / Crores)	**880.07**	605.79
			Average Rate per unit (₹ / Tonne)	**45,892**	35,467
		ii.	**Naphtha (DHDS)**		
			Quantity (Thousand Tonnes)	**33.43**	37.55
			Total amount (₹ / Crores)	**153.11**	131.65
			Average Rate per unit (₹ / Tonne)	**45,807**	35,064
		iii.	**Refinery Gas**		
			Quantity (Thousand Tonnes)	**199.40**	152.29
			Total amount (₹ / Crores)	**713.14**	402.47
			Average Rate per unit (₹ /Tonne)	**35,765**	26,427
		iv.	**Coke**		
			Quantity (Thousand Tonnes)	**73.67**	58.03
			Total amount (₹ / Crores)	**265.10**	154.01
			Average Rate per unit (₹ / Tonne)	**35,984**	26,541
(B)	**Consumption per unit of production:**				
	Electricity KWH/Tonne of Crude			**61.88**	54.79
	Liquid fuel (Tonnes/Thousand Tonnes of Crude)			**35.46**	39.94
	Gas (Tonnes / Thousand Tonnes of Crude)			**22.97**	18.57
	Coke Fuel (Tonnes / Thousand Tonnes of Crude)			**8.49**	7.08

Annexure to Directors' Report

FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ADAPTATION & INNOVATION

1. RESEARCH & DEVELOPMENT (R&D)

Research & Development is envisaged to provide support to the Refineries and Marketing divisions for operational improvement, absorption of new technologies, developing innovative & path breaking technologies, license technologies and support external organizations and develop over long term into a knowledge hub and profit centre.

To realize this objective HPCL is putting up a Corporate R&D Centre at Bengaluru with an enhanced initial investment of ₹312 Crores. The centre will be involved in carrying out Research & Development activities in refinery technologies, nano-technology applications and also bio-fuels.

A) Green R&D Centre, Bengaluru:

The project is being executed in a phased manner with Phase-I investment of ₹ 312 Crores. The R&D Centre will be conforming to eco-friendly design norms and will consist of Nine Research Labs covering Crude Evaluation & Fuels Research, Hydro processing, Catalytic Cracking (FCC/RFCC), Catalysis, Process Modelling & Simulation, Bio Processes, Standard Testing, Analytical Lab and Centre for Excellence in Nano-Technology under Phase-I.

Senior R&D Scientists with experience in relevant areas at Indian & Foreign Research Institutes have been recruited to head various Labs. Project Office has been set up in Bengaluru and a full-fledged group comprising of Scientists, Project, Purchase, Finance and Human Resource groups have started functioning out of this Office. Architect and PMC have been appointed and Project activities are in progress. Master Plan, Lab Design and Equipment Layout Plans have been finalized. Statutory clearances have been sought from various statutory authorities. Expected commissioning of R&D Centre is 24 months from the date of statutory clearances.

B) Collaborative R&D Projects with Institutions:

In addition to setting up of R&D Centre at Bengaluru, HPCL has undertaken collaborative R&D projects with premier research institutes such as IIT Kanpur, IIT Madras, IISc Bangalore, IIT Delhi, TERI New Delhi, NIT Calicut, CIMFR Dhanbad, GITAM University Visakhapatnam, Korea Institute for Energy Research-Korea in the areas of process intensification, nanocatalysts, CO_2 capture & utilization, hydrogen production & storage, resid upgradation, improved lubricants and adsorptive separations. Following are the projects:

a) Project on 'Hydrogen Production from Natural Gas (Methane) by Catalytic Decomposition' with IIT Delhi & Centre for High Technology (CHT) with a project cost of ₹ 51 lakhs. This project was initiated in May, 2010. Expected completion of project is in April, 2013.

b) Project on 'Chemical Mitigation of Carbon to Fuels & Chemicals' with IIT Madras with a project cost of ₹ 34 lakhs. This project initiated in May, 2010. Expected completion of project is in June, 2012.

c) Project on 'Nano-particle based Lubricants' including fundamental research on physics & mechanics of Nanolubricants with Indian Institute of Science (IISc), Bengaluru with a project cost of ₹ 421 lakhs. This project was initiated in December, 2007. Expected completion of project is in December, 2012.

d) Project on 'An Integrated approach for Hydrogen production through Combined Dark & Photo Fermentation process' with TERI, New Delhi & Centre for High Technology (CHT) with a project cost of ₹ 142 lakhs. This project initiated in March, 2011. Expected completion of project is in March, 2013.

e) Project on 'Design and Construction of Metal-Organic Framework Materials with Tunable Physical Properties for Storage of Hydrogen' with GITAM University, Visakhapatnam & Centre for High Technology (CHT) with a project cost of ₹ 78 lakhs. This project was initiated in March, 2011. Expected completion of project is in March, 2013.

f) Project on 'Performance Evaluation of Lubricants with Nano-particle Dispersion in Automotive Engines' with GITAM University, Visakhapatnam with a project cost of ₹ 37 lakhs. This project was initiated in July, 2011. Expected completion of project is in June, 2013.

g) Project on 'Heat Transfer Studies of Automotive Coolants with Nano-particles' with GITAM University, Visakhapatnam with a project cost of ₹ 36 lakhs. This project was initiated in July, 2011. Expected completion of project is in June, 2013.

Annexure to Directors' Report

h) Joint Research Program with IIT Kanpur & Chevron, USA for the following projects with HPCL's cost share of ₹ 39 lakhs. Following are the projects which have been initiated in February, 2011 and expected completion is in March, 2013:
   - Nanocatalysts for Hydro-desulfurization
   - Alkylation of iso-butane with butene for the production of gasoline
   - Performance Analysis of Fixed Bed Reactor Internals using CFD
   - CO2 Capture Using Zeolites Functionalized with Ionic Liquids

2. COMMISSIONING, UPGRADATION & OTHER INITIATIVES

Mumbai Refinery :

1) In order to produce superior quality of Lube Oil Base Stock (Group-II and III against the existing Group – I), the refinery has commissioned Lube Oil Upgradation Project (LOUP) facilities during the second quarter of 2011. Refinery has been able to significantly enhance the Lube Oil Base Stock production.
2) Stabilization and sustained operation of NFCCU during the year has resulted in the higher production of value added products viz. LPG and MS. This has attributed to better margins.
3) Installation of Sulphur guard bed reactor in ISOM unit has enabled the unit to process high Sulphur feeds. This in turn will help in maximizing MS production thereby reducing export of Naphtha, contributing to refinery margins.
4) Stabilizer condenser leaky tubes were replaced with SDSS metallurgy tubes during CCR shutdown, which resulted in achieving higher reformate yield by 2.05% wt.
5) Advanced Process Control (APC) was commissioned in NFCC after step testing & model building in GCU for better control.
6) GSR additive was used in old FCCU which has reduced LCN sulphur level by 30%, thereby enabling more LCN back blending in MS pool. This has attributed to increase in Euro III MS production.
7) Commissioning of Propane recovery facility from DWO & wax circuit system has resulted in reduction of Propane intake to refinery substantially.

Visakh Refinery :

1) DHDS unit was operated successfully for the first time at a feed rate of 210 m^3 / hr with CCR off gas alone (having H2 purity of 92 vol %) as make-up gas.
2) Reduced Crude Oil (RCO) of RIL crude was routed to FCCUs directly, bypassing Vacuum section. This has resulted in reduction of operating expenditure.
3) Achieved sustained operation of DHDS unit by the use of a dispersant chemical from January, 2012 onwards to overcome the high pressure drop across the reactor. This is the first of its kind in India and a thruput increase from 230 to 310 m^3 / hr has been achieved.
4) A temporary provision of routing slurry as flushing oil (without filter) to the casing wear rings of slurry pumps in FCCU-II was given which resulted in reduction of VGO down gradation to fuel oil by 17 m^3 / hr and increase in overall unit conversion by 4 wt% due to reduction in slurry yield.
5) In an effort to increase the crude basket, 42 new crudes were evaluated during the year. Out of which, 12 crudes were included in the crude basket for neat processing and 19 crudes were considered as opportunity crudes.
6) DHDS Amine recovery system has been improved by replacing DEA with MDEA solvent. This has resulted in capacity enhancement and utilities reduction.
7) Integrated Refinery Business Improvement Programme (IRBIP) was undertaken with M/s Shell for improving refinery profitability. 23 recommendations were given of which 17 have been implemented. This has resulted in improved product yield and reduced operating expenditures. The remaining recommendations would be taken up during this year.

Major Ongoing Projects :

1. Diesel Hydro-Treating Project (DHT) at Mumbai and Visakh Refineries

HPCL is setting up Diesel Hydrotreater Units of 2.2 MMTPA each with associated facilities at both Mumbai and Visakh Refinery to meet Euro-IV specifications for diesel as per the Auto Fuel Policy. Expected time of mechanical completion is by second quarter of 2012-13.

2. Flue Gas Desulphurization (FGD) Project at Mumbai and Visakh Refineries

As a part of their commitment to protection of environment, both the refineries are implementing Flue Gas Desulphurization (FGD) projects for removal of sulphur from the flue gases of the Fluidized Catalytic Cracking Units. FGD facility at Mumbai refinery was commissioned in March 2011 and at Visakh it is likely to be commissioned by September, 2012.

Annexure to Directors' Report

Annexure-II

Control of Pollution & other Environment initiatives undertaken by Refineries during 2011-12:

Mumbai Refinery

A. Hazardous Waste Management

The indigenously developed 'Oil-zapper' technology of The Energy Research Institute (TERI) has been deployed to treat oil sludge generated in the refinery. Oil zapper is essentially a cocktail of five different bacterial strains that feed on hydrocarbon compounds and convert them into harmless CO_2 and water. A total of 3,000 m^3 of low oily silt is being bio-remediated.

All spent catalysts and discarded chemicals were disposed off to the registered "Common Hazardous Wastes Treatment Storage Disposal Facility" (CHWTSDF) operated by Mumbai Waste Management Limited.

B. Air Emission Control and Monitoring

Continuous Ambient Air Stations are being upgraded with new continuous monitoring facilities for additional parameters viz, Ozone, PM 2.5, Benzene & Ammonia. Apart from online monitoring, manual Monitoring of ambient air as per NAAQS is being carried out by external MoEF approved laboratory.

All quality parameters of the ambient air were conforming to the National Ambient Air Quality Standards (NAAQS) during the year.

C. Effluent Water Treatment and Control

State of the art New Integrated Effluent Treatment Plant consisting of primary, secondary and tertiary treatment sections has been in operation consistently since 2010 with a design capacity of 300 m^3 / hr. The technology conforms to existing MINAS (environment standards) and can also cater to further stringent standards in the future. The purified treated water is being recycled for refinery consumption and has reduced intake of fresh water from the Municipal Corporation.

D. Other Initiatives

- **Rain Water Harvesting –** Mumbai Refinery has constructed necessary infrastructure and has harvested about 60,000 KL of rainwater during 2011-12 and planned to harvest 5,30,000 KL of rain water in the year 2012-13. Further augmentation of rain water management facility is in progress as a part of Natural Water Resource Conservation and Sustainable Development Project, including reduction in refinery carbon foot print.
- **Ground Water Quality Monitoring –** Bore wells were dug in the refinery for monitoring ground water quality. In order to further improve quality of underground water, roof top rain water harvesting has been undertaken across the geographical location of refinery.
- **Leak Detection & Repair (LDAR)** – Programme was carried out to identify and control fugitive emissions from equipment leaks.

Visakh Refinery

A. Hazardous Waste Management

All spent catalysts and discarded chemicals were disposed off to the authorized Central Pollution Control Board (CPCB) recyclers.

B. Air Emission Control and Monitoring

Data acquisition system was installed by M/s Thermo fisher at all the three CAAQMS. Online connectivity to APPCB server was established. Connectivity to CPCB server is in progress.

C. Effluent Water Treatment and Control

Bio-system repair jobs were completed and commissioned at the Effluent Treatment Plant (ETP-I). Treatment of ATP – ETP water in ETP-IV started. This has significantly improved compliance to the MINAS (environment standards).

D. Other Initiatives

- **ISO 14001 –** Conducted internal and external audits and Management Review meetings for ensuring compliance to the ISO 14001 standards.

Annexure to Directors' Report

- **HAZOP Study (Phase-III) –** Completed for Offsite and Power & Utilities.
- **Leak Detection & Repair (LDAR) –** Programme was carried out to identify and controlling fugitive emissions from equipment leaks.
- **SWRO plant** was revived and RO skid old membranes were replaced with new ones. Treated water is being used to augment fresh water supply.
- **World Environment Day (June 5)** was celebrated and saplings were distributed on the occasion.
- **Process Safety Management –** A study on 'Quantitative Risk Assessment' is in progress by M/s DNV for identifying and addressing potential process risks.
- **Green Visakh Program –** As a part of the initiative 2,000 saplings were planted in Autonagar locality.

Health, Safety and Environment Department

To conform to the DPE guidelines on Sustainability Development, HSE Department has undertaken the following initiatives:

- Sustainable Development Policy for the Corporation prepared and approved by the Board. Formation of Board level SD monitoring committee.
- Identification and development of SD projects proposed by various SBUs, approved by the Board.
- Conducted capacity building workshops 15 locations and trained 500 employees.

Achievements / Awards / Recognition

- Mumbai refinery received safety award from National Safety Council Maharashtra chapter for longest accident free period for the year 2010.
- Visakh refinery was conferred with TOLIC award(Rajbhasha Puraskar) for the year 2011-12.
- Visakh refinery presented a paper on 'Online Chemical Cleaning of Furnaces' and a poster presentation on 'Excess oil ingress project' at World Petroleum Congress at Doha during December, 2011.

Annexure - III

Information as per Section 217(2A), read with Companies (Particulars of Employment) Rules, 1975 and forming part of the Directors' Report for the period 1st April 2011 - 31st March 2012.

Sr. No	Name	Designation / Nature of Duties	Remuneration (₹)	Qualifications	Experience (Years)	Date of Joining	Age	Last Employment
1	AHMED ELIAS IMTIAZ	Chief Manager - Corp Affairs	3,474,283	HSC/Inter/PUC	40	15/5/1972	60	Hindustan Constructions Tansa
2	TAKALKAR SURESH P	Chief Admin. Asst.	2,050,540	BA	38	17/12/1973	60	Nil
3	JOGLEKAR S S	Manager-Operations	3,748,648	B.COM	38	1/2/1974	60	Shree Suvarna Sahakari Bank Ltd, Pune
4	MHATRE G R	Sr. Mobile Assistant	1,382,451	SSC/SSLC	37	14/1/1975	60	Nil
5	SAHNI SUBHASH VIKRAM	ED-Central Engg.(Refineries)	6,068,923	BE(Mech), DMS	38	1/2/1975	60	Indian Tube Mills & Metal Industries Pvt Ltd, Bombay
6	PHALKE B S	Sr. Operator(Sg)	1,378,239	HSC/Inter/PUC	37	10/3/1975	60	Nil
7	TARKAR RAMESHCHANDRA DWARKANATH	DGM-Development	3,217,823	DCM, Dip in ORM, MSC	37	29/3/1976	60	Hindustan Spinning and Weaving Mills Ltd. Bombay
8	BHOR BALSHIRAM BHAU	Manager-Operations	2,449,706	B.COM	36	20/9/1976	60	National Highway Trucking Centre, Mahul, Bombay
9	SABALE D M	GM-SHE (Marketing)	5,072,669	DME	36	10/8/1977	60	Mazgaon Dock Ltd, Bombay
10	NAIR VIJAYAKUMARAN P	Executive Operations Officer	2,272,447	BA	34	3/11/1978	60	Golden Tobacco Ltd Sayajipura, Baroda
11	JADHAV N L	Sr. Mobile Asst. (SG)	1,032,363	SSC/SSLC	33	16/3/1979	60	M/s. N K Marathe
12	BHASKAR NARAIN	Senior Manager - AGL	4,074,446	BE(Mech)	33	24/10/1979	60	Cimmco Textile Division, Gwalior
13	SHINDE VALMIK ANANTA	Manager - Finance	3,558,382	BA	30	18/8/1981	60	Nil
14	NIRMAL C B	Chief Accounts Asst.	1,247,932	BA	30	27/10/1981	60	Coates of India Limited
15	JALWAN HAWA SINGH	Sr Manager - E&P	3,647,203	DEE	34	12/11/1981	60	Delhi Electric Supply Undertaking
16	UPADHYAY HEERAK	Chief Manager - Reseller and D	2,702,465	LLB, BE(Mech), MBA	31	17/1/1983	54	U.P.C.F 32-Station Road, Lucknow
17	GAIKWAD S M	Senior Installation Manager	2,861,335	MSC	35	1/2/1983	60	Director Central Fuel Research Institute, Dhanbad
18	BABJI SACHCHIDANANDA	Chief Manager-Maintenance	3,791,337	BE(Mech)	28	22/9/1983	53	Nil

Annexure to Directors' Report

Sr. No	Name	Designation / Nature of Duties	Remuneration (₹)	Qualifications	Experience (Years)	Date of Joining	Age	Last Employment
19	MOHITE SHAILENDRA DAMODAR	Chief Manager-Exploration and Production	1,675,604	BE (Chemical), DSM	26	16/12/1985	49	Nil
20	RAMESH MADAKSHIRA	Chief Accounts Assisstant	2,007,981		38	2/4/2004	60	East Coast Gas Company(PITCL)
21	CHACKO BONY GEEVARGHESE	Senior Manager - Operations	2,178,437	B Tech (Mechanical), Executive MBA (EMBA)	20	28/10/1991	42	Nil
22	SALUNKHE SARJERAO MURARI	Dy Manager - Production	1,983,810	BSC	33	2/4/1979	60	Nil
23	DHARA SAMAR NATH	Chief Administrative Assistant	1,402,568	B.COM	30	1/12/1981	60	Temporary in HPCL Budge Budge
24	DUBEY NIRBHAY KUMAR	Chief Administrative Assistant	1,426,916	BA	27	10/4/1985	53	Nil
25	BHARDWAJ K	Operations Officer	1,917,893	BA	38	1/1/1983	55	Army Ordinance Corps
26	MURTHI M K	Chief Maint. Technician	1,875,117	Non SSC	40	1/2/1972	60	Nil
27	MURDEKAR RAMU LAXMAN	Manager - Quality Control	3,722,696	MSC	34	15/12/1977	60	Nil
28	SAWANT Y R	Dy Manager - Production	2,154,045	BSC	34	5/1/1978	60	Nil
29	PAWAR CHANDRAKANT BAPU	Sr Manager - Finance (ESI)	3,062,254	BA, Certificate in (PM&IR)	35	1/2/1978	60	Office of Director Doordarshan Kendra, Bombay
30	POTDAR PURUSHOTTAM RAMKRISHNA	Sr Manager-Maint, DHDS/Utilities	3,525,448	DME	36	20/3/1978	60	Western India Erectors Ltd, Pune
31	BAGAI NEERAJ	Senior Manager - SHE	2,189,574	BE (Chemical)	22	29/10/1990	44	Steel Strips Ltd, Chandigarh
32	LANDGE MOHAN SAWLARAM	Grease Maker(SG)	1,569,152	SSC/SSLC	40	11/10/1971	60	Nil
33	SHINDE GANESH G	Grease Maker(SG)	1,515,074	Non SSC	40	4/11/1971	60	Nil
34	GUPTA FULCHAND L	Chief Administrative Assistant	2,126,703	BA	41	1/1/1971	60	Nil
35	BHAMIDIPATY SARVESWARA SUBRAHMANYAM	Ch Manager - SHE Audit	3,768,410	B Tech (Chemical), MSC	34	27/3/1978	60	Kartanaka Regional Engineering College
36	RAMAGOPALA RAO N	Manager - Finance	3,208,485	M.COM	34	4/10/1978	60	Nil
37	SOMAYAJULU S A	Manager - Shift Coordination	2,437,534	MSC-Chemistry	34	4/28/1978	60	Nil
38	GUNTURI PHANI RAJU	Manager - Shift Coordination	2,411,009	MSC	34	5/16/1978	60	Nil
39	G APPA RAO	Chief Administrative Assisstant	1,402,081	MA (Public Admn)	33	11/24/1978	60	Nil
40	MURTHY M S N	Manager - Security	2,757,095	B ED, BSC, Certificate in Safety & Health	33	12/13/1978	60	Zilla Parishad School, Visakhapatnam
41	SATYANARAYANA B	Dy Manager - Maintenance	2,056,736	ITI	33	20/12/1978	60	Naval Dockyard, Visakhapatnam
42	LAKSHMANARAO A	Dy Manager - Production	2,330,942	MSC	32	17/9/1979	60	Visakhapatnam & Fertilizers Corp. of India
43	SATYAMURTY T	Senior Manager - Finance	3,111,161	B.COM	33	4/10/1979	60	Operations Research Group 33, New Delhi
44	SATYAM BABU K	Manager - Shift Coordination	2,356,215	BSC	32	30/1/1980	60	Sri Visakha Grameena Bank
45	JUDSON.K	Manager - Operations	2,627,969	B ED, BSC	33	28/10/1978	60	Nil
46	MOHITE A S	Chief Administrative Assistant	1,134,027	BSC	33	30/4/1979	60	Nil
47	MOTWANI LAXMAN MULCHAND	General Manager - PR & CC	4,713,982	BSC tech, DMS	36	8/3/1979	60	Calico Chemical Plastic and Fibre Division, Bombay
48	CHAPHEKAR MEGHANA S	Senior Manager - Project Finance	3,882,060	M.COM	33	15/1/1980	60	National Institute of Bank Management, Bombay
49	RAMKUMAR R	Chief Technical Assistant	1,516,103	HSC/Inter/PUC	28	4/5/1984	55	Nil

1 All the above employees were employed for part of the year and were in receipt of remuneration at the rate of not less than ₹ 5,00,000/- per month.

2 Employment in the Corporation is non-contractual.

Annexure - IV

STATEMENT SHOWING WOMEN EMPLOYEES AS ON MARCH 31, 2012

Group	Total No. of Employees	No. of Women Employees	% of Women Employees
A	5,132	441	8.59
B*	–	–	–
C	6,015	394	6.55
D	79	6	7.59
TOTAL	**11,226**	**841**	**7.49**

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

Management Discussion & Analysis Report: 2011-12

DEVELOPMENTS IN THE ECONOMY AND THE OIL SECTOR

The Indian economy slowed down perceptibly in 2011-12. The GDP growth was estimated to be 6.5% during 2011-12 compared to 8.4% in 2010-11. The growth rate was below the average annual growth of 7.6% during the preceding decade. Growth in agriculture and industry declined. Agriculture, which had grown at 7% in 2010-11, is estimated to have grown by 2.8% during 2011-12. Industry growth dipped to 3.4% in 2011-12 from 7.2% in 2010-11. The growth rate for services declined to 8.9% in 2011-12 compared to 9.3% in 2010-11. The slowdown is a consequence of, among others, a monetary policy followed to combat inflation, supply constraints and a troubled external economic environment.

Inflation remained around 10% for major part of the financial year. It started declining around Dec'11 with fall in primary food inflation. Manufactured products inflation also declined with slowdown in the economy. Fuel and power group inflation remained high despite suppression of prices of sensitive petroleum products. Global crude prices remained above US $ 100 per barrel throughout the year, fluctuating in $100/bbl. to $125/bbl. band. Despite subdued global economy and oil demand, prices remained high due to turbulence in the Middle East- loss of Libyan supplies, Iran nuclear issue, and unrest in Syria, etc.

High oil prices contributed to widening of the current account deficit. Oil imports by India increased by about 46% in 2011-12 compared to about 22% increase in the previous fiscal. Non-oil imports increased by about 27%. The total imports increased by 32.4% in 2011-12 compared to 28.2% in 2010-11. Exports growth declined to 21.3% in 2011-12 from 40.5% in 2010-11 due to Eurozone crisis and worsening global economic outlook. Current account deficit widened to about 4.5% of GDP in Q4 of 2011-12 taking the full year ratio to 4.2% of GDP resulting in a substantial drawdown of reserves.

Despite the slowdown, the consumption of petroleum products increased by 4.9% in 2011-12 compared to 2.6% in 2010-11. Petroleum products consumption in 2011-12 was about 151 million tons. Consumption of all products except SKO, LDO, FO and LSHS increased. HSD grew at a whopping 8%, almost double the annual average growth rate of 4.7% during the last decade. Although consumption of FO and LSHS has been declining in the last couple of years, drop during the year was quite large at 17%. Growth rate for petrol consumption decreased to 5.7% in 2011-12 compared to 11% in 2010-11. LPG and Naphtha consumption increased by 7.5% and 5.6% respectively. Consumption of ATF increased by 9% while there was marginal growth of about 2% in Bitumen consumption.

Economic environment is still subdued and downside risks remain as issues plaguing the domestic and international economy have proved to be quite intractable.

World Oil

As per the BP Statistical review of world energy Jun'12, the estimated global consumption has increased to 88.034 Million Barrels Per Day (MBPD) representing an increase 0.595 MBPD i.e., a growth of 0.7% over historical. Consumption in Asia-Pacific grew by 2.7%. India contributed to 4% of the world's oil consumption. The world oil production increased by 1.095 MBPD to 83.576 MBPD representing a growth of 1.3% over historical. There was a decline in production from the African region, by 1.3 MBPD, out of which the decline in Libya alone was 1.179 MBPD. The decline in Libya was off-set by increase in production from other OPEC members of Kuwait, Iraq, Qatar, Saudi Arabia and United Arab Emirates in the Middle-east. Oil production in Iran marginally declined by 0.6% to 4.321 MBPD. While, OPEC accounted for 1.077 MBPD increase i.e., growth of 3.1%, the total increase in countries from Middle East was 2.376 MBPD representing a growth of 9.3%. Production in Europe decreased by 1.8%, while it increased by about 2.4% in the American continents.

The proved oil reserves were 1652.6 Billion barrels with reserves to production ratio of 54.2 years. 48.1% of the proved reserves continue to be in Middle East.

PERFORMANCE PROFILE

Gross Sales

The Gross Sales of the Corporation (inclusive of excise duty) for the year ended March 31st, 2012 was ₹ 1,88,131 Crore as compared to ₹ 1,42,396 Crore in the previous year. The total sale of products (including exports) for 2011-12 was 29.48 MMT as against 27.03 MMT during 2010-11.

Profit Before Tax

The Corporation has earned a Profit before Tax of ₹ 1,219 Crore in 2011-12 as compared to ₹ 2,338 Crore in 2010-11.

Provision for Taxation

An amount of ₹ 308 Crore has been provided towards income tax for 2011-12 considering the applicable income tax rates as against ₹ 799 Crore provided during 2010-11.

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Profit after Tax

The Corporation has earned a Profit after Tax of ₹ 911 Crore during the current financial year as compared to ₹ 1,539 Crore in 2010-11. The lower PAT is mainly due to higher interest cost which increased to ₹ 2,139 Crore from ₹ 892 Crore in 2010-11. The higher interest cost was due to delayed compensation for increased under-recoveries on sale of sensitive petroleum products.

Depreciation and Amortisation

Depreciation for the year 2011-12 was ₹ 1,713 Crore as against ₹ 1,407 Crore for the year 2010-11.

Borrowings

The borrowings of the Corporation were ₹ 29,831 Crore as on March 31st, 2012 as compared to ₹ 25,021 Crore as on March 31st, 2011. Borrowings during the year were mainly through short term foreign currency loans and commercial paper. External Commercial Borrowings (ECB) of ₹ 2,297 Crore were taken in Oct/Nov'11 for ongoing projects and OIDB loans worth ₹ 500 Crore were availed for DHT projects at the refineries. The long term debt to equity ratio stands at 0.66: 1 as on March 31st, 2012 as against 0.54: 1 as on March 31st, 2011.

Capital Assets

Net Fixed Assets (including Capital Work in Progress) increased from ₹ 22,341 Crore as on March 31st, 2011 to ₹ 25,294 Crore as on March 31st, 2012.

Investments

Investments as on March 31st, 2012 were ₹ 10,371 Crore as compared to ₹ 11,335 Crore as on March 31st, 2011.

Gross Refining Margins (GRMs)

Gross Refining Margin of Mumbai Refinery averaged at US $2.82/bbl. during 2011-12 as against US $ 4.65/bbl. for the previous year.

Gross Refining Margin of Visakh Refinery averaged at US $2.95/bbl. during 2011-12 as against US $ 5.81/bbl. for the previous year.

Earnings Per Share

Earnings per share are ₹ 26.92 for 2011-12 as compared to ₹ 45.45 in the previous year.

Dividend

Dividend of ₹ 8.50 per share has been proposed for the year 2011-12. The dividend would result in total payout of ₹ 335 Crore, including Dividend Distribution Tax.

The 2010-11 performance of the Corporation has qualified for 'Excellent' rating in terms of the Memorandum of Understanding (MOU) signed with the Government of India.

REFINERIES

The benchmark Brent prices started the year on a high at $ 123.5/bbl. with oil markets anticipating disruption of supply due to the Arab spring and sanctions on Iran. The average price of Indian crude basket was USD 118.61/bbl. during Apr'11. The debt crisis in Europe and accompanying fears of demand destruction led to steady decline in benchmark prices from Jul'11 till end of 2011. However, the rupee's steep depreciation from Aug'11 neutralised the impact of decline in price and added to crude import cost. Events in Dec'11 saw Iran threatening to block the Strait of Hormuz and the US and European Union (EU) applying fresh sanctions on the Iranian Central Bank and the financial sector. The oil market responded by hiking risk premium, leading to a sharp spike in Brent crude prices to $ 125.3/bbl in Mar'12 surpassing the high prices witnessed in Apr'11.

The increasing sourcing of Russia's East Siberian pacific oil (ESPO) by Asian refineries, impending reversal of the Sea Way pipeline in the USA, trend of shut down of lower complex refineries in Europe and America and the emergence of shale gas as a serious alternate source of energy, were other significant events affecting world oil markets and are likely to change the oil market dynamics particularly in Asia.

The year 2011-12 was a turbulent year for refinery margins as the crude and product prices have not moved in tandem. The first half of the year was characterised by declining crude prices and strong margins for gasoline and gasoil. The strong summer seasonal demand was a major contributor to healthy refining margins in the first half of the year. Product cracks declined across the board in the second half of the year, excluding fuel oil which was supported by the change in sulphur regulations and

Management Discussion & Analysis Report: 2011-12

shutdown of less complex refineries. The rise in crude prices, declining product cracks and increased fuel and loss resulted in lower refinery margins in the 4th quarter of 2011-12.

The benchmark Brent crude oil for the year 2011-12 averaged $ 114.65 /bbl. higher by $ 28.00 /bbl. compared to average of $ 86.65 /bbl. for 2010-11. The Indian crude oil basket for the year 2011-12 averaged $ 111.87 / bbl. higher by $ 26.80 / bbl. compared to average of $ 85.05 / bbl. for 2010-11.

During the year 2011-12, HPCL uplifted 3.9 MMT of indigenous crude oil (Mumbai High, Ravva and KG-D6). The balance requirement of 12.5 MMT was met through term imports mainly from the Middle East. The crisis due to sanctions on Iran affected the security of crude supply to HPCL which was managed by increased quantities from other term suppliers.

The increase in the Brent Dubai spread in 2011 owing to loss of Libyan volumes resulted in increased sour crude processing. The Brent to Dubai differential was high, i.e. approximately $ 6 /bbl. in the first half of 2011-12. To take advantage of high Brent-Dubai differential, additional high Sulphur crude was processed at Visakh refinery. 66% of processing at Visakh refinery was high sulphur crude during Apr-Sep'11. The Brent-Dubai differential narrowed to about $ 2/bbl. during the second half of the year and the processing of high sulphur crude was cut down at Visakh refinery to about 62% during the period Oct'11 to Mar'12.

HPCL expanded the crude oil basket to 104 crudes by adding 6 new crudes during the year. Umm Shaif crude from Abu Dhabi was processed by HPCL for the first time.

The commissioning of the 9 MMTPA HPCL-Mittal Energy Limited Guru Gobind Singh Refinery at Bathinda during 2011-12 will help in meeting the product requirements in the north and help in increasing product sufficiency.

During the year 2011-12, HPCL's refineries at Mumbai and Visakh have maximized crude processing and achieved combined refining throughput of 16.19 MMT with a capacity utilization of 109%. The throughput has been increased by 1.4 MMT compared to previous year. Mumbai Refinery has achieved crude throughput of 7.51 MMT as against installed capacity of 6.50 MMT. This was the highest ever crude throughput recorded.

HPCL refineries have maximized the MS production of Euro III /Euro IV fuel specifications through newly commissioned clean fuels projects.

The capacity addition due to new Fluidized Catalytic Cracking Unit (FCCU-II) and sustained operation of FCCU-II and Lube Oil Up-gradation Plant (LOUP) at Mumbai refinery have made the secondary processing capacity commensurate with the crude distillation capacity and have enhanced production of value added products of LPG and MS. During 2011-12, at Mumbai Refinery, LPG production was increased by 194 TMT to 444 TMT representing an increase of 78% and MS production increased by 246 TMT to 1,182 TMT representing an increase of 26%. The FCCU-II operation has also helped in upgrading the bottom streams like extract, VBO, DAO & old FCC resid which helped in increasing margins at Mumbai refinery.

HPCL has achieved highest ever Lube Oil Base Stock (LOBS) production of 382 TMT during 2011-12 representing an increase of 82 TMT over previous year and growth of 27%. The increased production is due to the full-fledged commissioning of Lube Oil Up-gradation Project (LOUP) facilities during Jun'11. A total of 43.3 TMT of Group II a were produced during the year to meet the growing demand for superior quality lube oil base stock market both in India and abroad.

HPCL reached a significant milestone at Visakh Refinery with the dedication of the Clean Fuel project to the nation by Hon'ble Minister of Petroleum & Natural Gas on February 20th, 2012. At Visakh refinery highest ever production of MS, Propylene and Bitumen were achieved. During 2011-12, at Visakh Refinery, LPG production was increased by 80 TMT to 361 TMT, an increase of 28%; MS production increased by 260 TMT to 1,357 TMT, an increase of 24%; Propylene production was increased by 11 TMT to 53 TMT, an increase of 26% and Bitumen production increased by 72 TMT to 368 TMT representing an increase of 24%.

Due to the decreasing demand of Naphtha and Fuel oil, Naphtha was converted to MS to maximum possible extent and the balance surplus Naptha was exported. To cater to the bunkering fuel market, HPCL refineries have started producing fuel oil with less than 3.5% Sulphur content. Naphtha and fuel oil/LSHS exports in the year were 738 and 843 TMT respectively. HPCL, which is classified as a Premier Trading House by Directorate General of Foreign Trade, exported nearly ₹ 7,426 Crore of oil products.

Both Mumbai and Visakh refineries have switched over to the production of Viscosity grade bitumen products viz. VG-10 and VG-30 which are superior quality bitumen products compared to the penetration grades being manufactured earlier. HPCL refineries achieved highest bitumen production of 945 TMT during the year.

To meet the requirements of the BS-IV quality diesel as laid down in the Auto Fuel Policy, both Mumbai and Visakh refineries are setting up Diesel Hydro Treater (DHT) Units of 2.2 MMTPA each with associated facilities. Expected time of mechanical completion of the projects is in 2012-13.

With the rise of fuel oil prices, HPCL refineries have switched over to natural gas for meeting energy needs viz. fuel firing and power generation. Owing to the cost differential between fuel oils and natural gas, there was a substantial reduction in operating

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costs which in turn resulted in better refinery margins. While Mumbai refinery uses natural gas for firing majority of its furnaces and for power generation, steps are being taken to ensure the same at Visakh refinery.

During 2011-12, HPCL refineries recorded their lowest ever specific energy consumption (MBN figures) with 81.4 and 84.2 MBTU/Bbl/NRGF for Mumbai and Visakh refineries respectively. The high level of energy efficiency was made possible by consistent efforts in ensuring energy optimization. The year saw a rise in the NRG factor of Mumbai refinery from 4.8 to 5.8, with the commissioning and sustained operation of energy intensive units along with better secondary processing.

The major energy conservation measures undertaken were commissioning of flare gas recovery system at Lube Refinery in Mumbai, installation of Magnetic Resonators at Gas Turbine Generators, antifoulant injection in preheat exchangers, furnace improvement programmes and online chemical cleaning of Heat Recovery Steam Generator (HRSG) preheat exchangers which resulted in a savings of 23,780 SRFT/year (standard refinery fuel tonnage per year).

These energy conservation measures have made it possible to restrict fuel and loss for Mumbai and Visakh refineries to 7.9% and 7.4% respectively, despite commissioning of the new LOUP unit and sustained operation of FCCU-II at Mumbai refinery.

Fresh water is a vital utility in refining operations. Accordingly, management of fresh water consumption is significant as the resources are constrained due to limited supplies. The state of the art Integrated Effluent Treatment Plant (IETP) at Mumbai refinery has helped reduce intake of fresh water from the Municipal Corporation by recycling treated water for refinery consumption thus contributing significantly to water conservation. The technologies conform to the existing MINAS (environment standards) and can cater to further stringent standards in the future.

Water conserved during the year 2011-2012 was 422 TKL. Cumulative water recycled since the inception of the IETP was 761 TKL thereby saving equivalent amount of natural water resource for the community. Similarly, Reverse Osmosis (RO) plant for sea water treatment was commissioned at Visakh refinery during the year, saving 451 TKL of water.

In today's competitive scenario, it is imperative for the refineries to ensure that their technologies and processes are meeting the international quality standards. HPCL has volunteered for making both the refineries at Mumbai and Visakh to be part of the benchmarking study being organized by CHT in arrangement with M/s Solomon Associates, USA. The objective of the study is to provide a new frame of analysis for comparing the performance of HPCL refineries with the other public/private players in the oil sector.

MARKETING

The total sale of products (including exports) by the Corporation for 2011-12 was 29.48 MMT as against 27.03 MMT during 2010-11. During the year, HPCL increased market share in domestic sales to 18.40% achieving a market share gain of 0.50%. HPCL recorded a growth of 7.9% in Marketing Sales, over the sales volume of the previous year. Amongst Public Sector Oil companies, HPCL increased its market share to 19.96% during 2011-12 compared to 19.65 % recorded the previous year.

Retail

Retail constitutes 68% of HPCL's overall sales and enjoys high brand recall among consumers. HPCL enjoys significant market share of 25% in combined petrol and diesel retail segments as of Mar'12. During the year, the innovative measures and initiatives for differentiated customer experience by HPCL resulted in accelerated growth, excellent physical performance and landmark achievements in the motor fuels segment.

Retail sales of Motor Spirit (MS) increased by 7.5% in the year 2011-12 compared to Industry (PSU) growth of 6%. High Speed Diesel (HSD) sales grew by 14.7% against Industry (PSU) growth of 11.7%. HPCL increased its market share in MS and HSD (combined) by 0.55% during the year 2011-12. HPCL has commissioned 1,056 new outlets, including 329 outlets in the rural areas during 2011-12 taking the total number to 11,253 retail outlets.

- **Customer - Centric Initiatives**

  To enhance Customer Experience, strong measures were undertaken to improve and standardize the services offered at retail outlets. During 2011-12, HPCL implemented Standard Operating Practice (SOP) at about 2,750 retail outlets pan-India, which would be scaled up to all retail outlets going forward. This initiative was taken to provide an enjoyable and consistent customer experience across all retail outlets. Additionally, to enhance customer confidence, daily Quality & Quantity (Q&Q) checks along with regular Q&Q campaigns are being driven for our customers.

  To enhance network productivity, HPCL has rolled-out a strategic framework tool at about 2,000 retail outlets during 2011-12 for taking outlet-specific initiatives. These initiatives include outlet-specific schemes based on local tie-ups over and above the national and regional-level campaigns, specifically catering to outlet-specific customers. To provide a fulfilling and complete experience, additional facilities like ATMs, tyre shops, food outlets, and convenience stores have

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been opened up at the outlets. Additionally, higher focus was ensured on Local Business Solicitation and Key Account Management by leveraging our Loyalty Program, Automation, Outlet facilities and Customer Service.

- **Retail SOP Refresher Training for Forecourt Salesmen**

  An extensive audio-visual cum cue card based training "Retail SOP Refresher Training" was launched aimed to create awareness of safety, health and hygiene aspects among the Forecourt Sales Men of the retail outlet (FSM) and to impart in them, the skills of salesmanship and customer relationship. The programme imparts knowledge on Standard Operating Practices and engaging "Retail FSMs (Forecourt Sales Man)" as a key SOP Implementer at the Retail Outlets. The newly designed training makes an extensive use of cue cards coupled with class room training and faculty observation for the individual development of FSM's. During 2011-12, 232 programs were conducted covering 328 dealers and 4,678 FSMs.

  The major impacts of the programme were visible improvement in Housekeeping Practices, imbibing of a better Queue management culture & increased awareness of safety standards.

Direct Sales - Industrial & Consumer

I&C Business line operated in a challenging and competitive environment during the year 2011-12 achieving a sale volume of 4.08 MMT including exports. Domestic sale of 3.94 MMT is marginally lower by 3% over previous year sales. The focus during the year was on margin improvement. The Business line recorded a growth of above Industry in MS, HSD, Bitumen, Hexane, Solvent and Propylene. However, sale of heavy fuels such as, FO and LSHS have got affected due to Customers switching over to cheaper alternate fuels including Natural gas especially in Power and Petrochemical Sectors.

During 2011-12, HSD Consumer sales surpassed 1 MMT mark for the first time, recording a growth of 14.7% compared to Industry growth of 2.6%. Similarly, the Business line also achieved highest ever sale of 931 TMT in Bitumen recording a growth of 16.9% as compared to Industry growth of 2.1%. The year also saw commissioning of 42 HSD Consumer pumps including 7 for the Indian Army. To augment Bitumen supply infrastructure in the east coast, a Bulk Bitumen storage facility was commissioned at Chennai (Cassimode Terminal).

Strengthening Infrastructure, Bunker Market, long term tie-up's, Key Account Management etc. have been identified as a few focus areas for achieving growth in the Direct sales business. The commissioning of HMEL (JV) Refinery at Bathinda, Punjab would further strengthen product availability in northern markets.

Direct Sales - Lubes

India continues to be the third largest lube market in the world after US and China. The consumption of lubricants in the country including transformer oils and white oils in the year 2011-12 was 2,550 TMT approximately. The market comprises of 650 TMT of Commercial Automotive Oils, 350 TMT of Consumer Automotive Oils and 1,550 TMT of Industrial Oils & Fluids. The value added lube sales (excluding base oil sales) for HPCL has increased to 267 TMT during 2011-12 from 243 TMT in the previous year representing a significant growth of 10%. HPCL commissioned 27 new Lube Distributors and CFAs in unrepresented markets during the year, further strengthening the marketing network.

The product range has been expanded by launching various new products of HP Milcy Turbo Tech in the Diesel engine oil category, HP Gabriel Premium Front Fork Oil in Automotive specialties category and Aurelia TI & Talusia Universal in the Marine oils category. In order to meet specific requirements of customers, HPCL also customized and launched distinct products like Drawmet 14 S, Drawmet CABOD, Metasafe 1 AL, Cyndol TC 800, Hycom Turbo Syn 100, Seetul RFL, Enklo HVLP 100 AH, Enklo 15 AH and Parthan RR 460 during the year.

During 2011-12, HPCL entered into new tie ups with JCB India and Force Motors for supply of lubes to their factory as well as service fill requirements. The business relationship with other major OEMs like Bajaj Auto, Bosch, TMTL (formerly Eicher), John Deere, TMTL (formerly Eicher), Gabriel, etc. was strengthened with portfolio expansion. HPCL continued innovation in packaging with introduction of Polypropylene Copolymer Plastic (PPCP) square bucket for 20 and 10 Litre sizes, development of new design & new closure PET bottle with special tamper evident features.

HPCL's range of Agricultural Spray Oils (for Apple, Tea, Grape, etc.) was accorded approval by certifying agency "Institute for Market-ecology" (IMO), Switzerland for Organic farming.

The new Grease & Specialty plant at Silvassa with capacity of 5 TMT per annum for manufacturing greases, coolants and brake fluid has been fully stabilized during the year.

The commissioning of 227 TMTPA Group II Base Oils facility at HPCL's Lube Refinery at Mumbai, has eliminated dependency on other sources for Group II base oils. HPCL commenced sales of Group II base oils under the brand Alprol Super grades.

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HPCL is focused on product development and product innovation to meet customer needs and increase sales in this profitable segment of Business.

LPG

The Industry witnessed a declining growth rate in the total LPG consumption in the second half of the year. During second half of 2011-12, the growth in consumption was 5.4% compared to 9.9% during the first half of the year. The total LPG Sales for Industry was 14.7 MMT during the year with an overall growth of 7.5% over previous year.

HPCL continues to be the second largest LPG sales marketer in the country with a market share of 26.5% during 2011-12. The sales during the year were 3,899 TMT compared to historical sales of 3644 TMT, corresponding to a growth of 7.1% over historical sales. Domestic LPG Sales were 3,432 TMT. In the highly competitive Non-Domestic (ND) Bulk segment, HPCL continues to maintain leadership position with 40% market share.

In line with Vision 2015 of MOP&NG, HPCL has drawn comprehensive strategic plans to increase penetration of domestic LPG in the rural areas. During 2011-12, HPCL has commissioned 218 new distributorships under Rajiv Gandhi Gramin LPG Vitaran (RGGLV) Yojana and 46 new regular HP Gas Distributorship across India taking the total number of LPG Dealerships to 2,897. HPCL has enrolled 33.6 Lakh new customers for domestic LPG and released 20.8 Lakh double bottle connections during 2011-12. The total domestic customer population reached 3.58 Crore with 1.79 Crore customers having double bottle connections. The total customer base including non-domestic customers is 3.62 Crore as of March 31st, 2012. To have sustained competitive advantage in non-domestic segment, HPCL commissioned 10 new exclusive ND distributorship across India.

During 2011-12, HPCL achieved highest ever bottling of 3,747 MMT with quantum increase in productivity corresponding to 7.9% over historical. Apart from new capacity additions at Hazarwadi and Purnea LPG Plants, all LPG plants have been converted to High Speed Downstream facilities thereby increasing production rate from 1,300 to 1,500 cylinders per hour approximately. The total Bottling capacity has been increased by 675 TMT during the year to 3,610 TMTPA. The storage capacity was increased by 10.8 TMT with augmentation at Ajmer, Raipur and Nasik plants and the completion of new LPG Plants. The total storage capacity for LPG at marketing plants & import facilities is 92.3 TMT as of March 31st, 2012.

A major innovation was achieved at HPCL Mysore LPG Plant, wherein an in-house sealing carousel for PVC sealing of cylinders was developed giving excellent sealing quality at a very high rate of sealing.

As part of efforts to leverage technology, HPCL has implemented Tank Farm Management System (TFMS) interfacing with ERP at Loni, Mahul, Rajahmundry & Cherlapally LPG plants for auto closing stock recording during the year taking the total number to 6 LPG plants where TFMS–ERP interfacing has been completed.

- **LPG Infrastructure Augmentation**

  HPCL has identified development of LPG Infrastructure as a key focus area. During the year, On-line Propane-Butane blending facilities at NMPT Jetty for Mangalore LPG Import Facilities (MLIF) were commissioned. HPCL commissioned a new LPG Plant at Bathinda with capacity of 75 TMTPA and a 16 bay bulk tank truck loading gantry at a cost of ₹ 110 Crore in Mar’12. Further, a new LPG Plant at Hazira of 150 TMTPA capacity at a cost ₹ 64 Crore has been mechanically completed in Dec’11.

  As part of infrastructure augmentation, HPCL has taken up construction of new LPG bottling plants of capacity 150 TMTPA at Solapur and Bangalore at an estimated cost of ₹ 82.60 Crore and ₹ 140.00 Crore respectively. Land had been taken over from MIDC in Feb’12 for Solapur plant and 80% of the Land had been taken over from KIADB in Feb’12 for Bangalore plant.

- **LPG Safety initiatives**

  HPCL has launched On-line module for monitoring “HSE INDEX” of LPG plants and for prompt reporting, analysis and tracking of accidents involving HP GAS customers. HPCL has also developed a model Security plan for LPG Plants in line with OSIPP guidelines, based on which all LPG Plants have developed individual security plans.

- **Productivity improvement initiatives**

  - **Project Utkarsh - Productivity Improvement Programme at LPG Plants**

    Project Utkarsh was built on Participative Management wherein plant employees at all levels came together as teams with the common objective of improving plant performance. The Project used a structured process of finding causes through validated data leveraging technology, finalizing solutions and implementing them in time bound manner through formation of Quality Circle Teams.

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The scheme was piloted at South Central LPG zone and after refinement was rolled out to other LPG Plants Pan-India. A number of meetings were held with the plant employees over a period to learn from the experience of their colleagues giving rise to collaborative learning and synergistic team work for problem solving. Project Utkarsh provided a platform for plant employees and empowered them to show case their best talent and learning's. By bringing changes in systems, the Project teams improved the processes & productivity significantly with focus on Safe Operating Procedures. Engagement and empowerment of people was achieved through participation management. Training program and interactive sessions were conducted at Plants at regular interval for effective implementation of the Project. The improvement in productivity is more than 30% from base level on All India basis.

To sustain and increase productivity further by utilizing technology, infrastructure facilities, set benchmark in productivity norms, manpower, increase responsibility & accountability on the part of workmen and encourage participation management at floor level, a new LPG productivity Incentive scheme was signed with the unions. This incentive scheme redefined 100% productivity level of LPG plants based on defined number of production of cylinders per shift with increased benchmark of norm by 28% to 48% increase for various types of Plants over old norm.

Interactive sessions were conducted for the plant employees for enabling smooth implementation. With respect to new norm, significant increase in productivity was noted in 24 out of 44 LPG plants, which achieved greater than or equal to new 100% productivity norm. The productivity was greater than or equal to 90% in the remaining 19 LPG plants during 2011-12.

- **Initiatives for increasing customer service**

  - **HP Anytime**

    HPCL has extended "HP Anytime", the IVR /SMS based refill booking system to 60 cities in 16 States and 2 UTs covering 1,589 distributorships and 2.2 Crore customers, representing 61% of the customers holding.

  - **Transparency portal**

    HPCL is the first oil company in the Industry to develop the "Transparency portal" for providing online information to the Citizens of India in a transparent manner. The portal provides information on the number of subsidized LPG refills consumed by individual consumers and has features for rating the distributors and logging complaints.

  - **Saksham – Training program for Corpus fund Dealers**

    To help uplift the management capabilities and customer service standards of corpus fund distributors a novel program branded "Saksham" was conceptualised. During 2011-12, a total 375 distributors were trained under in this program out of which 155 were SC/ST distributors.

  - **Ji-Haan Samarth, Training Program for LPG Deliverymen**

    To better equip the LPG delivery men with the requisite skills, knowledge and attitudes to perform in their jobs, HPCL is imparting training through Ji-Haan Samarth to LPG delivery men in 9 different regional languages. During 2011-12, training was imparted to about 11,076 LPG delivery men. In addition, exclusive training programmes were conducted for 2,150 mechanics.

  - **Samvad, Training Program for LPG Distributorship Staff**

    To equip the LPG Distributorship staff with aspects like customer handling, grievance redressal and professional conduct, HPCL is providing interactive Audio-visual training to LPG Distributorship staff. During 2011-12, training was imparted to about 5,549 LPG Distributorship staff.

  - **Suraksha Sanchetana campaign**

    To create awareness for safety in kitchen especially for the rural women, a novel campaign combining specifically designed games on kitchen safety and staging a play to communicate safety messages in an easy to understand manner under the brand Suraksha Sanchetana campaign was conducted at 164 towns spread across 8 states.

    In addition, a number of innovative campaigns were conducted at the field level to spread the message of safety & conservation to all LPG users.

Aviation

During the year 2011-12, HPCL achieved sales of 768 TMT in aviation fuel sales. During the year, HPCL commissioned 1(one) new ASF at Varanasi taking the total number to 34 ASFs as of 31.3.2012. Fixed storage facilities have been commissioned at

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Mangalore and Trichy ASFs in the year. ATF Tank wagon loading facility at Mahul terminal was also commissioned during the year. To build robust operating practices, a new Operations Manual and Training Handbook have been developed during the year. Balancing growth & profitability and building capabilities will continue to be the focus areas.

Natural Gas

During 2011-12, HPCL expanded CNG retailing network in Ahmedabad by adding 5 daughter booster stations taking the total CNG network at Ahmedabad to one mother station and 20 daughter stations. The sourcing of the allocated gas from RIL was affected from Sep'11. To maintain gas supply to all CNG Stations, HPCL started sourcing RLNG from GSPL and GAIL.

The consortium formed by GSPC, IOCL, HPCL and BPCL has received the letter of Authorization from PNGRB for the three natural gas pipe Lines notified by PNGRB during 2010-11 i.e., Mallavaram-Bhilwara, Mehsana-Bathinda and Bathinda-Srinagar gas pipelines with a target commissioning date of July 2014. The total estimated capital expenditure is ₹ 13,706 Crore for laying these three pipelines. HPCL Board has approved capital expenditure of ₹ 452 Crore against 11% equity participation.

HPCL has signed a Memorandum of Understanding (MoU) with Greater Calcutta Gas Supply Corporation Limited (GCGSCL) & GAIL to form a Joint Venture Company for laying, building and operating City Gas Distribution (CGD) Network in Kolkata. PNGRB authorization for Kolkata CGD is awaited. The JVC will be formed after receiving necessary authorization from PNGRB for carrying out the project.

HPCL is operating CGD projects in Andhra Pradesh through Bhagyanagar Gas Ltd and in Madhya Pradesh through Aavantika Gas Ltd, both of them as Joint ventures with GAIL and other partners.

Operations & Distribution

During the year 2011-12, HPCL's POL installations, achieved a record throughput of 41 MMT, an increase of 6% over historical for supporting the sales performance. This was achieved by effective planning and execution in the areas of product procurement, distribution, safe operations, enhanced level of efficiency in operations leveraging automation & improved operating processes at POL Terminals and Depots.

HPCL has adopted the Climate Change Policy for ensuring sustainable development. During 2011-12, Carbon Footprint assessment under Scope 1, 2 & 3 under GHG Protocol Standards was completed for 15 POL installations including recommendations for carbon footprint reduction. Rain water harvesting projects have been commissioned at 18 POL installations and a Pilot project for ground water harvesting undertaken at Secunderabad Terminal.

In line with the directives of the government for introducing environment friendly BS IV grade fuels to more cities/towns, HPCL successfully changed over to BS IV grade fuels in 7 additional cities during 2011-12 taking the total number to 20 cities where BS IV grade fuels are being supplied. To reduce the consumption of fossil fuels & improve sustainability the Ethanol Blending Programme was implemented. During 2011-12, HPCL achieved 34.8% Ethanol Blended Petrol (EBP) supplies in the 13 states and 3 UTs where EBP program has been implemented.

HPCL commenced product evacuation and marketing from Guru Gobind Singh Refinery (GGSR), implemented by HMEL a Joint Venture refinery of HPCL at Bathinda with Pipeline movement from Refinery to HPCL Bathinda Installation. HMEL marketing terminal was commissioned with product receipts from the refinery and road despatches of MTO, SKO and HSD. This will ease supply constraints to markets in North India.

- **Safety initiatives at POL Installations**

  Safety remains the focus area for HPCL. For enhanced level of terminal safety, SIL (Safety Integrity Level) study at Visakhapatnam terminal was undertaken & completed. In a major initiative, HSE Index for capturing actual performance of POL installations vis-a-vis comprehensive HSE parameters was developed & implemented at 25 POL installations for the first time.

  - **ISRS Safety Certification**

    ISRS Safety Certification is a comprehensive and integrated safety management evaluation system which indicates implementation of robust and world class safety practices. During 2011-12, ISRS Level 6 was implemented at 15 major terminals. A total to 60 POL installations have so far been awarded the ISRS Certification.

  - **CCTV Surveillance**

    For enhanced security and surveillance, CCTV has been installed under Phase I at 56 POL installations.

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- **Third party surprise inspections**

  During 2011-12, to ensure compliance to parameters on Q&Q, safety and statutory norms in the contractor operated tank trucks, surprise Inspection through independent 3rd party was conducted at 42 major POL installations for contractor operated tank trucks.

- **Project Suraksha – Safety training program**

  To enhance safety, a training program under the name "Suraksha" has been conducted at 95 POL installations across the country covering 16,000 contract workmen, tank truck crew & security personnel.

- **Fit for the Road – Health checkup campaign**

  To ensure medical fitness of the Tank Truck (TT) crew, a unique `Fit for the Road' health check-up campaign was undertaken covering 4,500 tank truck crew wherein essential health parameters of TT crew was checked and medical consultation provided.

- **Compliance to M B Lal Committee Recommendations**

  HPCL has been taking a leading role in the implementation of M. B. Lal Committee recommendations. Out of the total recommendations of 118 by the Committee, implementation status in respect of 113 recommendations is being regularly monitored by a Joint Implementation Committee, comprising members from Ministry, OISD & OMCs. During the year, HPCL achieved compliance to 79 Recommendations out of the total of 113 recommendations being monitored by the Joint implementation committee. Push Button of Motor Operated Valves (MOVs) at 21 POL installations have been shifted outside the dyke area. Energy efficient lighting systems have been implemented at 72 POL installations for improving the lighting in operating areas.

- **Initiativesleveraging technology**

  To ensure access to correct data an online manual "OnD Datamine" containing comprehensive infrastructure details of all the 95 POL installations was developed and launched.

  For effective utilization of fleet and ensuring transparency in operation an Optimised Logistics Assistant (OLA) tool was developed & piloted at Secunderabad terminal to enable scientific & optimized scheduling of product indents.

  Terminal Automation System (TAS) for accurate deliveries & process controls has been implemented at 17 POL installations during the year taking the total number to 58 POL installations where TAS has been implemented. Out of the 58 POL installations, at 26 POL installations, Tank Farm Management Systems (TFMS) have also been integrated with the ERP stock accounting system for real time reports with the highest accuracy.

- **Initiatives for improving operational excellence**

  - **Differentiated services to Dealers**

    Differentiated Services to Category `A' dealers were extended to 1,170 Retail outlet dealers & 55 Direct Sale Consumers, covering about 30 % of retail sales volume.

  - **Project Utkrisht – Improvement in Productivity for POL installations**

    To enhance productivity at POL installations through management-worker co-operation by leveraging Technology, a unique project Utkrisht was launched under Participative Management Principle, and successfully piloted at 5 POL locations during 2011-12.

Projects & Pipelines

HPCL pipelines Mumbai-Pune-Solapur pipeline (MPSPL), Visakh-Vijayawada-Secunderabad pipeline (VVSPL) and Mundra-Delhi pipeline (MDPL) achieved a record combined throughput of 13.62 MMT against the target throughput of 11.0 MMT during the financial year 2011-12. Lube Oil Pipeline achieved throughput of 338.7 TMT against the target of 286.7 TMT for the year 2011-12.

During the year, a "Security Index" mechanism has been formulated and implemented to measure the security preparedness of the pipelines across all the 3 operating pipelines. HPCL also introduced centralized toll free number (1800-180-1276) for all the operating pipelines to enable the public to give alerts on security/ safety incidents in case of emergency along the Right of Use (ROU) of the pipelines.

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A number of projects are underway and are being planned to augment HPCL's marketing infrastructure. During the year, HPCL has submitted Expression of Interest (EOI) to PNGRB for the following three (3) major pipeline projects.

- **Rewari-Kanpur Pipeline (RKPL)**

  This project envisages laying a 440 km multi-product white oil cross-country pipeline from existing tap-off station of MDPL at Rewari to a new terminal at Kanpur via existing depots at Bharatpur and Mathura.

- **Awa–Salawas Pipeline (ASPL)**

  This project envisages laying of a 92 km multi-product white oil cross-country pipeline from existing intermediate pumping station of MDPL at Awa to existing depot at Salawas.

- **Mangalore-Hassan-Bangalore-Mysore LPG Pipeline (MHBMLPL)**

  This project envisages laying a 382 km cross-country LPG pipeline from Mangalore to Bangalore via Hassan along with a 106 km spur line to Mysore.

The details of the major projects completed during 2011-12 are described as under:

- **New East Zone office building at Kolkata**

  A state of the art office building for East Zone has been completed at an approximate cost of ₹ 31.0 Crore. The building comprises a basement and 6 floors with a total built up area of 50.1 thousand square feet.

- **GGSR product evacuation project**

  HPCL-Mittal Energy Limited (HMEL) has built the 9 MMTPA Guru Gobind Singh Refinery (GGSR), a grass root refinery near Bathinda, Punjab. Following cross country pipelines have been taken up for facilitating evacuation of MS, HSD, SKO and ATF products to Bathinda and Bahadurgarh, namely:

  - **Ramanmandi – Bathinda pipeline**

    A 30 km long, 10” diameter pipeline from Bathinda to Ramanmandi. The Pipeline has been commissioned in Dec'11 at a cost of ₹ 89.0 Crore.

  - **Ramanmandi-Bahadurgarh Pipeline**

    A 250 Km long, 18” diameter pipeline from Ramanmandi to Bahadurgarhat a cost of ₹ 370.0 Crore. Pre-commissioning activities have been completed and the pipeline is awaiting receipt of product from GGSR Refinery.

- **Tikrikalan Terminal**

  Construction of a new grass root terminal with receipt facilities from Bahadurgarh-Tikrikalan Pipeline for handling MS, HSD, SKO and Ethanol at a revised estimated cost of ₹ 94.69 Crore has been completed mechanically.

- **Bahadurgarh -Tikrikalan Pipeline**

  The project includes laying of 2 numbers 12 km long product pipelines for MS and HSD / SKO of 8” and 10” diameter respectively. These pipelines have been laid from Bahadurgarh Terminal to Tikrikalan Terminal at an estimated cost of ₹ 60 Crore. The project has been completed mechanically.

- **Replacement of 1.71 km pipeline in Mumbai-Pune-Solapur pipeline**

  Replacement of 1.71 Km pipeline in ghat section from Khopoli booster station to NRV has been completed in the Mumbai-Pune-Solapur pipeline. This initiative will help to increase the flow rate by almost 30% in the pipeline.

- **Additional product tankages at POL Locations**

  Additional product tankages (APT) at the following POL locations was completed during the year.

  - Irumpanam: Construction of 2 (two) number above ground storage tanks for MS/HSD with aggregate capacity of 10 TKL has been completed mechanically at a total cost of ₹ 9.9 Crore.
  - Jaipur: Construction of 3 (three) number above ground storage tanks for MS/HSD with aggregate capacity of 13.5 TKL has been completed mechanically in Oct'11 at a total cost of ₹ 10.5 Crore.

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- Ajmer: Construction of 4 (four) number above ground storage tanks for MS/HSD with aggregate capacity of 16.7 TKL has been completed mechanically in Mar'12 at a total cost of ₹ 12.8 Crore.
- Rewari: Construction of 3 (three) number above ground storage tanks for MS/HSD with aggregate capacity of 10.7 TKL has been completed mechanically in Mar'12 at a total cost of ₹ 7.6 Crore.
- Bahadurgarh: Construction of 6 (six) number above ground storage tanks for ATF/MS with aggregate capacity of 45 TKL has been completed mechanically in Sep'11 at a total cost of ₹ 29.0 Crore.

- **Reconstruction of small filling plant shed, Chennai**

  Reconstruction of small filling plant shed at Chennai with an approximate area of 14,900 square feet was completed and commissioned during 2011-12 at a cost of ₹ 9.0 Crore.

- **Tank truck Gantry at Kolkata, Paradeep and Raipur Terminals**

  Tank truck Gantry at following POL installations were completed during the year.

  Kolkata I terminal: A 2 x 8 bay tank truck gantry along with automation was commissioned at an approximate cost of ₹ 26.0 Crore.

  Paradeep Terminal: A 1 x 4 bay tank truck gantry was commissioned at an approximate cost of ₹ 3.5 Crore.

  Raipur Depot: A 1 x 8 bay tank truck gantry along with automation has been mechanically completed at an approximate cost of ₹ 10.0 Crore.

  In addition to the above completed projects, a number of projects are under construction to strengthen the distribution infrastructure to cater to the increasing demand of POL products. The details of major projects and the project status are described as under:

- **White Oil Terminal at Visakhapatnam**

  The While Oil Terminal at Visakhapatnam will be the first fully automated white oil terminal including Tank wagon gantry. The total project cost is expected to be ₹ 465 Crore with total tankage capacity of 168 TKL. The terminal can receive product either from refinery or coastal inputs from jetty. The infrastructure contains provision for Tank truck loading, wagon loading and shipping from this installation.The terminal was mechanically completed in Dec'11. OISD inspection is complete and compliance of recommendations is under progress. Tank Wagon Gantry work is in progress. Commissioning activities are planned during the fiscal year 2012-13.

- **LPG Terminal and Bottling Plant at Visakhapatnam**

  A new LPG Terminal & Bottling Plant has been constructed at Visakhapatnam and shall be the nerve center for LPG distribution from Visakhapatnam. The storage capacity is 4.4 TMT which is the largest capacity in HPCL Marketing. The total project cost is ₹ 250 Crore. The plant has been commissioned in Mar'12 and dispatches have commenced.

- **White Oil Terminal at Ennore, Tamil Nadu**

  A new green field White Oil Terminal is being constructed at Ennore which is located on the outskirts of the Chennai City for relocating the existing Chennai terminal. The project is to provide Tankage facility of 140 TKL for storage and dispatch of MS, HSD, SKO and ATF. The terminal was mechanically completed in Dec'11. OISD and pre-commissioning activities are planned during the fiscal year 2012-13. The total project cost is expected to be ₹ 374 Crore.

- **New Depot at Bokaro**

  Construction of new depot for handling black oil and white oil products is in progress at a total estimated cost of ₹ 188.0 Crore.

- **New POL Depot at Bihta (Near Patna)**

  Construction of a new depot for handling White Oil (MS, HSD & SKO) & Black Oil (FO & Bitumen) including wagon unloading siding at an estimated cost of ₹ 142.50 Crore is under progress. The Project is in advanced stage of completion and is expected to be commissioned in 2012-13.

- **New Depot at Kadapa**

  Construction for resitement of Kadapa depot is in progress at a total estimated project cost of ₹ 200.4 Crore. The new depot will handle both black oil and white oil products.

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- **Revamping of existing terminals**

  Revamping of existing terminals at Budge-Budge, Paradeep and Loni are being carried out at a total estimated cost of ₹ 236.2 Crore.

- **Other infrastructure augmentation**

  Construction of new 1 x 8 Bay tank truck Gantry is in progress at Bhatinda at a total project cost of ₹ 24.5 Crore. Construction of additional 1x4 Bay Tank truck Gantry each at Ajmer & Jaipur and 1x8 Bay Tank truck Gantry at Akola, 1x6 Bay Tank truck Gantry at Amousi and 1x8 Bay &1x6 Bay Tank truck Gantries at Aonla are in progress at a total approximate cost of ₹ 73.70 Crore.

RESEARCH & DEVELOPMENT (R & D)

Research & Development is envisaged to provide support to the Refineries and Marketing divisions for operational improvement, absorption of new technologies, developing innovative & path breaking technologies, license technologies, support external organizations and in the long run to develop as a knowledge hub and a profit centre.

To realize this objective HPCL is setting up a Corporate R&D Centre at Bengaluru in a phased manner with initial investment of ₹ 312 Crore. This Centre will be involved in carrying out Research & Development activities in refinery technologies, Nano-technology applications and also bio-fuels.

The R&D Centre will be conforming to eco-friendly design norms and will consist of Nine Research Labs covering Crude Evaluation & Fuels Research, Hydroprocessing, Catalytic Cracking (FCC/RFCC), Catalysis, Process Modelling & Simulation, Bio Processes, Standard Testing, Analytical Lab and Centre for Excellence in Nano-Technology.

HPCL has undertaken collaborative R&D projects with premier research institutes such as IIT Kanpur, IIT Madras, IISc Bangalore, IIT Delhi, TERI New Delhi, NIT Calicut, CIMFR Dhanbad, GITAM University Visakhapatnam, Korea Institute for Energy Research-Korea in the areas of process intensification, nanocatalysts, CO2 capture & utilization, hydrogen production & storage, resid upgradation, improved lubricants and adsorptive separations.

Collaborative projects were also taken up with Indian Institute of Petroleum, Dehradun and Research & Development Center for Iron and Steel (RDCIS), Ranchi for understanding the impacts of various chemicals on different formulations as fundamental research. Preliminary studies on stability of dispersions of Nano particles in engine oils, Industrial gear oils etc. has been taken up by the institutes who have adequate resources and manpower for carrying out the work.

HPCL has taken up development of new products in the automotive, industrial and grease lubricants. These include products meeting the most recent and stringent demands for OEM's and other industry members including core sector like defence, mining, steel etc. The products being developed have approvals of OEM's and major industry users. HPCL obtained Patent on new process for complexing of lithium Grease.

The focus is on developing environment friendly products. Biodegradable products for reducing ground water pollution, and friction modified oils for reducing noise pollution have been developed. HPCL is committed to energy conservation and has developed energy efficient gear oils, spindle and slide way lubricants. To help Petroleum conservation high drain oils / greases in automotive and industrial sectors have been developed.

In the area of Alternate fuels development, an MOU has been in existence between HPCL and NIT, Calicut for “Investigations on the application of catalystic Nano particles as diesel and biodiesel additives”. The work is in progress as per schedule in the project.

QUALITY CONTROL (QC)

HPCL has put in place Quality Management System for ensuring continuous vigil on all inputs and protecting the product quality at every stage of handling so that quality products are supplied to the customers all the time. Regular Quality Control (QC) audits of POL installations have been carried out for improving the QC practices. Continuous training is being provided to the operating people for ensuring protection of product quality at all stages.

HPCL has a dedicated Quality Assurance department which is independent of Refining & Marketing functions reporting to the Human Resources function. The Quality Assurance department carries out inspections independent of the regular QC departments and acts as an important nodal agency for ensuring supply of quality products to customers.

The focus is on infrastructure improvement in terms of setting-up of new stationary QC Labs and up-gradation of existing QC Labs. During 2011-12, an exclusive calibration laboratory has been commissioned at Delhi. Further, three (3) new QC Laboratories at Ennore, Tikrikalan and Bathinda have been commissioned and testing facilities for industrial consumers have

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been added at Indore, Bangalore and Pune laboratories. To benefit all stake holders, an exclusive QC Portal has been hosted on the website.

The future plans include, setting up of three (3) new Laboratories at Jabalpur, Rewari and Mughalsarai & commissioning of two (2) CFR Octane engines at Cochin and Guwahati.

HEALTH, SAFETY& ENVIRONMENT

HPCL is committed to conducting business with an objective of preserving the environment, sustainable development, being a safe work place and enrichment of the quality of life of employees, customers and the community. HPCL endeavours continuously to implement systems and procedures for achieving the goal of highest standards in safety, occupational health and environment protection.

All the major POL installations across the country and the two refineries are ISO 14001, ISRS & OHSAS 18001 certified. They are well equipped with health care facilities and have arrangements with nearby reputable hospitals for treatment during emergencies. Regular check-ups are done for all the employees, especially for those who engage in adverse working conditions.

During 2011-12, awareness programs on maintaining healthy lifestyles, heart-care, yoga, meditation, work-life balance were conducted for the employees and their family members.

HPCL continued to build its culture of safety and improve its performance in 2011-12. Regular internal safety audit and the mandatory audit from Oil Industry Safety Directorate (OISD) were conducted during the year. Implementation of OISD 116 recommendations are being carried out at both refineries.

Safety talks, trainings and case studies form part of the daily activities of all the personnel directly or indirectly engaged in the refining process. During 2011-12, safety training programmes for 447 contractors were conducted in both the refineries. In addition, HMEL employees, CISF personnel and apprentice were trained in safety and fire fighting courses.

To reduce the fresh water dependency on Municipal Corporation, initiative of rain water harvesting planned during the year at Mumbai Refinery. Visakh refinery has conducted a “Green Visakha” program with plantation of saplings in Visakhapatnam as part of HPCL’s initiative to a cleaner and greener environment.

As part of commitment for protection of environment, HPCL is implementing Flue Gas Desulphurization (FGD) projects at both the refineries for removal of Sulphur from the flue gases of the Fluidized Catalytic Cracking (FGD) Units. FGD at Mumbai refinery was commissioned in Mar’11 and the project is expected to be commissioned by Sep’12 at Visakh refinery. Mumbai refinery has bio-remediated around 3,000 m3 of low oily silt using oil zapper technology. Oil sludge and spent catalyst from both refineries were disposed to Central Pollution Control Board (CPCB) authorized recyclers.

- **Sustainable Development**

  HPCL has formulated a Sustainable Development (SD) policy and disseminated to all the employees for inclusive action. HPCL has installed sound ‘Environment Management Systems’ in various locations and has been upgrading them with newer and efficient technologies periodically. Both the refineries at Mumbai and Visakh are equipped with state of the art liquid effluent treatment plants (ETP) to monitor and control the quality of the effluent water that is being let out of the premises. All the marketing terminals and depots also house ETPs / Oil water separators for effluent management. During 2011-12, various initiatives such as Electrical Energy audits, Rain water harvesting at POL Locations, Rain water harvesting at Visakh Refinery, Improving treated water output at Mumbai Refinery, Power generation through Wind Mills and Carbon Foot Print Assessment of POL locations have been carried out. The progress of the SD initiatives is monitored by a Board Sub Committee periodically. A SD report has been prepared for the financial year 2011-12 which highlights the various SD initiatives undertaken by HPCL. The SD report has been prepared as per the guidelines of GRI and has been assessed by a third party as per the norms.

EXPLORATION & PRODUCTION (E & P)

To build a strong foundation for the Exploration & Production business, a significant achievement during 2011-12 has been the takeover of M/s Prize Petroleum Company Limited (Prize), a Joint Venture Company of HPCL into a Wholly Owned Subsidiary, effective December 22nd, 2011.

HPCL had a portfolio of Participating Interests (PI) in 21 numbers assets as of 31.3.2011 excluding the (2) two blocks awarded in the NELP-IX bidding round of Mar’11. Of these, 18 were domestic offshore & onshore blocks and 3 were overseas exploration blocks with minority stakes (8% to 25%) at prospective basins of Australia and Egypt.

During 2011-12, HPCL has relinquished interests in 4 domestic blocks.The total portfolio of Participating Interests (PI) for HPCL stood at 14 Domestic blocks and 3 Overseas Blocks as of March 31st, 2012. The details of the Blocks relinquished during 2011-12,

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are provided in the section of 'Statement of Significant Accounting Policies and Notes' forming part of Accounts.

M/s Prize Petroleum Company Limited (PPAC) has a portfolio of 2 producing fields and one exploration block. The details of the performance of PPAC has been discussed in the section under Joint Ventures.

Going forward, M/s Prize Petroleum Company Limited shall be the upstream arm of HPCL and all the exploration and production activities, which were being carried out by HPCL and Prize separately, will be carried out by new entity.

RENEWABLE ENERGY

To ease the stress on fossil fuels for meeting its growing energy demand, India needs to invest in renewable energy sources. India has abundant, untapped renewable energy resources including a large land mass that receives ample solar irradiance, a large coastline for tapping on-shore & offshore wind potential, significant annual production of biomass, and numerous rivers and waterways having potential for developing hydropower.

HPCL has undertaken to put up 100 MW of Wind Farm project to tap the vast wind potential in the country. HPCL has planned to implement the same in two phases. Under the first phase, a total capacity of 50.5 MW has been commissioned in two parts. The wind power generation during the year was 816 Lakh KWH.

HPCL has ventured into bio-refining in collaboration with Chhattisgarh State Renewable Energy Development Agency (CREDA), for the plantation of jatropha in the State of Chhattisgarh. Jatropha seeds are used for the production of bio-diesel as viable renewable source of energy. The Company's objective is to carry out jatropha plantation on 15,000 hectares of land leased to HPCL by the Govt. of Chhattisgarh.

INFORMATION SYSTEMS

Information systems are being used to support all business processes of HPCL. All business transactions are carried out in Enterprise Resource Planning (ERP) system & various bolt on applications to the ERP system. Due to use of these systems, HPCL is able to reduce the time taken for closing the quarterly, half yearly and annual accounts. To ensure transparency and visibility of information across the Corporation, end-to-end processes have been configured in these systems for reducing cycle times and provide better management control.

Based on the foundation of ERP system, a multitude of IT enabled solutions have been developed & implemented to help managers do their job effectively. ERP platform has made possible development of real time interfaces to the IT enabled systems with various business partners. Various new initiatives have been implemented and sustained efforts continue to bring in more of these to reality.

- **Indent Management System (IMS)**

  To automate indenting process, HPCL has implemented an Indent Management System (IMS). Our dealers & customers are now able to send indents by SMS. Facility for placing indents through web-based customer portal has also been made available to our institutional customers. The system has enabled stage-wise tracking of indents. This has facilitated effective planning, monitoring and execution of indents.

- **e-banking**

  e-banking initiative has been expanded to cover all payments to outside parties such as vendors & contractors and even HPCL employees. HPCL has tied up with multiple banks to offer the service to the various categories of payees.

  Payment information flows seamlessly as ERP server communicates directly with the bank servers without any manual intervention. During 2011-12, 97% of payment made to the vendors, other than that for crude purchases, has been made by electronic fund transfer.

  During the year 2011-12, HPCL has achieved 92% of on-line fund transfer in Sales process compared to 91% in the previous year. On-line fund transfers now exceed ₹ 12,000 Crore a month compared to ₹ 10,000 Crore a month in the previous year. The reconciliation process is also totally automated. This initiative has enabled HPCL faster collection & better management of funds.

- **e-procurement**

  In the area of procurement, the platform provided by the ERP system is being used for bringing in transparency. HPCL has implemented e-procurement process wherein tenders are floated on-line & the responses are obtained from the vendors also on-line using digital signatures. Tender opening & evaluation is being done in this application & order is placed through the ERP system.

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- **Portals and workflow applications**

  A customer portal is being maintained which provides complete visibility to the direct customers, dealers & distributors on their transactions with HPCL. Similarly a portal for the transporters enables them to access information pertaining to their transactions.

  A number of work flow based applications have been implemented for employee self-service to speed up the process of benefits administration. Capital budgeting process for Non-plan projects as well as revenue budgeting process has been captured in the system through workflow based application. Two (2) unique initiatives "Samavesh" meaning 'inclusion' and "Santushti" meaning 'complete satisfaction' have been implemented. Both these are electronic work-flow processes & integrate with ERP as well as other on-line systems. Through these systems, the induction process and the final settlement process for separating employees are e-enabled.

- **GIS Maps based application for Retail outlets**

  HPCL has rolled out a GIS Maps based application for retail outlets. Majority of the retail outlets have been plotted on the map. This has enabled to set default route from supply POL installation & accurately measure distance which in turn has resulted in improving accuracy of calculation of freight payments.

- **Communication Infrastructure & Security**

  HPCL has taken a number of steps to ensure security of information systems. Robust authentication methodology has enabled us to secure our corporate network from unauthorized access. Security Operations center has been set up for continuous monitoring of systems for any security related incidents. Identity management system has been implemented. To enforce segregation of duties, implementation of GRC (Governance, Risk & Compliance) solution for ERP systems has been started. Systems Management Solution has been implemented for ensuring all PCs & laptops are patched with latest security patches to protect them.

  HPCL continuously endeavours to leverage capabilities and upgrade IT systems with the introduction of the new technologies and evolving technologies for improving in-house processes and capabilities.

HUMAN RESOURCES

HPCL is focussed on development of Human Resources and providing a congenial work climate for ensuring operational excellence and increased productivity. During the year 2011-12, HPCL has undertaken various initiatives for improvement of employee engagement, improvement in productivity and promotion of industrial harmony for meeting strategic objectives of the Corporation and enhancing the value to various stakeholders.

HPCL is focussed on nurturing talent, developing & building capabilities of employees and ensuring a performance oriented culture to meet the business expansion and growth objectives. Some of the major initiatives undertaken for enhancing performance of Human Resources during the year are as under:

- **Leadership Development**

  - **Project AKSHAY:**

    For guiding the collective effort of organizational members towards the common goal of being a World Class Energy Company, a unique leadership development initiative, christened "Project Akshay" has been undertaken. Project Akshay is an experiential learning model with specific leadership inputs provided through classroom training. The training program involved multiple methodologies like executive coaching, one–to-one coaching sessions, 360 Degree Feedback based on Emotional and Social Competency Inventory, Classroom sessions, experiential learning through mentoring opportunities and group projects.

    A total of 21 top officials underwent this program. To provide a real life simulation to help the participants experiment their leadership skills in guiding and inspiring their team towards achieving time determined outcomes, each of the participants were assigned with mentees who in groups undertook different projects for enhancing leadership skills. The 21 participants mentored about 104 employees. The training modules were all woven together and deployed in well designed, co-ordinated and aligned manner over a period of 10 months.

    The program helped the participants to consciously examine their interactions with peers and mentees, self-examine their reactions to different situations, observe how their behaviours impact others and identify their own strengths and areas for development.

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- **Employee engagement initiatives**
  - **Project Utthaan**

    To help develop technical and behavioural competencies of employees promoted from labour to clerical grade and for increasing their overall efficiency at the work place, HPCL has started a training program called "Utthan" targeting attitudinal, behavioural, IT orientation, Customer focus & Internal processes competencies.

    Using adult learning techniques extensively, the program concentrates on work activities (ERP/Non-ERP) handled by the employee in focus, project assignments and work place skill development by providing bird's eye view of organization structure. The training contains 3 sessions of 5 day training spread over a period of 3 months. During 2011-12, training has been imparted to 89 out of the total 125 workmen promoted from labour to clerical grade.

  - **Competency Management**

    During 2011-12, the Competency Mapping and Development process was strengthened. A total of 135 officers, from newly elevated managers attended Development Centres. The focus was to facilitate the officers to understand the behavioural framework applicable to Managers.

    To review progress of employees against their Individual Development Plan (IDP), Technical Competency Test (TCT) was conducted for 270 officers in Retail, LPG and Pipeline functions. Based on the scores, the Competency Development Review Committee (CDRC) held one-to-one discussions with each of the employee's to review the progress and update the IDP of the 270 employees.

  - **Project Sankalp**

    To enhance the safety related competencies, based on M.B. Lal committee recommendations, project Sankalp for non-management employees working in POL installations was launched. Technical and behavioural competency assessments were carried out in 11 different languages. In the first phase of the project, technical and behavioural competency assessment was carried out for 1,554 non-management employees working in 100 different POL installations. The second phase of the project would involve designing interventions towards enhancing the safety related competencies of non-management employees.

  - **HP GAURAV**

    To encourage commitment, adherence to safety measures and excellence in work, HPCL has institutionalized HP Gaurav, a scheme for recognizing outstanding performance, conduct and discharge of duties by non-management employees in 2010. During 2011-12, out of numerous nominations received, 82 outstanding non-management employees were recognized with HP Gaurav awards.

- **Improvement in Industrial harmony**
  - **Long Term Settlement (LTS) and Career Development Policy (CDP)**

    The Industrial relations climate during the year 2011-12 was cordial and fruitful. Long Term Settlement discussions were conducted for Marketing division and Mumbai & Visakh Refineries.

  - The Long term Settlement (LTS) on wage and other allowances of non-management employees of Marketing Division of HPCL for a period of 10 years was signed on December 19th, 2011 and the Career Development Policy (CDP) for non-management employees for Marketing Division was signed with all-India Marketing Unions on March 31st, 2012 before Chief Labour Commissioner (Central)[CLC (C)], Delhi. The new CDP will have an applicability of 5 years from the date of signing of CDP. The Visakha refinery LTS was signed by both Visakh Refinery unions on January 8th, 2012 and the Mumbai refinery LTS was signed on February 15th, 2012.

- **Other initiatives**
  - **RMs Conference / Finance Strategy Meet**

    To strengthen the synergies amongst various SBUs, attain commonality of purpose and complete alignment across the organisation to achieve corporate objectives All India Regional Managers Conference was held in Nov'11 which helped in highlighting the underlying issues affecting performance. Recognising the need to have an operating model to support the business objectives, a Finance conference was held in Mar'12 involving over 80 officers from the Finance function which helped in launch of new initiatives and Manuals.

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- **Path of Light Program, a Program for Retiring Non-Management employees**

  To make the superannuating non-management employee and his /her spouse aware of post-retirement psycho-socio-economic changes and associated requirements in health and wealth management, HPCL has launched a unique training programme called “Path of light” for retiring non-management employees which was inaugurated on August 18th, 2011.

  During 2011-12, all non-management employees who will be superannuating by Mar’13 totalling to 150 employees have been covered under the program.

- **Programme for women employees**

  HPCL has a large workforce of women who are ambitious, competent and achievement oriented. To support the career aspirations of women employees, focus on development & utilisation of female talent pool, develop managerial capabilities and upgrade skills in a systematic manner, a two-day program for all women officers in junior management was designed and deployed in a well-coordinated manner. The aspiration levels of women officers to aspire for a particular position and work consciously towards achieving it by building on assertiveness, perception management and confidence building etc. were accomplished during the program.

- **Periodical Medical Examination**

  To ensure employee well being and mirror employee health, HPCL has launched a new health policy in 2010 and initiated mandatory periodical medical examination for all employees. During 2011-12, a total of 5,653 employees have undergone periodical medical examination.

RIGHT TO INFORMATION (RTI)

The Right to Information Act 2005, promulgated on October 12th, 2005 has been adopted by HPCL for providing information to the Indian Citizen, when he seeks information from this public authority.

HPCL has leveraged technology and put in place a well-developed IT based system for tracking the RTI applications received from various locations across India, ensuring timely response to the information seeker, acting as a record keeping / search tool on RTI and providing real time information availability to the concerned department.

HPCL regularly updates details of the corporation, including details / address of the Public Information Officers and First Appellate Authorities, as mandated under Section 4 of the RTI Act 2005.

HPCL has hosted detailed information in its WEB portal www.hindustanpetroleum.com.The website is updated with relevant information on need basis, including publishing the details of Retail Outlet Dealerships / LPG distributors selection. During 2011-12, security audit was conducted for ensuring adequate WEB security and prevent hacking.

During 2011-12, HPCL received a total of 4,108 RTI applications, in which a total of 12,434 queries were handled, by providing information.

Dissemination of the Right to Information (RTI) knowledge was undertaken covering 300 employees, through 18 number of RTI sensitization programs. Going forward, it will be the endeavour of HPCL to ensure that all its employees are sensitized with regard to RTI Act 2005, through in house / outsourced training programs.

CORPORATE SOCIAL RESPONSIBILITY

HPCL draws from its mission statement a zest to help the downtrodden, needy & marginalized citizensby creating social infrastructures. The mission of the corporation incorporates broader responsibility of HPCL towards the society.

At HPCL Corporate Social responsibility (CSR) is described as responsible and efficient management of all operations, products & services that create positive impact on the society, contribute to social economic development and improve the quality of life in local community and society at large.

Signifying the importance given to CSR activities, HPCL has a CSR committee at the Board level and developed a CSR purpose statement. An exclusive CSR department has been formed for providing complete attention and focus to all the social responsibilities being undertaken at HPCL.

HPCL’s CSR policy has distinctive features, and is geared to help the company in smooth decision making on investment, selection of projects, implementation, execution, monitoring, inspection, impact assessment etc. so that HPCL can provide utmost and sustained value for the investment made, and contribute effectively to the various causes.

HPCL’s CSR model is based on “Creating Shared Value” implying that corporate success and social welfare are interdependent.

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At the corporate level, projects are undertaken in partnership with specialized NGOs/Implementation partners with focus on Sustainable Livelihood, Child Care, Education, Health Care and Community Development. At the field level, the field personnel in the periphery of their function identify the needs of the community at the location and schemes are implemented to bridge the gap of the community needs and within their area of business. In addition, activities under the Special component plan are also carried out.

- **Special Component Plan**

  As part of Special Component Plan / Tribal Sub Plan & Welfare Plan for Weaker Sections various initiatives pertaining to Primary Education, Scholarship for Graduation & Post-Graduation Studies, Drinking Water Facilities, Health Care, Income Generating Schemes / Vocational Training and Rehabilitation of Persons with Disabilities etc. are undertaken.

  During 2011-12, HPCL has undertaken the following major projects at the corporate level.

  Child Care

  ■ **Bal Haq- Ek Sthayee Parivartan**

  To work for the child right, this project is partnered with CRY (Child Rights &You) to work in villages and slums for making permanent change in the lives of underprivileged children. This project is implemented in 2010-11 in Naupada and Kendrapara districts of Odisha and in Rajkot district of Gujarat for marginalized communities and children. During the year 2011-12 about 58 villages have been covered in this project.

  ■ **Muskan**

  This program is partnered with Prayas-Juvenile Aid Center (JAC) Society, New Delhi for taking care of street / run away children and placing them in shelter homes of Tughalakabad and Jahangirpuri for bringing them back to proper care in their childhood. During the year 2011-12 about 220 children have been provided with basic needs like Food, Clothing, Shelter, Health Care, Counselling, Non-formal education and Vocational training to help in their overall development and making them capable of standing on their own feet.

  ■ **Childline**

  HPCL is operating a Childline rescue van in Mumbai, Delhi and Kolkata to provide a quick and reliable mode of transport that can transport a child from a risk ridden situation to a safer space. It will also create access to children in those places which are difficult to reach without a vehicle.

  Education

  ■ **Unnati**

  This project is partnered with NIIT Limited for promoting computer education with allied facilities like MS Office, LAN, and Internet. During the year 2011-12 the project has been implemented in 30 schools in different parts of India covering 5,500 students as beneficiaries of this program.

  ■ **Nanhi Kali**

  This program is partnered with K.C.Mahindra Education Trust (KCMET), Mumbai for focusing on education of girl children. During the year 2011-12 about 9,168 girl children from Standard I to Standard X have been benefitted. A majority of these girl children come from families which are economically backward and whose earning members are daily wage labourers, vegetable vendors and rickshaw pullers.

  ■ **Children with special Needs (ADAPT)**

  This program is being implemented through ADAPT (Abled Disabled All People Together) for support of educational service for Children With Special Needs (CWSN) in Mumbai. This project is implemented from 2011-12 and 305 such children are benefitted.

  ■ **Mid-Day Meals for Govt. Schools (Akshaya Patra)**

  This program is implemented during the year 2011-12 for providing direct access to food for the under privileged children by providing mid-day meals in Visakhapatnam and Guwahati for 5,000 children and providing Food distribution vehicles & vessels at Medak dist., A.P., through Akshaya Patra, which works in partnership with various State Governments of India.

Health Care

- **Navjyot**

  This project has been under implementation since 2005-06 and is partnered with Navjyoti India Foundation, New Delhi for supporting "Child Health and Welfare" program at Resettlement Colony at Bawana in Delhi. During the year 2011-12 the beneficiaries are 5,100 children.

- **Suraksha**

  This project is implemented to arrest the fast spread of AIDS and ensure the safety of the members of the families of the truck drivers and cleaners through the two 'Khushi' Clinics set up at Highway Retail Outlets at Ravulapalem, Andhra Pradesh and Shoolagiri, Tamilnadu.

- **Health care at Rural Areas**

  This program is implemented during the year 2011-12 and it provides free health services for poor people in the rural areas through mobile vans at their doorstep in Bihta district, Bihar through Wockhardt Foundation. Each van is fitted with a GPRS system which covers around 25 villages in weekly cycles. A doctor is attached to each van which is hired. Besides the medical check-up and health support the doctors also spread awareness on hygiene and health care.

- **Sushrut Hospital**

  "Sushrut Hospital", a Multispecialty Hospital and a charitable institution at Chembur is being supported by HPCL for the past many years.

Livelihood

- **Swavalamban**

  This project is partnered with Confederation of Indian Industry (CII), New Delhi, for vocational training to unemployed youth including school dropouts at various locations like Bathinda, Chandigarh, Guwahati, Visakhapatnam, Loni, and Hyderabad. The skills imparted are Basic Electrical, Refrigeration, AC, Fabrication, Plumbing, Basic IT, Computer, Beauty Culture and Skin care. During 2011-12 about 3,575 beneficiaries have been covered under this project.

- **Employability for youth in Urban Slums (Smile)**

  This program is implemented during the year 2011-12 in partnership with Smile foundation for imparting skills in English Proficiency, Basic Computer Education and Soft Skills at the SMILE Twin e-learning Program (STeP) centres at Jaipur and Chennai. A total of 240 youth have been the beneficiaries during 2011-12.

Community Development

- **Jaltarang**

  This project is aimed at ensuring water security through rain water harvesting projects.

OFFICIAL LANGUAGE IMPLEMENTATION

Official Language Implementation (OLI) has been given the utmost importance in the Corporation. During 2011-12, various workshops and conferences were conducted for management and non-management employees to encourage official language and also to increase the capabilities in communicating through official language.

To encourage implementation of official language, Hindi Pakhwada was celebrated from September 12th to 23rd, 2011; Vishwa Hindi Diwas was celebrated on January 10th, 2012 and Akhil Bhartiya Hindi Mahotsav was organised at Mumbai on March 2nd, 2012. Further, an effective incentive scheme is in place in the organization and shield policy is in force at corporate, zonal and refinery levels for best performance in OLI. HP samachar and TOLIC samachar were published in Hindi.The efforts of HPCL were recognised with a number of awards.

HPCL continues to head the Town Official Language Implementation Committee (TOLIC) in Mumbai for Government Undertakings / Corporations since its formation. During inspections carried out by the Parliament Committee on Official

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Language the official language implementation at various locations in HPCL and the work done by HPCL during TOLIC discussion programs was appreciated.

HPCL was conferred with the prestigious Indira Gandhi Rajbhasha Award for the 4th consecutive year for best official language implementation among Public Sector Enterprises in India. The award was presented by the Hon'ble President of India on Spetember 14th, 2011 for the outstanding achievements of the Corporation in the realm of Official Language Implementation in "B region".

AWARDS RECEIVED

- SCOPE Meritorious Award for Corporate Social Responsibility & Responsiveness Commendation Certificate for the year 2010-11.
- Indira Gandhi Rajbhasha Puraskar for the fourth successive time for best official language implementation among Public Sector Enterprises in India on September 14th, 2011.
- Golden Peacock Excellence Award 2011 for Best HR practices by the Distinguished Fellow of Institute of Directors for significant contribution to business and society in Aug'11.
- Reader's Digest Trusted Brand Award Gold Award 2011 for Club HP brand for the sixth consecutive year.
- Best Marketing campaign Award at Asia Retail Congress 2011.
- Brand Leadership Award 2011 in Service/Hospitality Industry at the World Brand Congress 2011 in Dec'11.
- Golden Peacock Award 2011 for CSR at the 6th international conference on CSR in Apr'11.
- MDPL received the "Golden Peacock Innovation Management Award" for the year 2011.
- ASIA's best CSR Practices Award 2011 at Singapore in the category of "The Best Corporate Social Responsibility Practice (Overall)".
- Award for "Best Loyalty program" and "Brand excellence in Service / hospitality" at the CMO Asia Awards 2011 at Singapore.
- Mumbai Refinery received "Maharashtra Safety Award 2010" for achieving longest accident free period from National Safety Council, Maharashtra Chapter on September 24th, 2011.
- Visakh refinery was conferred with TOLIC award (Rajbhasha Puraskar) for the year in 2011-12.
- Conferred "Forecourt Retailer of the Year" at the Star Retailer Awards 2011 in Dec'11.
- HPCL bagged the Star News "Blue Dart World CSR Day Global CSR Awards powered by Star News" in two categories, viz. "Best Overall Corporate Social Responsibility Performance" and "Corporate Social Responsibility award in the sector of Education".
- HPCL received the CSR award from Subir Raha Centre for Corporate Governance in 4 categories, viz. "Support and Improvement in Quality of Education", "Concern for Health", "Community Development" and "Best Environmental Excellence".
- Santacruz ASF was awarded "Certificate of Merit" for achieving "Zero Accident Frequency Rate" for the third consecutive year under "Maharashtra Safety Award Competition -2010".
- HPCL received the "CII Environmental Best Practices Award 2012" for Vapour Recovery System commissioned at Loni Terminal.
- MDPL received OISD "1st rank in Cross Country Pipelines – Product Category" Safety Award for the year 2010-11, consecutively for the 3rd year.
- MPSPL was awarded "Meritorious Performance in Industrial Safety" for Trombay (consecutively for the 5th year), Khopoli and Talegaon (consecutively for the 4th year) for the year 2010 from National Safety Council, Maharashtra Chapter.
- National Award for "Significant Achievements in Employee Relations by the Employee Federation of India (EFI) in Oct'11.
- Awarded World Star 2011 for 1 litre size Metalized Rolla-pack introduced for LG.
- Bagged IFCA Star Award 2011 for introducing IML (In-mould Labelling) technology in Lube Industry for HP Milcy Turbo pack & for adopting HTL (Heat Transfer Label) for pails, first in Lube Oil Industry.
- Ajmer LPG Plant was declared silver award winner in 12th annual Greentech Environment Award in Petroleum Sector held at Srinagar on October 20th, 2011 for the 3rd consecutive year for outstanding achievement in environment Management.

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CORPORATE GOVERNANCE

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

- **Integrity pact**

  The Corporation has introduced "Integrity Pact" (IP) to enhance ethics / transparency in the process of awarding contracts. A MOU has been signed with "Transparency International" on July 13th, 2007. HPCL has implemented the Integrity Pact with effect from September 1st, 2007. The Integrity Pact has now become an integral part of procurement process for all tenders above ₹ 1.0 Crore.

RISK MANAGEMENT

HPCL has put in place a properly defined Risk Management framework. Independent experts have been engaged to ensure the effectiveness of risk management process by adopting best practices and also to facilitate detailed exercise on the subject, covering the entire gamut of the Company's operations. The SBUs/Corporate Functions have identified and assessed risks in order to determine prioritized risks based on their likelihood and impact. The mitigation plans for the prioritized risks have been devised by SBUs/Corporate Functions, and the same are reviewed and monitored periodically.

HPCL has laid down Risk Management Charter and Policy for periodically informing Board members about the risk assessment and minimisation procedures. The Risk Management Steering Committee (RMSC) continues to provide direction and guidance for the effective implementation of risk management principles and practices. Risk management is undertaken as a part of normal business practice and is an on-going process within the organisation. The Company's risk management system is integrated and aligned with the corporate and operational objectives.

GLOBAL COMPACT

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

OUTLOOK

The Indian economy faces moderation of growth rate coupled with high and persistent inflation. The reasons are varied and include among others slow-down in investment, supply bottlenecks and rising fiscal deficit. In this environment, Indian economy is projected to grow by about 7% in 2012-13.

The external environment is not encouraging. IMF is projecting a drop in global growth from about 4.0% in 2011 to about 3.5% percent in 2012 because of weak activity during the second half of 2011 and the first half of 2012. The reacceleration of activity during the course of 2012 is expected to return global growth to about 4.0% in 2013. Global economy is still fragile. Immediate concerns relate to escalation of Eurozone crisis and resultant flight from risk as well as higher oil prices resulting from geopolitical uncertainty. India is vulnerable to global economic uncertainty in view of high current account deficit.

JOINT VENTURES

The Joint Venture companies and subsidiaries of HPCL have performed well during the year 2011-12.

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

  HPCL-Mittal Energy Ltd. (HMEL) is a joint venture between Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited (MEI), Singapore, an L N Mittal Group Company, for implementation of a green field refinery project of 9 MMTPA capacity called the Guru Gobind Singh Refinery (GGSR) Project at Bathinda in the State of Punjab. Both partners hold 49% equity stake in HMEL and balance 2% is held by financial institutions i.e. IFCI Limited and State Bank of India.

  GGSR began refining crude oil in Aug'11 and achieved commissioning of the entire project in Feb'12. It is a State of the Art refinery, incorporating latest technology. The refinery has high Nelson complexity index which will enable maximizing value added products even from heavy / sour crudes. GGSR is a zero bottom refinery incorporating features related to liquid and solid waste management.

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A green belt around the refinery has been developed. Various environmental protection measures have been incorporated in the design of all facilities viz. Sulphur Recovery Units, Hydro-treaters, Desulphurisation Units, State-of-the-art Effluent Treatment Plants, Vapour Recovery Systems and Low NOx Burners in the furnaces.

Single Point Mooring (SPM), Crude Oil Terminal (COT) and the 1,017 km Crude Oil Pipeline (COPL) passing through the States of Gujarat, Rajasthan and Haryana has been set up by HMEL's wholly owned subsidiary HPCL-Mittal Pipelines Limited (HMPL). The import facility with Single Buoy Mooring, is capable of berthing Very Large Crude Carriers (VLCCs) thus optimizing crude oil transportation cost. The world class Crude Oil Terminal is capable of blending different crude which will enable procurement of variety of crudes.

The refinery was dedicated to the Nation by Dr. Manmohan Singh, Hon'ble Prime Minister of India on April 28th, 2012.

- **HPCL Biofuels Ltd. (HBL)**

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

  Integrated plants with cane crushing capacity of 3,500 TCD with Distillery of 60 KLPD for manufacturing Ethanol and co-gen plant of 20 MW each at Sugauli and Lauriya in East and West Champaran Districts in the State of Bihar have been set up.

  During the crushing season 2011-12, both the plants were commissioned and started commercial production of sugar, ethanol and power. Plant performance had been satisfactory and accident free in the first year of commercial operations.

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

  CREDA-HPCL Biofuel Ltd. (CHBL) was incorporated on October 14th, 2008 as a subsidiary company with equity shareholding of 74% by HPCL and 26% by Chhattisgarh State Renewable Energy Development Agency (CREDA) to venture into alternate fuels. CHBL would undertake cultivation of Jatropha plant, an energy crop used for production of bio-diesel, on 15,000 hectares of land leased by the Government of Chhattisgarh.

  Production of bio-diesel and its blending with normal diesel will help in meeting domestic demand. HPCL shall have exclusive rights over the producing and marketing of biodiesel and bi-products from the produce.

  CHBL has started acquisition of land for cultivation of jatropha and has acquired 6,327 hectares of land as on March 31st, 2012. Some land is having already standing plantations. Maintenance of jatropha seedlings/nursery plants is currently being carried out on 1,710 hectares of land. Acquisition of balance land is in progress and the plantation on the same will be undertaken in a phased manner. During 2011-12, CHBL carried out crushing of jatropha seeds on a trial basis.

- **South Asia LPG Co Pvt Ltd (SALPG)**

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

  During 2011-12, SALPG received 861 TMT of LPG into the Cavern through 53 Vessels including 38 Very Large Gas Carriers (VLGCs). This has resulted into easing-out the product movement constraints across the east coast and ensured smooth availability of LPG in the supply and surrounding zones. Also, propane-butane blender at the Cavern Terminal has helped Oil Marketing Companies to maximise the propane inputs into Visakhapatnam considering the limited availability of butane and price advantage of propane in the international market.

  SALPG achieved 6% higher turnover at ₹ 145.63 Crore and 15% higher profits (PAT) at ₹ 73.76 Crore during 2011-12 compared to previous year.

  The Cavern cum Marine Terminal achieved 1,155,718 Safe Man-hours since commencement of commercial operations in January 2008 without a Lost Time Accident. SALPG won British Safety Council International Safety Award 2012 with distinction and secured second place in medium scale category in the EHS awards from Confederation of Indian Industry (CII) during 2012-13.

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

  Hindustan Colas Ltd. (HINCOL) is a joint venture company promoted by HPCL and Colas S.A. of France and was incorporated on July 17, 1995. HINCOL has grown steadily over the years to establish itself as the clear market leader in

Management Discussion & Analysis Report: 2011-12

manufacturing and marketing of Bitumen Emulsions, Modified Bitumen and other value added Bituminous products.

HINCOL presently has eight (8) manufacturing plants across India HINCOL products find extensive use in the road construction industry.

During 2011-12, HINCOL has developed new formulations of bitumen (VG10 and VG30). HINCOL has also started manufacturing of Road Bond at Thane, Vashi and Savli Plant. A new efficient automatic system of drum sealing has been started at Bahadurgarh. A “Dynamic Shear Rheometer” installed to evaluate rutting resistance and fatigue resistance properties of bituminous binder and to grade the binders as per Performance Grading Standard. HINCOL is the first non-R&D institution to have installed this ‘State of Art’ testing equipment. HINCOL implemented Emulfix process at all the plants and commenced Emulsion sales from Haldia Plant.

HINCOL recorded a production of 146.38 TMT with turnover of ₹ 422.43 Crore and earned net profit (PAT) of ₹ 26.44Crore.

HINCOL declared dividend of 125% for the year 2010-11.

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

HPCL, in partnership with ICICI and HDFC, had formed a Joint Venture E & P Company called Prize Petroleum Company Ltd (PPCL) for participating in exploration and production of hydrocarbons on October 28th, 1998. Over the years, Prize Petroleum Company Limited (PPCL) has built up a portfolio of 2 producing fields and one exploration block.

During 2011-12, HPCL acquired the entire equity shareholdings of ICICI Group and HDFC in PPCL and thus PPCL became wholly owned subsidiary of HPCL.

PPCL had signed Service Contract with ONGC for development of Hirapur marginal field in Cambay Basin with 50% holding in the consortium. PPCL is operator for the field. During 2011-12, 43,082 barrels of crude oil (cumulative production of 283,150 barrels since inception) has been produced. PPCL had also entered into a Production Sharing Contract (PSC) with 50% Participating Interest in Sanganpur Block as Joint Operator. During 2011-12, 506 barrels of crude oil (cumulative production of 12,248 barrels from inception) has been produced. The crude produced is benchmarked to Bonny light crude.

The company was awarded South Rewa Block in Madhya Pradesh under NELP-VI which is the biggest onshore exploration Block with 13,277 sq. km area. PPCL is the Operator for this block. During 2011-12, processing and interpretation of 2D (2,050.68 lkm of full fold) and 3D (303.96 sq.km of full fold) seismic data has been completed. Basis this, three major prospects were identified for drilling of wells, as committed in the Minimum Work Program. API of Geochemical Survey awarded to NGRI has also been completed. The result of the survey is used for analysis of soil samples to identify concentration and or presence of light hydrocarbons in the block.

PPCL bagged onshore exploration block (401sq. kms area) in Tripura along with consortium partner ABG Energy Limited (ABG) in NELP IX. PPCL is the operator for this block with a participating interest of 20% and will be “carried” during the initial exploration phase. In the event of commercial discovery and consortium entering the Development phase, PPCL will pay only 10% for the past cost (which will be recovered by ABG from ‘profit petroleum’) and will continue to hold 20% participating interest.

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

HPCL, along with Petronet India Limited (PIL) promoted Petronet MHB Limited (PMHBL) for construction of Mangalore-Hassan- Bangalore Pipeline at a cost of ₹ 667 Crore with debt equity ratio of 3:1. The joint venture company was incorporated on July 31, 1998. Initially PIL & HPCL each contributed 26% towards equity. ONGC joined as a strategic partner in PMHBL by taking 23% equity in April 2003. Post debt restructuring of PMHBL, the equity holding of HPCL & ONGC increased to 28.766% each and PIL’s equity holding decreased to 7.90%.The Pipeline is meeting the transportation needs between Mangalore-Hassan-Bangalore.

During 2011-12, PMHBL achieved 7.57% higher throughput at 2.771 MMT as compared to 2.576 MMT in 2010-11. Revenue generation was higher by 10.16% at ₹ 86.64 Crore as compared to ₹ 8.65Crore in the previous year.

PMHBL Integrated Management System is certified by DNV covering Quality Management System-ISO-9001-2008, Environmental Management System-ISO-14001-2004 and OHSAS–18001-2007.

GPRS based Security Tracking System (STS) was commissioned for monitoring movement of security line walker’s movement on PMHBL Right of Use (ROU) land. Telecom System up-gradation & CCTV camera installationwere carried out at PMHBL Main Stations.

Management Discussion & Analysis Report: 2011-12

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

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

  BGL has been authorized to set up City Gas Distribution networks in Hyderabad, Vijayawada and Kakinada by MOP&NG and PNGRB.

  During 2011-12, BGL commissioned Mother Station at Shamirpet, Hyderabad and Vakalpudi, Kakinada. BGL also commissioned one online CNG stations at APSRTC depot, two Daughter booster CNG stations in APSRTC depotsat Hakimpet and Cantonments and 4 CNG DBS retail stations in Hyderabad / Secunderabad. Project work in respect of three CGD Projects at Hyderabad, Vijayawada and Kakinada are in progress. BGL has started supplying PNG to households at Shamirpet and Medchel in Hyderabad. For Industrial and Commercial PNG, BGL has signed Heads of Agreement with various industrial and commercial units for supply to the tune of 0.376 MMSCMD in Hyderabad and 0.2 MMSCMD in Kakinada.

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

  Aavantika Gas Ltd (AGL) was incorporated on June 07, 2006 as a Joint Venture Company by GAIL and HPCL for distribution and marketing of environmental friendly fuels (green fuels) viz. CNG and Auto LPG for use in the transportation, domestic, commercial and industrial sectors in the State of Madhya Pradesh.

  AGL has been authorized by MOP&NG as well as PNGRB for carrying City Gas Distribution (CGD) operations at Indore, Ujjain and Gwalior. The company commenced commercial operations in the year 2008.

  During 2011-12, the company commissioned one online station at Gwalior marking the starting of business operations at Gwalior. With this AGL is now present in all three cities viz. Indore, Ujjain and Gwalior, for which AGL has been authorised. AGL also commissioned one online station at Indore. AGL now operates 11 CNG stations - 7 daughter stations (5 at Indore and 2 at Ujjain), 3 online stations (2 at Indore and 1 at Gwalior) and 1 mother station at Indore.

  AGL also started supplying PNG to domestic customers from Dec'11. With this AGL is now present in all the 4 business segments viz. CNG for Transportation sector and PNG for industrial, commercial and domestic sectors. Work for construction of Mother Station at Gwalior is nearing completion and is expected to be commissioned by May/Jun'12. During 2011-12, AGL achieved turnover of ₹ 54.73 Crore registering a growth of 141 % over previous year.

MANGALORE REFINERY AND PETROCHEMICALS LTD. (MRPL)

HPCL holds an equity of 16.95% in the 9 MMTPA Mangalore Refinery and Petrochemicals Ltd. (MRPL). HPCL and MRPL have been exchanging intermediate process streams between their refineries to supplement efforts to meet new environmental norms in respect of products like MS and HSD on mutually agreed terms.

MRPL declared a dividend of 10% for 2011-12.

CAUTIONARY STATEMENT

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

Auditors' Report

TO THE MEMBERS OF HINDUSTAN PETROLEUM CORPORATION LIMITED

1. We have audited the attached Balance Sheet of **HINDUSTAN PETROLEUM CORPORATION LIMITED** as at 31st March 2012 and the Statement of Profit and Loss and the Cash Flow Statement of the Company 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 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph (3) and (4) above, we report that:
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
   b) In our opinion, proper books of account as required by law, have been kept by the Company so far as it appears from our examination of the books and proper returns, adequate for the purposes of our audit, have been received from the branch not visited by us
   c) The Branch Auditors' report, made available to us, has been appropriately dealt with while preparing our report.
   d) The Balance Sheet and the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with audited returns from the branch.
   e) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
   f) Disclosure in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956 is not required for Government Companies as per Notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.
   g) Without qualifying our opinion, we invite attention to
      i) Note No. 42 of Notes to Accounts, regarding impairment of assets wherein, being technical matters subject to uncertainty we have relied on the estimates and assumptions made by the Company in arriving at recoverable value of assets, based on desired margins.
      ii) Note No. 35(b) of Notes to Accounts regarding recognition of Minimum Alternative Tax (MAT) credit wherein, we have relied on the management representation that the MAT credit of ₹ 268.77 Crores will be set off during the period specified in Section 115JAA of the Income Tax Act, 1961.
      iii) Note No. 33 of Notes to Accounts regarding recoverability of outstanding amount of ₹ 505.53 Crores from Kingfisher Airlines Limited, wherein we have relied on the management representation that the entire outstanding will be realised.
      iv) Note No. 34 of Notes to Accounts regarding amortization of ancillary cost over the tenure of External Commercial Borrowings.
   h) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
      ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
      iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of

Om Agarwal & Co.
Chartered Accountants
Firm No: 000971C

K. C. Gupta
Partner
Membership No: 072936

For and on behalf of

B.K. Khare & Co.
Chartered Accountants
Firm No: 105102W

Devdatta Mainkar
Partner
Membership No: 109795

Place : New Delhi
Date : 29th May 2012

Annexure to the Auditors' Report

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

(i) a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except in respect of items like pipes, valves, meters, instruments and other similar items peculiar to a continuous process industry.

b) As explained to us, the Company, having regards to nature and size of its business, has adopted the practice of carrying out physical verification of fixed assets, except LPG cylinders and fixed assets of the erstwhile Kosan Gas Company Undertaking, not handed over, on a staggered basis, over a period of five years in the case of furniture, fixtures and office equipment and over a period of three years in the case of Plant and Machinery and other assets. We were informed that discrepancies noticed on such verification were not material as compared to the book records and have been properly dealt with in the books of account. The existence of fixed assets situated at the residence of employee has, however, been ascertained on a self-declaration basis.

c) Fixed Assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.

(ii) a) As explained to us, the inventories were physically verified during the year by Management at reasonable intervals. In case of material lying with third parties, certificates confirming sticks held have been received from them.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. We were informed that discrepancies noticed on physical verification, as compared to the book records, were not material and have been properly dealt with in the books of account.

(iii) Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has neither granted nor taken loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, sub-clause (b), (c), (d), (e), (f) and (g) of sub-para (iii) of para 4 of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that some of the items are of a specialized nature, in respect of which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventories and fixed assets and for the sale of goods and services.

(v) In our opinion and according to the information and explanation given to us, there are no contracts and arrangements referred in Section 301 of the Companies Act,1956 entered during the year that need to be entered in the Register maintained under that Section. Accordingly, sub-clause (b) of sub-para (v) of Para 4 of the Order is not applicable to the Company for the current year.

(vi) In our opinion, and according to the information and explanation given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to deposits accepted from public. We have been informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India.

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

(viii) We have broadly reviewed the cost records maintained by the Company in respect of the product, pursuant to the rules made by the Central Government, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956.We are of the opinion that prima facie the prescribed accounts and records have been maintained and being made. We have not, however, made a detailed examination of these records with a view to determine whether they are accurate or complete.

(ix) a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company, during the year, has been generally regular in depositing with appropriate authorities, undisputed statutory dues, including Provident fund, Investor Education and Protection Fund, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and any other material statutory dues.

b) According to the information and explanations given to us and the basis of our examination of the books of account, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess were in arrears, as at March 31st, 2012, for a period of more than six months from the date they became payable.

Annexure to the Auditors' Report
(Referred to in Paragraph (3) of our report of even date)

c) According to information and explanation given to us, the dues relation to Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, Cess, which have not been deposited on account of disputes with the relevant authorities, have been reflected in the table below.

Statute	Forum Pending	Amount ₹ / crores	Period to which amount relates
Income Tax	CCCIT (Appeals)	6.50	Various years pertaining to 2005 to 2011
	ITAT	0.20	2006-07
	Total	**6.70**	
Central Excise	CESTAT	313.24	Various years pertaining to 1992 to 2010
	Commissioner (Appeals)	1.57	Various years pertaining to 1998 to 2010
	High Court	0.12	2005-2006
	RA	1.18	Various years pertaining to 1999 to 2006
	Total	**316.12**	
Customs	CESTAT	64.57	Various years pertaining to 1992 to 2006
	Total	**64.57**	
Service Tax	CCEA	0.08	Various years pertaining to 2004 to 2011
	CESTAT	136.20	Various years pertaining to 2002 to 2010
	Total	**136.28**	
Sales Tax	Board of Revenue	1.89	Various years pertaining to 1985 to 1987
	STAT	526.60	Various years pertaining to 1985 to 2008
	High Court	606.66	Various years pertaining to 1979 to 2009
	Supreme Court	168.98	Various years pertaining to 2002 to 2007
	Commissioner/DCCT/ADC/ JCCT/ACCT	6,880.38	Various years pertaining to 1976 to 2011
	Total	**8,183.42**	
	Grand Total	**8,707.09**	

(x) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.

(xi) According to the information and explanations given to us the Company has not defaulted in repayment of dues to Financial Institutions, Banks or debenture holders.

(xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund and or a nidhi/ mutual benefit fund/ society. Therefore the provisions of sub-para (xiii) of para 4 of the Order are not applicable to the Company.

(xiv) According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore the provisions of sub-para (xiv) of para 4 of the Order are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken during the year, prima facie, have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us, based on an overall examination of the Balance Sheet,funds raised on short-term basis have, prima facie, not been used for making long-term investments.

Annexure to the Auditors' Report

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

(xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act 1956.

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

(xx) The Company has not raised any money through a public issue during the financial year.

(xxi) According to the information and explanations given to us and representations obtained from the management and based on our examination in the normal course of audit, we report no material fraud on or by the Company, has been noticed or reported during the year under audit.

For and on behalf of

Om Agarwal& Co.
Chartered Accountants
FR No: 000971C

K. C. Gupta
Partner
Membership No: 072936

Place : New Delhi
Date : 29th May 2012

For and on behalf of

B.K. Khare & Co.
Chartered Accountants
FR No: 105102W

Devdatta Mainkar
Partner
Membership No: 109795

Balance Sheet as at 31st March, 2012

₹ / Crores

		Notes	2011-12	2010-11
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	3	**339.01**	339.01
	(b) Reserves and Surplus	4	**12,783.51**	12,206.80
(2)	**Non-current Liabilities**			
	(a) Long-term borrowings	5	**6,291.37**	5,418.05
	(b) Deferred tax liabilities (Net)	6	**3,085.28**	3,195.64
	(c) Other long term liabilities	7A	**5,471.27**	4,613.57
	(d) Long-term provisions	7B	**436.55**	273.21
(3)	**Current Liabilities**			
	(a) Short-term borrowings	8	**21,187.88**	18,211.04
	(b) Trade payables	9	**12,697.65**	9,029.40
	(c) Other current liabilities	10A	**7,267.79**	5,848.84
	(d) Short-term provisions	10B	**1,547.04**	1,625.53
	TOTAL		**71,107.35**	60,761.09
II.	**ASSETS**			
(1)	**Non-current Assets**			
	(a) Fixed assets			
	(i) Tangible Assets	11	**20,735.56**	18,526.38
	(ii) Intangible Assets	12	**114.09**	118.15
	(iii) Capital Work-in-Progress	13	**4,444.47**	3,696.00
	(b) Non-current investments	14	**7,483.43**	7,324.33
	(c) Long-term loans and advances	15	**1,502.60**	1,275.46
	(d) Other non-current assets	16	**67.46**	227.56
(2)	**Current Assets**			
	(a) Current Investments	17	**2,887.07**	4,010.69
	(b) Inventories	18	**19,454.53**	16,622.28
	(c) Trade Receivables	19	**3,565.16**	3,076.86
	(d) Cash and Bank Balances	20	**226.38**	79.02
	(e) Short-term loans and advances	21	**10,145.79**	5,551.79
	(f) Other current assets	22	**480.81**	252.57
	TOTAL		**71,107.35**	60,761.09

Significant Accounting Policies 1 & 2

Significant Accounting Policies and Notes Forming Part of Accounts are an integral part of the Financial Satetments

FOR AND ON BEHALF OF THE BOARD

S ROY CHOUDHURY
Chairman & Managing Director

B MUKHERJEE
Director - Finance

SHRIKANT M. BHOSEKAR
Company Secretary

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

K C GUPTA
Partner
Membership No. 072936

For B K KHARE & CO.
Chartered Accountants
Firm No. 105102W

DEVDATTA MAINKAR
Partner
Membership No. 109795

Date : 29th May, 2012
Place : New Delhi

Statement of Profit and Loss for the year ending 31st March, 2012

₹ / Crores

	Notes	2011-12	2010-11
a. Gross Sale of Products	23A	**188,130.95**	142,396.49
Less : Excise Duty		**(9,991.72)**	(8,897.55)
b. **Net Sale of Products**		**178,139.23**	133,498.94
c. Other Operating Revenue	23B	**196.59**	172.88
d. Other Income	23C	**1,025.59**	1,170.66
Total Revenue (b+c+d)		**179,361.41**	134,842.48
Expenses:			
Cost of materials consumed		**56,943.23**	40,362.01
Purchases of Stock-in-Trade		**109,370.73**	85,396.86
Packages consumed		**181.67**	143.42
Excise Duty on Inventory differential		**(399.68)**	285.15
Transhipping Expenses		**3,254.50**	2,886.50
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	**(824.29)**	(3,438.78)
Employee benefits expense	25	**1,583.10**	1,981.84
Exploration Expenses		**96.38**	93.03
Finance costs	26	**2,139.24**	892.06
Depreciation and amortization expense		**1,712.93**	1,406.95
Other expenses	27	**4,083.87**	2,480.47
Total expenses		**178,141.68**	132,489.51
Profit before exceptional and extraordinary items and tax		**1,219.73**	2,352.97
Prior Period Charges	28	**0.49**	15.24
Profit before extraordinary items and tax		**1,219.24**	2,337.73
Tax Expense:			
(1) Current Tax		**396.65**	417.11
(2) MAT Credit		**–**	(91.51)
(3) Provision for Tax for Earlier year written off/provided for		**(95.78)**	82.16
(4) Deferred Tax		**6.94**	390.96
Profit (Loss) for the period		**911.43**	1,539.01
Earnings per equity share: (Basic and Diluted) (2011 - 12 : EPS = Net Profit ₹ 911.43 crores / Weighted Avg. no of shares - 33.863 crores) (2010 - 11 : EPS = Net Profit ₹ 1,539.01 crores / Weighted Avg. no of shares - 33.863 crores)		**26.92**	45.45
Significant Accounting Policies	1 & 2		

Significant Accounting Policies and Notes Forming Part of Accounts are an integral part of the Financial Satetments

FOR AND ON BEHALF OF THE BOARD

S ROY CHOUDHURY
Chairman & Managing Director

B MUKHERJEE
Director - Finance

SHRIKANT M. BHOSEKAR
Company Secretary

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

K C GUPTA
Partner
Membership No. 072936

For B K KHARE & CO.
Chartered Accountants
Firm No. 105102W

DEVDATTA MAINKAR
Partner
Membership No. 109795

Date : 29th May, 2012
Place : New Delhi

Notes to the Financial Statements for the year ended 31st March, 2012

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 FIXED ASSETS

a. Land acquired on lease for 99 years or more is treated as freehold land.

b. Technical know-how /licence fee relating to plants/ facilities are capitalized as part of cost of the underlying asset.

2.2 INTANGIBLE ASSETS

a. Cost of Right of Way for laying pipelines is capitalised as Intangible Asset and being perpetual in nature, is not amortised.

b. Technical know-how /licence fee relating to production process and process design are recognized as Intangible Assets.

c. Cost of Software directly identified with hardware is capitalised along with the cost of hardware. Application software is capitalised as Intangible Asset.

2.3 CONSTRUCTION PERIOD EXPENSES ON PROJECTS

a. Related expenditure (including temporary facilities and crop compensation expenses) incurred during construction period in respect of plan projects and major non-plan projects are capitalised.

b. Financing cost incurred during the construction period on loans specifically borrowed and utilised for projects is capitalised. Financing cost includes exchange rate variation in relation to borrowings denominated in foreign currency.

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

2.4 DEPRECIATION

a. Depreciation on Fixed Assets is provided on the Straight Line method, in the manner and at the rates prescribed under Schedule XIV to the Companies Act, 1956 and is charged pro rata on a monthly basis on assets, from / up to and inclusive of the month of capitalisation / sale, disposal or deletion during the year.

b. All assets costing up to ₹ 5,000/-, other than LPG cylinders and pressure regulators, are fully depreciated in the year of capitalisation.

c. Premium on leasehold land is amortised over the period of lease.

d. Machinery Spares, which can be used only in connection with an item of fixed asset and the use of which is expected to be irregular, are depreciated over a period not exceeding the useful life of the principal item of fixed asset.

e. Intangible Assets other than application software are amortized on a straight line basis over a period of ten years or life of the underlying plant/facility, whichever is earlier.

f. Application software are normally amortised over a period of four years, or over its useful life, whichever is earlier.

2.5 IMPAIRMENT OF ASSETS

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

Notes to the Financial Statements for the year ended 31st March, 2012

2.6 FOREIGN CURRENCY TRANSACTIONS

a. Foreign Currency transactions during the year are recorded at the exchange rates prevailing on the date of transactions.

b. All foreign currency assets, liabilities and forward contracts are restated at the rates prevailing at the year end.

c. All exchange differences (except as stated in note # 2.3 (b) and note # 34) are dealt with in the Statement of profit and loss including those covered by forward contracts, where the premium / discount arising from such contracts are recognised over the period of contracts.

d. The realised gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year, are recognised in the Statement of Profit & Loss along with the underlying transaction. However, in respect of contracts, the pricing period of which extends beyond the balance sheet date, suitable provision is made for likely loss, if any.

2.7 INVESTMENTS

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

b. Current investments are valued at the lower of cost and fair value.

2.8 INVENTORIES

a. Crude oil is valued at cost on First In First Out (FIFO) basis or at net realisable value, whichever is lower.

b. Raw material for lubricants and finished lubricants are valued at weighted average cost or at net realisable value, whichever is lower.

c. Stock-in process is valued at raw material cost plus cost of conversion or at net realisable value, whichever is lower.

d. Finished products other than Lubricants are valued at cost (on FIFO basis month-wise) or at net realisable value, whichever is lower.

e. Empty packages are valued at weighted average cost.

f. Stores and spares are valued at weighted average cost. Stores & spares in transit are valued at cost.

g. Value of surplus, obsolete and slow moving stores and spares, if any, is reduced to net realisable value. Surplus items, when transferred from completed projects are valued at cost / estimated value, pending periodic assessment / ascertainment of condition.

2.9 DUTIES ON BONDED STOCKS

Excise / Customs duty is provided on stocks stored in Bonded Warehouses (excluding goods exempted from duty / exports or where liability to pay duty is transferred to consignee).

2.10 GRANTS

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

b. Grants received against revenue items are recognised as income.

2.11 PROVISIONS

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

2.12 EXPLORATION & PRODUCTION EXPENDITURE

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

a. Cost of surveys, studies, carrying and retaining undeveloped properties are expensed out in the year of incurrence.

Notes to the Financial Statements for the year ended 31st March, 2012

b. Cost of acquisition, drilling and development are treated as capital work-in-progress when incurred and are capitalised when the well is ready to commence commercial production.

c. Accumulated costs on exploratory wells in progress are expensed out in the year in which they are determined to be dry.

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

2.13 EMPLOYEE BENEFITS

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

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

Short term employee benefits are recognized as an expense at an undiscounted amount in the Statement of Profit & Loss of the year in which the related services are rendered.

2.14 SALE OF PRODUCTS

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

2.15 RESEARCH & DEVELOPMENT

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

2.16 TAXES ON INCOME

a. Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.

b. Deferred tax liability/asset on account of timing difference between taxable and accounting income is recognised using tax rates and tax laws enacted or substantively enacted as at the balance sheet date. In the event of unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized, if there is virtual certainty that sufficient future taxable income will be available to realize such assets.

c. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, is considered as an asset when it is probable that the future economic benefits associated with it, will flow to the Company.

2.17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities are considered only for items exceeding ₹ 5 lakhs in each case. Contingent Liabilities in respect of show cause notices are considered only when converted into demands. Capital Commitments are considered only for items exceeding ₹ 1 lakh in each case.

2.18 ACCOUNTING/CLASSIFICATION OF EXPENDITURE AND INCOME

a. Insurance claims are accounted on acceptance basis.

b. All other claims/entitlements are accounted on the merits of each case/realisation.

c. Raw materials consumed are net of discount towards sharing of under-recoveries.

d. Income and expenditure of previous years, individually amounting to ₹ 5 lakhs and below are not considered as prior period items.

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
3. SHARE CAPITAL		
A. Authorised:		
75,000 Cumulative Redeemable Preference Shares of ₹ 100/- each	**0.75**	0.75
34,92,50,000 Equity Shares of ₹ 10/- each	**349.25**	349.25
	350.00	350.00
B. Issued, Subscribed & Called up :		
33,93,30,000 Equity Shares of ₹ 10 each	**339.33**	339.33
Less: 7,02,750 Shares Forfeited	**(0.70)**	(0.70)
33,86,27,250 equity shares of ₹ 10 each fully paid up	**338.63**	338.63
Add: Shares Forfeited (money received)	**0.39**	0.39
	339.01	339.01
(a) Details of shares held by each shareholder holding more than 5% shares in the Company	**31.03.2012**	31.03.2011
President of India	**51.11**	51.11
Life Insurance Corporation of India	**8.89**	8.64

(b) Right and Restrictions on Equity Shares

The Company has only one class of Equity Shares having a face value of ₹ 10/- per share which are issued and subscribed. Each Shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the unlikly event of the winding up of the Company, the holders of equity shares will be entitled to receive the remaining assets of the company in proportion to the number of equity shares held by the shareholders and the amount paid up thereon. Company also has 75,000 6% cummulative Redeemable Non-convertible Preference Shares of ₹ 100/- each as a part of the Authorised Capital, which were issued earlier by the erstwhile ESRC. Presently the said preference shares stand redeemed.

	2011-12	2010-11
4. RESERVES AND SURPLUS		
Share Premium Account		
As per last Balance Sheet	**1,153.77**	1,153.77
Debenture Redemption Reserve		
As per last Balance Sheet	**262.54**	86.40
Add: Transfer from Statement of Profit & Loss	**176.15**	176.15
	438.69	262.55
Capital Grant		
As per last Balance Sheet	**3.98**	4.17
Received during the year	**–**	–
Less: Amortised during the year	**(0.18)**	(0.19)
	3.80	3.98
General Reserve		
As per last Balance Sheet	**1,413.37**	1,259.47
Add: Transfer from Statement of Profit & Loss	**91.14**	153.90
	1,504.51	1,413.37
Surplus		
As per last Balance Sheet	**9,373.13**	8,715.15
Add : Profit during the year	**911.43**	1,539.01
Less : Profit appropriated to General Reserve	**91.14**	153.90
Less : Profit appropriated to Debenture Redemption Reserve	**176.15**	176.15
Less : Profit appropriated to Proposed Dividend (Dividend Per Share ₹ 8.50, 2010-11 ₹ 14 per share)	**287.83**	474.08
Less : Profit appropriated to Tax on Distributed Profits	**46.70**	76.91
	9,682.74	9,373.13
	12,783.51	12,206.80

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
5. LONG-TERM BORROWINGS		
Secured Loans		
7.70% Non-Convertible Debentures (a) (i)	**1,000.00**	1,000.00
7.35% Non-Convertible Debentures (a) (ii)	**–**	1,000.00
	1,000.00	2,000.00
Un - Secured Loans		
Term Loan from Oil Industry Development Board (b)	**890.25**	621.00
Syndicated Loans from Foreign Banks (repayable in foreign currency) (c)	**4,401.12**	2,797.05
	5,291.37	3,418.05
	6,291.37	5,418.05

(a) Debentures

The company has issued the following secured redeemable non-convertible debentures:

i. 7.70% Non-Convertible Debentures issued on 12th April, 2010 with the maturity date of 12th of April, 2013. These are secured by mortgage, on first pari passu charge basis, over certain fixed assets of the Company situated at Mumbai Refinery and Visakh Refinery.

ii. 7.35% Non-Convertible Debentures issued on 4th December, 2009 with the maturity date of 4th of December, 2012. The same have been shown as "Current Maturity of Long Term Debts" under Note # 10 A. These are secured by mortgage, on first pari passu charge basis, over certain fixed assets of the Company situated at Mumbai Refinery.

(b) Term Loan from Oil Industry Development Board

Repayable During	As on 31st March, 2012		As on 31st March, 2011	
	Repayable Amount ₹ / Crores	**Range of Interest Rate**	Repayable Amount ₹ / Crores	Range of Interest Rate
2011-12 *	**–**	**–**	130.75	7.10% - 9.96%
2012-13 *	**230.75**	**7.10% - 9.96%**	230.75	7.10% - 9.96%
2013-14	**330.75**	**7.10% - 9.96%**	205.75	7.10% - 9.96%
2014-15	**234.50**	**7.10% - 8.39%**	109.50	7.10% - 7.81%
2015-16	**200.00**	**7.20% - 8.39%**	75.00	7.20% - 7.81%
2016-17	**125.00**	**8.07% - 8.39%**	–	–
Total	**1,121.00**	**–**	751.75	–

* ₹ 230.75 Crores (2010 - 11 : ₹ 130.75 Crores) is repayble within 1 year and the same has been shown as "Current Maturity of Long Term Debts" under Note # 10 A.

(c) Syndicated Loans from Foreign Banks (repayable in foreign currency)

The Corporation has availed long term foreign currency syndicated loans from banks on floating LIBOR. These loans are taken for the period of 5 years. During the year ended March, 2012 an amount of ₹ 1,121.23 Crores. (2010 - 2011 ₹ 1,261.32 Crores) of Syndicated Loans is repayble withing one year and the same has been shown as "Current Maturity of Long Term Debts" under Note # 10 A.

	2011-12	2010-11
6. DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Assets		
Provision for Employee Benefits	**424.30**	235.83
Other	**291.22**	260.12
Total (A)	**715.52**	495.95
Deferred Tax Liabilities		
Depreciation	**3,411.42**	3,119.96
Others	**389.38**	571.63
Total (B)	**3,800.80**	3,691.59
Deferred Tax Liability	**3,085.28**	3,195.64

Notes to the Financial Statements for the year ended 31st March, 2012

		2011-12	2010-11
			₹ / Crores
7A.	**OTHER LONG TERM LIABILITIES**		
	Deposits from dealers /consumer/supplier	**5,379.85**	4,540.11
	Other Deposits	**0.75**	3.22
	Retention Money	**90.67**	70.24
		5,471.27	4,613.57
7B.	**LONG-TERM PROVISIONS**		
	Provision for Long Term Employee Benefits	**436.55**	273.21
		436.55	273.21
8.	**SHORT-TERM BORROWINGS**		
	Secured Loans		
	Collateral Borrowing and Lending Obligation (CBLO) (Secured by Pledge of 6.90 % Oil Marketing Companies' GOI Special Bonds, 2026)	**1,260.00**	990.00
	Overdrafts from Banks (secured by hypothecation of Stock-in-Trade)	**392.06**	667.68
		1,652.06	1,657.68
	Un - Secured Loans		
	Short Term Loans from Banks (repayable in foreign currency)	**14,850.82**	9,628.36
	Clean Loans from Banks	**600.00**	6,025.00
	Inter Company Deposits	**945.00**	500.00
	Commercial Paper	**3,140.00**	400.00
		19,535.82	16,553.36
		21,187.88	18,211.04
9.	**TRADE PAYABLES**		
	i) Total outstanding dues of Micro, Small and Medium Enterprises	**–**	–
	ii) Total outstanding dues of creditors other than above	**12,697.65**	9,029.40
		12,697.65	9,029.40
10A.	**OTHER CURRENT LIABILITIES**		
	Total outstanding dues of Micro, Small and Medium Enterprises *	**5.85**	2.81
	Other Deposits	**116.27**	98.86
	Accrued Charges/Credits	**167.26**	117.40
	Interest accrued but not due on loans	**195.67**	159.42
	Unclaimed Dividend **	**2.36**	2.30
	Unpaid matured Fixed Deposits	**0.02**	0.02
	Preference share capital redeemed remaining unclaimed / unencashed	**0.01**	0.01
	Current Maturities of Long Term Loans (refer Note # 5) ***	**2,351.98**	1,392.07
	Other Liabilities ****	**4,428.37**	4,075.95
		7,267.79	5,848.84

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

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

*** This includes following loans repayable withing one year: 7.35 % Non - Convertible Debenture ₹ 1,000 Crores (2010-11: ₹ Nil), Loan from Oil Industry and Development Board ₹ 230.75 Crores (2010-11: ₹ 130.75 Crores) and Syndicated Loans from Foreign Banks (repayable in foreign currency) ₹ 1,121.23 Crores (2010-11: ₹ 1,261.32 crores).

**** Nature - Includes Statutory Liabilities of ₹ 1,728.71 crores (2010-11 ₹ 1,172.97 crores), Employee Related Liability ₹ 46.18 crores (2010-11 ₹ 28.32 crores), Superannuation Fund Scheme of ₹ 330.00 crores (2010-11 ₹ 330.00 crores), Liabilities relating retention money payable to Suppliers within one year, Supplies / Project related payables, etc. ₹ 2,323.48 crores (2010-11 ₹ 2,554.66 crores)

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
10B. SHORT-TERM PROVISIONS		
Provision for Other Employee Benefits	**1,212.35**	1,074.38
Provision for Proposed Dividend	**287.83**	474.08
Provision for Fringe Benefit Tax	**0.16**	0.16
Tax on Distributed Profits	**46.70**	76.91
	1,547.04	1,625.53

11. TANGIBLE ASSETS

₹ / Crores

Sr. No.	Description	Gross Block (at cost)				Depreciation / Amortisation				Net Block	
		As at 1st Apr, 2011	Additions/ Reclassifi-cations	Deductions/ Reclassifi cations	**As at 31st Mar, 2012**	As at 1st Apr, 2011	**For the Year**	Deductions	**As at 31st Mar, 2012**	**As at 31st Mar, 2012**	As at 31st Mar, 2011
1.	Land-Freehold	623.40	26.43	0.18	**649.65**	–	**–**	–	**–**	**649.65**	623.40
2.	Buildings	2,560.77	388.41	6.13	**2,943.05**	351.03	**57.83**	2.31	**406.55**	**2,536.50**	2,209.74
3.	Plant & Equipment	23,257.73	3,041.22	64.00	**26,234.95**	9,817.58	**1,509.42**	47.64	**11,279.36**	**14,955.61**	13,440.17
4.	Furniture & Fixtures	121.08	14.47	2.79	**132.76**	56.12	**6.86**	1.94	**61.04**	**71.72**	64.96
5.	Transport Equipment	157.56	6.10	4.49	**159.17**	80.23	**13.83**	3.84	**90.22**	**68.95**	77.33
6.	Office Equipment	514.26	103.74	55.72	**562.28**	231.29	**41.97**	50.35	**222.91**	**339.37**	282.97
7.	Roads and Culverts	1,534.05	327.48	5.86	**1,855.67**	137.24	**27.25**	1.34	**163.15**	**1,692.52**	1,396.81
8.	Leasehold Property - Land	376.15	13.31	–	**389.46**	59.71	**11.63**	–	**71.34**	**318.12**	316.44
9.	Railway Siding & Rolling Stock	287.01	1.12	0.03	**288.10**	172.46	**12.54**	0.02	**184.98**	**103.12**	114.55
10.	Unallocated Capital Expenditure on Land Development	0.20	–	–	**0.20**	0.20	**–**	–	**0.20**	**–**	–
11.	Assets held for Disposal	–	–	–	**–**	–	**–**	–	**–**	**–**	–
	Grand Total	**29,432.21**	**3,922.28**	**139.20**	**33,215.29**	**10,905.86**	**1,681.33**	**107.44**	**12,479.75**	**20,735.56**	**18,526.37**
	Previous Year 2010-11	24,821.11	4,811.37	200.27	29,432.21	9,609.53	1,382.36	86.05	10,905.84	18,526.37	15,211.59

Notes :

1. Includes assets costing ₹ 76,191/- (2010-11: ₹ 76,191/-) of erstwhile Kosan Gas Company not handed over to the Corporation. In case of these assets, Kosan Gas Company was to give up their claim. However, in view of the tenancy right sought by third party, the matter is under litigation.
2. Includes ₹ 72.98 crores (2010-11 ₹ 72.93 crores) being the Corporation's Share of Cost of Land & Other Assets jointly owned with other Oil Companies.
3. Includes ₹ 32.32 crores (2010-11 ₹ 35.14 crores) towards Roads and Culverts, Transformers and Transmission lines, Railway Sidings and Rolling Stock, ownership of which does not vest with the Corporation. The Corporation is having control over such assets. These assets are amortised at the rate of depreciation specified in Schedule XIV of the Companies Act, 1956.
4. Includes following assets which are used for distribution of PDS Kerosene under Jana Kalyan Pariyojana against which financial assistance is being provided by OIDB.

Description	First Cost (₹ / Crores)	
	31.03.2012	31.03.2011
Roads and Culverts	**0.16**	0.16
Buildings	**1.68**	1.68
Plant & Equipment	**3.25**	3.27
Total	**5.09**	5.11

5. Includes Assets retired from active use and held for disposal - Gross Block ₹ 12.95 crores / Net Block ₹ 1.76 crores (2010-11: Gross Block ₹ 22.34 crores / Net Block ₹ 3.11 crores). These Assets are valued at their Net Book Value or Net Realisable Value whichever is lower ₹ 1.23 crores (2010-11: ₹ 1.46 crores).
6. Includes Assets under verification - Gross Block ₹ 52.7 crores / Net Block ₹ 5.53 crores (2010-11: NIL) on which provision of ₹ 5.53 crores has been made pending verification.
7. Depreciation for the year includes ₹ Nil (2010-11: ₹ 1.50 crores) on Plant and Machinery, ₹ Nil (2010-11: ₹ 0.03 crores) on Buildings, ₹ Nil (2010-11: ₹ 0.03 crores) on Transport Equipment and ₹ Nil (2010-11: ₹ 0.01 crores) on Roads & Culverts towards Prior Period.
8. Leasehold land includes land of ₹ 3.20 crores whose lease deed is pending for execution.

Notes to the Financial Statements for the year ended 31st March, 2012

12. INTANGIBLE ASSETS

₹ / Crores

Sr. No.	Description	Gross Block (at cost)				Depreciation / Amortisation				Net Block	
		As at 1st Apr, 2011	Additions/ Reclassifi-cations	Deductions/ Reclassifi cations	**As at 31st Mar, 2012**	As at 1st Apr, 2011	**For the Year**	Deductions	**As at 31st Mar, 2012**	**As at 31st Mar, 2012**	As at 31st Mar, 2011
1.	Right of Way	40.15	0.65	–	**40.80**	–	**–**	–	**–**	**40.80**	40.15
2.	Technical / Process Licenses	49.88	13.12	–	**63.00**	11.74	**7.33**	–	**19.07**	**43.93**	38.14
3	Software	126.15	13.78	0.03	**139.90**	86.28	**24.26**	0.01	**110.53**	**29.36**	39.87
	Grand Total	**216.18**	**27.55**	**0.03**	**243.70**	**98.02**	**31.59**	**0.01**	**129.60**	**114.09**	**118.16**
	Previous Year 2010-11	167.27	48.95	0.04	216.18	72.17	25.88	0.03	98.02	118.16	95.08

₹ / Crores

	2011-12	2010-11
13. CAPITAL WORK-IN-PROGRESS		
Unallocated Capital Expenditure and Materials at Site	**3,680.54**	3,037.64
Capital Stores	**100.31**	175.73
Capital Stores lying with Contractors	**200.03**	130.05
Capital goods in transit	**30.70**	3.02
	4,011.58	3,346.44
Construction period expenses pending apportionment (Net of recovery) :		
Establishment charges	**137.06**	107.76
Borrowing Cost	**295.83**	241.81
Depreciation	**0.00**	0.00
	432.89	349.57
	4,444.47	3,696.01
14. NON-CURRENT INVESTMENTS		
Trade Investments		
Quoted		
Investment in Equity		
Investments in Joint Venture		
Mangalore Refinery and Petrochemicals Ltd. 29,71,53,518 Equity Shares of ₹ 10 each fully paid up	**471.68**	471.68
Investments in Others		
Oil India Ltd.	**561.76**	561.76
53,50,110 Equity Shares of ₹ 10 each fully paid up		
Scooters India Ltd.	**0.01**	0.01
10,000 Equity Shares of ₹ 10 each fully paid up		
Investment in Government securities		
6.90% Oil Marketing Companies' GOI Special Bonds 2026*	**3,500.00**	3,500.00
Un - Quoted		
Investment in Equity		
Investments in Subsidiary		
CREDA HPCL Biofuel Ltd. 78,26,923 Equity Shares of ₹ 10 each fully paid	**7.83**	7.83
HPCL - Biofuels Ltd. 20,55,20,000 Equity Shares of ₹ 10 each fully paid up	**205.52**	205.52
Prize Petroleum Co. Ltd (refer Note # 40) 699,99,600 Equity Shares of ₹ 10 each fully paid up	**70.00**	–

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
14. NON-CURRENT INVESTMENTS *(Contd.)*		
Investments in Joint Venture		
HPCL-Mittal Energy Ltd. 2,44,90,20,000 Equity Shares (2,30,69,20,000 Equity Shares for 2010-2011) of ₹ 10 each fully paid - up	**2,449.02**	2,306.92
Hindustan Colas Ltd. 47,25,000 Equity Shares of ₹ 10 each fully paid-up	**4.73**	4.73
Petronet India Ltd. 1,59,99,999 Equity Shares of ₹ 10 each fully paid up	**16.00**	16.00
Less : Provision for Dimunition	**(16.00)**	(16.00)
Petronet MHB Ltd. 15,78,41,000 Equity Shares of ₹ 10 each fully paid up	**157.84**	157.84
Prize Petroleum Co. Ltd (refer Note # 40) 99,99,600 Equity Shares of ₹ 10 each fully paid up	**–**	10.00
South Asia LPG Co. Pvt. Ltd. 5,00,00,000 Equity Shares of ₹ 10 each fully paid up	**50.00**	50.00
Bhagyanagar Gas Ltd. 12,497 Equity Shares of ₹ 10 each fully paid up	**0.01**	0.01
Aavantika Gas Ltd 12,498 Equity Shares of ₹ 10 each fully paid up	**0.01**	0.01
Investment in Preference Shares		
Investments in Joint Venture		
Prize Petroleum Co. Ltd (refer Note # 40) (5,00,00,000 Preference Shares of ₹ 10 each, ₹ 6.70 each paid for 2010-11) (The same has been converted into Equity shares of Prize Petroleum Co. Ltd. during the year 2011-12).	**–**	43.00
Investment in Other non - current investments		
Petroleum India International (Association of Persons) Contribution towards Seed Capital **	**5.00**	5.00
Total Trade Investments - A	**7,483.41**	7,324.31

* ₹ 2,740 crores bonds pledged with Clearing Corporation of India Limited against CBLO Loan.

** Members in Petroleum India International (AOP) : Hindustan Petroleum Corporation Ltd., Bharat Petroleum Corporation Ltd., Engineers India Ltd., Indian Oil Corporation Ltd., Indian Petrochemicals Corporation Ltd., Chennai Petroleum Corporation Ltd. and Oil India Ltd. Each one is holding 10% share except IOC which is holding 30% and Bharat Petroleum Corporation Ltd. which is holding 20%.

	2011-12	2010-11
Other Investments		
Un - Quoted		
Investment in Government securities		
Government Securities of the face value of ₹ 0.02 Crores		
Deposited with Others	**0.02**	0.02
On hand - ₹ 0.25 lakhs (2010-11 : ₹ 0.25 lakhs)	**0.00**	0.00
Government Securities of the face value of ₹ 0.24 lakhs		
Deposited with Others - ₹ 0.10 lakhs	**0.00**	0.00
On hand* - ₹ 0.14 lakhs (2010-11 : ₹ 0.14 lakhs)	**0.00**	0.00
Investment in Debentures or bonds		
East India Clinic Ltd.		
1/2% Debenture of face value of - ₹ 0.15 lakhs	**0.00**	0.00
5% Debenture of face value of - ₹ 0.07 lakhs	**0.00**	0.00

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
14. NON-CURRENT INVESTMENTS *(Contd.)*		
Investment in Other Non - Current investments		
Shushrusha Citizen Co-operative Hospital Limited	**0.00**	0.00
100 Equity Shares of ₹ 100/- each fully paid		
Less: Provision for loss on Investments* - NIL (2010-11 : ₹ 0.14 lakhs)	**0.00**	0.00
Total Other Investments - B	**0.02**	0.02
Total Non - Current Investments (A + B)	**7,483.43**	7,324.33

*Includes ₹ 0.14 lakhs (2010-11 : ₹ 0.14 lakhs) not in the possession of the Company

	2011-12		2010-11	
	Market Value	**Cost**	Market Value	Cost
Disclosure towards Cost / Market Value				
a Aggregate amount of quoted investments	**5,280.76**	**4,533.45**	5,690.70	4,533.45
b Aggregate amount of un - quoted investment		**2,949.98**		2,790.88

	2011-12	2010-11
15. LONG-TERM LOANS AND ADVANCES		
Secured, considered good :		
Employee Loans and Advances	**241.31**	260.55
Interest Accrued thereon	**159.71**	149.91
Unsecured, considered good :		
Capital Advances	**30.26**	107.93
MAT Credit	**268.77**	500.87
Balances with Excise, Customs, Port Trust etc.	**1.51**	1.09
Other Deposits	**55.55**	48.68
Advance tax (net of provisions)	**171.66**	93.04
Share application money pending allotment	**4.97**	4.98
Advance towards equity	**310.17**	40.00
Advances given to others	**12.00**	12.00
Other Receivables *	**166.69**	56.41
Loans to Related Party	**80.00**	–
	1,502.60	1,275.46

* Nature : Includes Working Capital Loans to customers ₹ 57.67 crores (2010-11 ₹ 56.40 crores) and Statutory Receivables of ₹ 109.02 crores (2010-11 Nil).

	2011-12	2010-11
16. OTHER NON-CURRENT ASSETS		
Un - Amortized Expenses (including Ancillary cost refer note # 34)	**67.46**	3.69
Gains on Forward Exchange Contracts	–	223.87
	67.46	227.56
17. CURRENT INVESTMENTS		
TRADE INVESTMENTS (Quoted)		
i. 7.47% Oil Marketing Companies' GOI Special Bonds, 2012	**–**	9.98
ii. 7.61% Oil Marketing Companies' GOI Special Bonds, 2015	**5.02**	5.10
iii. 6.90% Oil Marketing Companies' GOI Special Bonds, 2026	**22.45**	23.14
iv. 8.00% Oil Marketing Companies' GOI Special Bonds, 2026	**22.93**	23.65
v. 8.20% Oil Marketing Companies' GOI Special Bonds, 2024	**605.02**	1,284.46
vi. 6.35% Oil Marketing Companies' GOI Special Bonds 2024	**2,231.65**	2,664.36
	2,887.07	4,010.69

	2011-12		2010-11	
	Market Value	**Cost**	Market Value	Cost
Disclosure towards Cost / Market Value Aggregate of amount quoted Investments	**2,887.07**	**3,419.71**	4,010.69	4,547.61

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

		2011-12	2010-11
18.	**INVENTORIES**		
	(As per Inventory taken, valued and certified by the Management)		
	Raw Materials (Including in transit ₹ 2,466.78 crores; 2010-11 ₹ 1,360.38 crores)	**5,122.64**	3,171.37
	Work - in - Progress	**1,635.59**	1,693.98
	Finished Goods	**6,890.54**	6,237.96
	Stock - in - Trade (Including in transit ₹ 310.86 crores; 2010-11 ₹ 278.92 crores)	**5,540.76**	5,310.65
	Stores and Spares (Including in transit ₹ 26.23 crores; 2010-11 ₹ 11.38 crores)	**257.28**	197.43
	Packages	**7.72**	10.89
		19,454.53	16,622.28
19.	**TRADE RECEIVABLES**		
	Over six months (from the due date) :		
	Un - secured Considered good	**103.92**	45.50
	Considered doubtful	**112.88**	114.11
	Less: Provision for Doubtful Debts *	**(112.88)**	(114.11)
		103.92	45.50
	Others:		
	Un - secured Considered good	**3,461.24**	3,031.36
	Considered doubtful	**27.21**	23.60
	Less: Provision for Doubtful Debts *	**(27.21)**	(23.60)
		3,461.24	3,031.36
		3,565.16	3,076.86

*Provision for doubtful debts, in addition to specific provision, includes an ad-hoc provision @ one per cent of outstanding domestic debts (other than those relating to oil marketing companies and subsidiary/joint venture companies).

		2011-12	2010-11
20.	**CASH AND BANK BALANCES**		
	i. Cash and cash equivalent		
	Cash on hand	**9.24**	6.60
	Cheques Awaiting Deposit	**1.23**	0.59
	With Scheduled Banks:		
	On Current Accounts	**209.66**	65.91
	On Non-operative Current Accounts	**0.01**	0.01
	On Fixed Deposit Accounts	**3.82**	3.53
	ii. Earmarked for Unclaimed dividend	**2.36**	2.30
	iii. Current Account with Municipal Co-operative Bank Ltd.	**0.06**	0.08
		226.38	79.02

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

		2011-12	2010-11
21.	**SHORT-TERM LOANS AND ADVANCES**		
	Secured, considered good :		
	Employee Loans and Advances	**351.27**	108.85
	Interest Accrued thereon	**6.74**	12.03
	Unsecured, considered good :		
	Advances recoverable in cash or in kind or for value to be received	**7.55**	6.59
	Balances with Excise, Customs, Port Trust etc.	**345.36**	293.46
	Other Deposits	**0.10**	0.19
	Prepaid Expenses	**108.56**	9.58
	Amounts recoverable under Subsidy Schemes	**8,520.76**	4,505.38
	Loans to Related Party	**187.46**	107.46
	Other Receivables	**617.99**	508.25
	Total A	**10,145.79**	5,551.79
	Unsecured, considered doubtful :		
	Accounts Receivable & Deposits	**3.99**	3.85
	Less : Provision for Doubtful Receivables	**(3.99)**	(3.85)
	Total B	**–**	–
	Total (A+B)	**10,145.79**	5,551.79
22.	**OTHER CURRENT ASSETS**		
	Interest Accrued on Investments	**88.13**	98.40
	Un - Amortized Expenses (including Ancillary cost refer note # 34)	**26.03**	10.56
	Delayed Payment Charges Receivable from Customers	**143.96**	68.66
	Gains on Forward Exchange Contracts	**222.69**	74.95
		480.81	252.57
23A.	**GROSS SALES OF PRODUCTS**		
	Sale of Products (Net of Discount of ₹ 1,176.54 crores, 2010-11 ₹ 1,309.54 crores)	**169,011.37**	132,669.97
	Recovery under Subsidy Schemes	**19,119.58**	9,726.52
		188,130.95	142,396.49
23B.	**OTHER OPERATING REVENUE**		
	Rent Recoveries	**80.56**	70.81
	Net Recovery for LPG Filling Charges	**2.57**	1.58
	Miscellaneous Income	**113.46**	100.49
		196.59	172.88
23C.	**OTHER INCOME**		
	Interest On :		
	Deposits	**0.43**	0.30
	Staff Loans	**13.21**	14.85
	Customers' Accounts	**99.54**	24.40
	Long Term Investments	**241.50**	241.50
	Current Investments	**286.83**	343.11
	Others	**70.72**	59.79
	Dividend income	**95.87**	82.07
	Exchange rate variation (Net)	**–**	279.88
	Share of Profit from Petroleum India International (AOP)	**0.37**	0.02
	Miscellaneous Income	**217.12**	124.74
		1,025.59	1,170.66

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

		2011-12	2010-11
24.	**CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE**		
	Closing Stock:		
	Work - in - Progress	**1,635.58**	1,693.98
	Finished Goods	**6,890.54**	6,237.96
	Stock - in - Trade (In respect of goods acquired for trading)	**5,540.76**	5,310.65
		14,066.88	13,242.59
	Less: Opening Stock:		
	Work - in - Progress	**1,693.98**	836.89
	Finished Goods	**6,237.96**	1,906.85
	Stock - in - Trade (In respect of goods acquired for trading)	**5,310.65**	7,060.07
		13,242.59	9,803.81
		(824.29)	(3,438.78)
25.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries, Wages, Bonus, etc.	**1,096.16**	1,246.26
	Contribution to Provident Fund	**76.92**	75.91
	Pension, Gratuity etc.	**60.70**	435.71
	Employee Welfare Expenses	**349.32**	223.96
		1,583.10	1,981.84
26.	**FINANCE COSTS**		
	(a) Interest expense *	**1,203.26**	837.88
	(b) Other borrowing costs	**9.75**	0.07
	(c) Applicable net gain/loss on foreign currency transactions and translation	**926.23**	54.11
		2,139.24	892.06

* Includes interest u/s 234 B / C of Income Tax Act, 1961 for an amount ₹ 6.80 crores (2010-11 ₹ 8.06 crores)

Notes to the Financial Statements for the year ended 31st March, 2012

₹ / Crores

		2011-12	2010-11
27.	**OTHER EXPENSES**		
	Consumption of Stores, Spares and Chemicals	**121.41**	116.66
	Power and Fuel	**1,958.91**	1,647.52
	Less : Fuel of own production consumed	**(1,440.00)**	(1,307.96)
		518.91	339.56
	Repairs and Maintenance - Buildings	**33.81**	27.57
	Repairs and Maintenance - Plant & Machinery	**507.92**	505.37
	Repairs and Maintenance - Other Assets	**143.38**	115.88
	Insurance	**31.29**	25.16
	Rates and Taxes	**115.38**	46.92
	Irrecoverable Taxes and Other Levies	**153.74**	173.38
	Equipment Hire Charges	**0.12**	3.04
	Rent	**157.90**	141.91
	Travelling and Conveyance	**122.71**	114.45
	Printing and Stationery	**13.13**	12.49
	Electricity and Water	**402.95**	276.12
	Charities and Donations	**26.54**	19.69
	Stores & spares written off	**0.19**	3.74
	Loss on Sale of Current Investment	**96.56**	235.14
	Provision for Diminution in value of Current Investments	**(4.28)**	(238.33)
	Provision for Doubtful Receivables	**0.14**	–
	(After adjusting provision no longer required)		
	Provision for Doubtful Debts	**4.95**	36.42
	(After adjusting provision no longer required)		
	Loss on Sale/ write off of Fixed Assets/ CWIP (Net)	**9.55**	14.44
	Security Charges	**85.52**	75.04
	Advertisement & Publicity	**82.45**	92.59
	Sundry Expenses and Charges (Not otherwise classified)	**394.46**	310.99
	Consultancy & Technical Services	**29.46**	32.24
	Exchange Rate Variation (Net)	**1,035.68**	–
		4,083.87	2,480.47
28.	**PRIOR PERIOD CHARGES**		
	Expenditure on Enabling Assets	**1.70**	13.64
	Repairs and Maintenance - Plant & Machinery	**–**	0.31
	Depreciation	**–**	1.29
	Exchange Rate Varition	**(1.21)**	–
		0.49	15.24

Notes Forming Part of Accounts

29. During the current financial year 2011-12, ONGC and GAIL offered discount on prices of crude, PDS SKO and Domestic LPG purchased from them. Accordingly, the Corporation has accounted the discount as under :

(a) ₹ 1,868.12 crores (2010-11: ₹ 1,378.15 crores) discount received on purchase of PDS SKO and Domestic LPG from ONGC and GAIL has been adjusted against Purchase of Product for Resale.

(b) ₹ 10,211.63 crores (2010-11: ₹ 5,259.40 crores) discount received on Crude Oil purchased from ONGC has been adjusted against Raw Material Cost.

30. In principle approval of Government of India for Budgetary Support amounting to ₹ 18,342.77 crores (2010-11: ₹ 8,976.28 crores), has been received and the same have been accounted under 'Recovery under Subsidy Schemes'.

31. (a) Inter-Oil Company transactions are reconciled on a continuous basis. However, year end balances are subject to confirmation/reconciliation.

(b) Customers' Accounts are reconciled on an ongoing basis and such reconciliation is not likely to have a material impact on the outstanding or classification of the accounts.

32. The Corporation has, as at the balance sheet date, entered into foreign exchange hedging contracts amounting to USD 194.58 crores (2010-11 : USD 156.34 crores) to hedge its foreign currency exposure towards loans/ export earnings. The Corporation normally does not hedge the foreign currency exposure in respect of payment for crude/product which is due for payment generally within 30 to 90 days. Exposures not hedged as of balance sheet date amounted to USD 138.38 crores (2010-11: USD 117.79 crores) towards purchase of crude & Products and USD 219.97 crores (2010-11: USD 185.46 crores) in respect of loans taken.

33. Total amount outstanding from M/s Kingfisher Airlines Ltd is ₹ 505.53 crores, out of which ₹ 434 crores is covered by Bank Guarantee. Management is confident that the entire dues will be realized.

34. Ancillary costs incurred towards raising of Long Term Syndicated Loans (External Commercial Borrowings) from Foreign Banks (repayable in foreign currency) is being amortized over the tenure of the loan. Total amount of such ancillary costs remaining unamortized as on the balance sheet date is ₹ 81.68 Crores.

35. (a) Considering the uncertainties attached to certain benefits under the Income Tax Act, the Corporation has been continuing to account for such tax benefits in the year they are allowed in the Appeals/Assessments. Further, where issues are strong on merits/covered by legal precedents, tax has not been provided for.

Accordingly, upon receipt of Appellate Order for the assessment year 2008-09 and Assessment Order for the assessment year 2009-10 during the year, the Corporation has reversed provision for tax/deferred tax/MAT Credit Entitlement amounting to ₹ 58.11 Crores (2010-11: Reversal of provision of ₹ 271.39 Crores) after duly considering MAT Credit, available for set off U/s 115JAA of the Income Tax Act, 1961.

For the earlier assessment years, a reversal of provision for tax/deferred tax /MAT credit Entitlement amounting to ₹ 37.67 Crores (2010-11: Provision of ₹ (46.26) Crore) is made after duly considering MAT Credit, available for set off U/s 115JAA of the Income Tax Act, 1961.

The said reversal includes adjustment done pursuant to treatment of loss on sale of oil bond as a business loss instead of capital loss considering that the issue is strong on merits/covered by legal precedents.

(b) MAT Credit Entitlement consists of ₹ 268.77 Crore (2010-11: ₹ 500.87 Crore) towards earlier years, arising primarily on account of higher depreciation considered in Return of Income, is shown under Long Term Loans & Advances. The recognition of MAT Credit is on the basis of cogent evidence that the Corporation will be able to set off the credit during the period specified in Section 115JAA of the Act.

36. In accordance with the option as per AS – 11 (notified under the Company's Accounting Standards Rules, 2006) exercised in the year 2008-09, the Corporation has adjusted the exchange differences arising on long term foreign currency monetary items to the cost of assets. The corporation has continued to exercise the option during the year 2011-12 as per Ministry of Corporate Affairs' Notification dated 29-12-2011.

Notes Forming Part of Accounts

37. To the extent Micro and Small Enterprises have been identified, the outstanding balance, including interest thereon, if any, as at balance sheet date is disclosed on which Auditors have relied upon :

₹ / Crores

Sr. No.	Particulars	2011-12	2010-11
1	Amounts payable to "suppliers" under MSMED Act, as on 31.03.12		
	Principal	**5.85**	2.80
	Interest	**–**	–
2	Amounts paid to "suppliers" under MSMED Act, beyond appointed day during 2011-12 (irrespective of whether it pertains to current year or earlier years)		
	Principal		
	Interest	**–**	–
3	Amount of interest due / payable on delayed principal which has already been paid during the current year (without interest or with part interest)	**–**	–
4	Amount accrued and remaining unpaid at the end of Accounting Year	**–**	–
5	Amount of interest which is due and payable, which is carried forward from last year	**–**	–

38. RELATED PARTY DISCLOSURE

(A) Names of and Relationship with Related Parties

1. Joint Venture Companies

a. Prize Petroleum Company Ltd. (upto 18-12-2011)

b. HPCL-Mittal Energy Ltd.

c. Hindustan Colas Ltd.

d. South Asia LPG Company Pvt. Ltd.

e. Petronet India Ltd.

f. Aavantika Gas Ltd.

2. Key Management Personnel

a. Shri S. Roy Choudhury - Chairman and Managing Director.

b. Dr. V. Vizia Saradhi - Director - Human Resources.

c. Shri B. Mukherjee - Director - Finance.

d. Shri K. Murali - Director - Refineries.

e. Smt. Nishi Vasudeva - Director - Marketing (w.e.f 4-7-2011).

The above disclosure does not include following Related Parties for which no disclosure is required as they are State-Controlled Enterprises.

a. CREDA-HPCL Biofuels Ltd.

b. HPCL Biofuels Ltd.

c. Prize Petroleum Company Ltd. (w.e.f. 19-12-2011)

d. Mangalore Refinery and Petrochemicals Ltd.

e. Petronet MHB Ltd.

f. Bhagyanagar Gas Ltd.

Notes Forming Part of Accounts

(i) Transaction with Joint Ventures

₹ / Crores

Nature of Transactions	2011-12	2010-11
(i) Sales		
a. HPCL-Mittal Energy Ltd.	**362.30**	0.89
b. Hindustan Colas Ltd.	**313.73**	207.22
c. South Asia LPG Company Pvt. Ltd.	**0.27**	0.62
	676.30	208.73
(ii) Purchases	**52.50**	301.97
(iii) Investment in Equity Shares		
a. HPCL-Mittal Energy Ltd.	**142.10**	1,080.45
b. Prize Petroleum Company Ltd.	**10.00**	–
	152.10	1,080.45
(iv) Investment in Preference Shares		
a. Prize Petroleum Company Ltd.	**7.00**	9.50
(v) Advance against Equity / (Converted into Shares)		
a. HPCL-Mittal Energy Ltd.	**261.90**	(318.50)
(vi) Dividend Income	**30.91**	26.89
(vii) Services given	**7.83**	4.54
(viii) Lease Rental Received	**0.99**	0.11
(ix) Others - Provided / (Availed)		
a. South Asia LPG Company Pvt. Ltd.	**(89.41)**	(80.34)
b. Hindustan Colas Ltd.	**(10.18)**	(8.96)
c. Others	**(1.25)**	(0.42)
	(100.84)	(89.72)
(x) Net Outstanding Receivable / (Payable) as on	**31.03.2012**	31.03.2011
a. HPCL-Mittal Energy Ltd.	**281.73**	0.24
b. Others	**42.98**	20.04
	324.71	20.28

(ii) Remuneration paid to Key Management Personnel

₹ / Crores

Details	2011-12	2010-11
Salary and Allowances	**1.48**	1.92
Contribution to Provident Fund and other funds	**0.09**	0.14
Pension and Gratuity	**0.03**	0.08
Other benefits	**0.40**	0.63
Total	**2.00**	2.77

Notes Forming Part of Accounts

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

Name of the Block	Participating Interest of HPCL in %	
	31.03.2012	31.03.2011
In India		
Under NELP IV		
KK- DWN-2002/2	**20**	20
KK- DWN-2002/3	**Nil**	20
CB- ONN-2002/3	**15**	15
Under NELP VI		
CY-DWN-2004/1	**10**	10
CY-DWN-2004/2	**10**	10
CY-DWN-2004/3	**10**	10
CY-DWN-2004/4	**10**	10
CY-PR-DWN-2004/1	**10**	10
CY-PR-DWN-2004/2	**10**	10
KG-DWN-2004/1	**10**	10
KG-DWN-2004/2	**10**	10
KG-DWN-2004/3	**10**	10
KG-DWN-2004/5	**10**	10
KG-DWN-2004/6	**10**	10
MB-OSN-2004/1	**Nil**	20
MB-OSN-2004/2	**Nil**	20
RJ-ONN-2004/1	**22.22**	22.22
RJ-ONN-2004/3	**Nil**	15
Outside India		
BLOCK WA-388-P, AUSTRALIA	**8.40**	8.40
SOUTH SENAI, EGYPT	**25**	25
SOUTH QUSEIR, EGYPT	**25**	25

a) Block KK-DWN-2002/3 was relinquished during the year on completion of Minimum Work Program (MWP) under exploration phase. Drilling of 1 well was completed as per committed work program, which was declared as dry.

b) Blocks MB-OSN-2004/1 & MB-OSN-2004/2 were relinquished during the year on completion of Minimum Work Program (MWP) under exploration phase as no presence of hydrocarbons was observed in the drilled wells. Drilling of 3 wells in each block was completed as per committed work program.

c) In block RJ-ONN-2004/3, 2 exploratory wells were drilled against committed work program of 8 wells, which were declared as dry. Hence, due to the poor prospectivity of the block it was decided not to drill any further wells and relinquish the block along-with other consortium partners.

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

Notes Forming Part of Accounts

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

a) **Jointly Controlled Entities**

	Country of Incorporation	Percentage of ownership interest as on 31st March, 2012	Percentage of ownership interest as on 31st March, 2011
HPCL-Mittal Energy Ltd.	India	**49.00**	49.00
Hindustan Colas Ltd.	India	**50.00**	50.00
South Asia LPG Company Pvt. Ltd.	India	**50.00**	50.00
Mangalore Refinery and Petrochemicals Ltd.	India	**16.95**	16.95
Prize Petroleum Company Ltd.*	India	**–**	50.00
Petronet India Ltd.**	India	**16.00**	16.00
Petronet MHB Ltd.	India	**28.77**	28.77
Bhagyanagar Gas Ltd.	India	**25.00**	25.00
Aavantika Gas Ltd.	India	**25.00**	25.00

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

₹ / Crores

	2011-12	2010-11
I. SHARE OF ASSETS & LIABILITIES		
(i) Liabilities		
(1) Share application money pending allotment	**262.71**	2.49
(2) Non-current liabilities	**7,238.89**	5,379.22
(3) Deferred tax liabilities (Net)	**361.64**	47.48
(4) Current liabilities	**6,473.60**	2,723.50
(ii) Assets		
(1) Non-current assets	**12,200.61**	9,306.16
(2) Current assets	**5,314.81**	2,614.14
(3) Current investments	**4.62**	4.62
II. SHARE OF INCOME & EXPENSES		
(1) Income	**9,478.95**	7,076.28
(2) Expenses ***	**10,120.25**	6,842.55
III. SHARE OF CONTINGENT LIABILITIES & CAPITAL COMMITMENTS		
(1) Contingent Liabilities	**133.41**	178.33
(2) Capital Commitments	**590.78**	2,513.02

* During the year 2011-12, HPCL acquired 50% shareholding in Prize Petroleum Company Limited (PPCL), thereby converting PPCL from a Joint Venture company into a 100% subsidiary of HPCL.

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

*** Including Tax

Notes Forming Part of Accounts

c) HPC's Share in aggregate of Contingent Liabilities and Capital Commitments of Jointly Controlled Operations :

₹ / Crores

	2011-12	2010-11
Jointly Controlled Operations		
Contingent Liabilities	**366.73**	336.42
Capital Commitment	**479.29**	519.68

41. Operating Leases - Assets taken on lease primarily consist of leased land taken for the purpose of setting up retail outlets, depot operations and properties for use by the Corporation. These lease arrangements are normally renewed on expiry of the term. Amount of lease rental expenses recognized in the Statement of Profit & Loss is given under Note 23 - 'Other expenses'.

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

43. During the year 2011-12, an amount of ₹ 3.83 Crores (2010-11: ₹ 14.31 Crores) has been charged to revenue towards Enabling Assets on which the Corporation does not have a control.

44. Disclosure as required by Clause 32 of Listing Agreement

₹ / Crores

Particulars	**Balance as on**		**Maximum amount outstanding during the year**	
	31.03.2012	31.03.2011	**2011-12**	2010-11
a) Loans and advances in the nature of loans to subsidiary company (by name and amount)				
8% Inter Corporate Loan to HBL	**107.46**	107.46	**107.46**	220.00
12.5% Inter Corporate Loan to HBL	**100.00**	–	**100.00**	–
b) Loans and advances in the nature of loans to associates (by name and amount)				
10% Inter corporate Loan to BGL	**60.00**	–	**60.00**	–
c) Loans and advances in the nature of loans where there is	**–**	–	**–**	–
i) No repayment schedule or repayment beyond seven years				
ii) No interest or interest below section 372A of Companies Act				
d) Loans and advances in the nature of loans to firms/ companies in which directors are interested	**–**	–	**–**	–
e) Investment by the loanee in the shares of HPCL and its subsidiary company, when the Company has made a loan or advance in the nature of loan	**–**	–	**–**	–

45. During the year ended 31st March 2012, the Revised Schedule VI notified under the Companies Act 1956 has become applicable to the Corporation. The Corporation has also reclassified / regrouped previous year's figures in accordance with the requirements applicable in the current year.

Notes Forming Part of Accounts

₹ / Crores

				2011-12	2010-11
46.	A.	(i)	Estimated amount of contracts remaining to be executed on Capital Account not provided for	**2,801.00**	3,888.69
		(ii)	Other Commitments	**15.00**	–
	B.		No provision has been made in the accounts in respect of the following disputed demands/claims since they are subject to appeals/representations filed by the Corporation		
		i.	Income Tax	**82.54**	46.91
		ii.	Sales Tax/Octroi	**2,890.34**	2,868.94
		iii.	Excise/Customs	**415.09**	441.11
		iv.	Land Rentals & Licence Fees	**93.64**	87.74
		v.	Others	**87.65**	79.48
				3,569.26	3,524.19
	C.	(I)	Contingent Liabilities not provided for in respect of appeals filed against the Corporation		
		i.	Sales Tax/Octroi	**14.48**	14.48
		ii.	Excise/Customs	**34.01**	28.71
		iii.	Employee Benefits/Demands (to the extent quantifiable)	**167.16**	152.73
		iv.	Claims against the Corporation not acknowledged as debts	**237.69**	169.79
		v.	Others	**267.25**	214.79
				720.60	580.50
		(II)	Uncalled liability on partly paid up preference shares	**–**	7.00
				–	7.00
		(III)	Guarantees given		
		i	To Others	**50.51**	220.01
		ii	On behalf of Subsidiaries/Joint Ventures	**–**	149.45
				50.51	369.46
	D.		Payment to auditors		
		i.	Audit fees	**0.21**	0.21
		ii.	Other Services	**0.15**	0.14
		iii.	Reimbursement of expenses	**0.10**	0.08
				0.47	0.43
	E.		C.I.F. Value of imports during the year (excludes canalised imports)		
		i.	Raw materials	**51,465.12**	29,930.78
		ii.	Stores, Spares and Chemicals	**63.09**	83.63
		iii.	Capital Goods, Components and Spares	**100.10**	112.74
	F.	(i)	Expenditure in foreign currency on account of: (on cash basis) Engineering, Technical and other services, demurrage charges, royalties, interest and other matters	**329.72**	166.01
		(ii)	Foreign Currency payments for crude	**49,354.54**	28,759.78
	G.		Earnings in foreign exchange		
			Export of goods calculated on FOB basis	**7,782.48**	5,522.80
			Includes ₹ 258.31 crores (2010-11 : ₹ 196.77 crores) received in Indian currency out of repatriable funds of foreign customers		

Notes Forming Part of Accounts

		₹ / Crores 2011-12	2010-11
H.	Value of Raw Materials, Spare Parts and Components consumed		
	(i) Raw Materials		
	Imported (in %)	**86.17**	74.98
	Imported (in Value)	**50,827.61**	31,352.76
	Indigenous (in %)	**13.83**	25.02
	Indigenous (in Value)	**8,160.44**	10,461.17
	(ii) Spare Parts & Components		
	Imported (in %)	**26.52**	32.92
	Imported (in Value)	**40.71**	54.92
	Indigenous (in %)	**73.48**	67.08
	Indigenous (in Value)	**112.78**	111.93
I.	Production in Metric Tonnes		
	(a) Petroleum fuel and lube products		
	i. Bulk Petroluem Products	**14,765,526**	13,403,485
	ii. Lubricating Oil Base Stocks (including Transformer Oil Base Stocks)	**382,420**	300,239
	iii. Carbon Black Feed Stock	**–**	30,466
	iv. Axle Oil	**–**	1
	v. Rubber Processing oil	**94,168**	69,141
	(b) Lubricating Oils	**183,249**	297,805
	(c) Textile Auxiliaries	**17**	45
	(d) Insecticides	**168**	88
	(e) Greases	**6,873**	2,149
J.	Raw Materials consumed		
	i. Crude Oil Processed	**57,063.58**	40,323.24
	ii. Other Petroleum Products *	**1,684.53**	1,287.87
	iii. Additives, Inhibitors and Chemicals	**242.55**	205.31
	* Includes Base Oil Consumption		
K.	Expenditure incurred on Research and Development		
	Capital	**6.63**	15.02
	Revenue	**11.85**	1.56
L.	Interest on Project specific borrowings capitalised	**217.15**	220.81
M.	Exchange Differences		
	i) Adjusted in the carrying amount of Assets during the accounting period.	**268.25**	(64.34)
	ii) In respect of Forward Exchange contracts to be recognised in Profit or Loss for one or more subsequent accounting periods	**255.64**	61.37

Notes Forming Part of Accounts

N. Information for each class of good purchased, sold and stocks during the year ended 31st March 2012 ₹ / Crores

			Opening Stock		Purchases		Sales*		Closing Stock	
			2011-12	2010-11	**2011-12**	2010-11	**2011-12**	2010-11	**2011-12**	2010-11
a.	Bulk Petroleum Products	MT	**2,685,769**	2,525,308	**20,861,908**	20,254,698	**35,894,556**	33,421,347	**2,429,276**	2,685,769
		Value	**11,223**	8,651	**109,371**	85,374	**164,937**	129,342	**11,876**	11,223
b.	Lubricating Oil Base Stocks (Incl. Trnsformer oil Base stock)	MT	**12,049**	20,135	**–**	–	**153,345**	136,408	**38,711**	12,049
		Value	**73**	87	**–**	–	**820**	580	**247**	73
c.	Carbon Black Feeding Stock	MT	**38**	1,061	**–**	–	**–**	31,341	**–**	38
		Value	**0**	3	**–**	–	**–**	87	**–**	0
d.	Axle Oil	MT	**11**	23	**–**	–	**4**	13	**5**	11
		Value	**0**	0	**–**	–	**0**	0	**0**	0
e.	Lubricating Oils	MT	**26,974**	29,825	**–**	–	**299,872**	302,684	**29,312**	26,974
		Value	**236**	207	**–**	–	**3,175**	2,595	**284**	236
f.	Textile Auxillaries	MT	**40**	31	**–**	–	**10**	36	**33**	40
		Value	**0**	0	**–**	–	**0**	0	**0**	0
g.	Insecticides	MT	**203**	–	**5**	30	**77**	235	**73**	203
		Value	**2**	–	**0**	0	**1**	2	**1**	2
h.	Greases	MT	**1,536**	2,353	**–**	2,518	**5,467**	5,484	**2,337**	1,536
		Value	**14**	18	**–**	23	**77**	64	**22**	14
i.	Automative Accessories	MT	**–**	–	**–**	–	**–**	–	**–**	–
		Value	**–**	–	**–**	–	**–**	–	**–**	–
	Total	**MT**	**2,726,619**	2,578,736	**20,861,913**	20,257,247	**36,353,332**	33,897,549	**2,499,748**	2,726,619
		Value	**11,549**	8,967	**109,371**	85,397	**169,011**	132,670	**12,431**	11,549

* Sales include sales to Other Oil Companies.

No adjustment for Transit/Operation/Temperature Variations/Consumption for Own Use have been made in the above information.

Previous year's figures have been regrouped and rearranged wherever necessary for comparison and adjustment.

O. Information regarding Primary Segment Reporting as per AS-17 for the year ended March 31, 2012 is as under ₹ / Crores

	2011-12			2010-11		
	Downstream Petroleum	**Exploration & Production**	**Total**	Downstream Petroleum	Exploration & Production	Total
Revenue						
External Revenue	**178,552.94**	**–**	**178,552.94**	134,076.44	–	134,076.44
Inter-segment Revenue	**–**	**–**	**–**	–	–	–
Total Revenue	**178,552.94**	**–**	**178,552.94**	134,076.44	–	134,076.44
Result						
Segment Results	**2,738.67**	**(96.38)**	**2,642.29**	2,553.59	(93.03)	2,460.56
Less: Unallocated Expenses						
Net of unallocated Income	**–**	**–**	**–**	–	–	–
Operating Profit	**2,738.67**	**(96.38)**	**2,642.29**	2,553.59	(93.03)	2,460.56
Less: Borrowing Cost			**2,139.24**			892.06
Provision for dimunition in investments			**(4.28)**			(238.33)
Loss on Sale of Investments			**96.56**			235.14
Add: Interest/Dividend (Incl Share of profit from PII)			**808.47**			766.04
Profit on Sale of Investments			**–**			–
Profit before Tax			**1,219.24**			2,337.73
Less: Taxes (including Deferred tax / FBT)			**307.81**			798.72
Profit after Tax			**911.43**			1,539.00
Other Information						
Segment Assets	**59,527.78**	**39.22**	**59,567.00**	48,711.73	33.03	48,744.76
Corporate Assets			**11,540.35**			12,016.33
Total Assets			**71,107.35**			60,761.10
Segment Liabilities	**41,557.63**	**610.16**	**42,167.79**	33,494.50	507.59	34,002.09
Corporate Liabilities			**3,617.85**			3,908.36
Total Liabilities			**45,785.63**			37,910.45
Capital Expenditure	**4,627.97**	**6.19**	**4,634.16**	4,779.96	(8.52)	4,771.44
Depreciation	**1,712.93**		**1,712.93**	1,406.95		1,406.95
Non cash expenses excluding depreciation			**1,035.68**			(279.88)

Notes:

1. The Company is engaged in the following business segments:
   a) Downstream i.e. Refining and Marketing of Petroleum Products

Notes Forming Part of Accounts

b) Exploration and Production of Hydrocarbons

Segments have been identified taking into account the nature of activities and the nature of risks and returns.

2. Segment Revenue comprises the following:
   a) Turnover (Net of Excise Duties)
   b) Subsidy from Government of India
   c) Other income (excluding interest income, dividend income and investment income)
3. There are no geographical segments.

47. EMPLOYEE BENEFITS

Defined Benefit Plans - As per actuarial valuation

₹ / Crores

	Particulars	Leave Encashment	Gratuity	Pension	Post Retirement Medical Benefit	Long Service Awards	Ex - Gratia	Death Benefits	Resettlement Allowance
		Funded	Funded	Non - Funded	Non - Funded	Non - Funded	Non - Funded	Non - Funded	Non - Funded
	Refer foot-notes :	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	**Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2012**								
	Defined Benefit Obligation at the beginning of the year	448.27	430.88	50.38	136.45	58.44	26.80	28.82	1.91
		261.57	*362.71*	*44.08*	*115.99*	*47.85*	*30.67*	*26.45*	*1.84*
	Interest Cost	38.28	35.80	3.87	11.73	5.04	2.03	2.15	0.16
		22.61	*30.95*	*3.36*	*10.41*	*4.25*	*2.35*	*1.96*	*0.16*
	Current Service Cost	15.72	11.25	0.07	14.20	7.15	–	–	0.25
		12.50	*18.92*	*0.07*	*12.51*	*6.13*	–	–	*0.20*
	Past Service Cost (Vested Benefits)	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–
	Benefit Paid	–	(16.40)	(7.02)	(17.00)	(8.96)	(4.34)	(5.52)	(0.33)
		–	*(12.92)*	*(6.85)*	*(4.69)*	*(5.01)*	*(4.49)*	*(5.30)*	*(0.17)*
	Acturial (gain)/loss on Obligation	(68.50)	(13.80)	3.85	170.43	(2.98)	(1.82)	2.99	0.34
		151.59	*31.22*	*9.72*	*2.23*	*5.22*	*(1.73)*	*5.71*	*(0.12)*
	Defined Benefit Obligation at the end of the year	**433.77**	**447.73**	**51.15**	**315.81**	**58.69**	**22.67**	**28.44**	**2.33**
		448.27	*430.88*	*50.38*	*136.45*	*58.44*	*26.80*	*28.82*	*1.91*
2	**Change in Fair Value of Assets during the year ended March 31, 2012**								
	Fair Value of Plan Asset at the beginning of the year	286.30	382.58	N/A	N/A	N/A	N/A	N/A	N/A
		237.72	*255.80*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
	Expected return on Plan Assets	35.86	33.83	N/A	N/A	N/A	N/A	N/A	N/A
		24.72	*32.75*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
	Acturial gain/(loss) on Plan Assets	4.79	6.01	N/A	N/A	N/A	N/A	N/A	N/A
		–	–	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
	Contribution by employer	161.98	48.45	7.02	17.00	8.96	4.34	5.52	0.33
		23.86	*106.94*	*6.85*	*4.69*	*5.01*	*4.49*	*5.30*	*0.17*
	Benefit Paid	–	(16.40)	(7.02)	(17.00)	(8.96)	(4.34)	(5.52)	(0.33)
		–	*(12.92)*	*(6.85)*	*(4.69)*	*(5.01)*	*(4.49)*	*(5.30)*	*(0.17)*
	Fair Value of Plan Asset at the end of the year	**488.93**	**454.47**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
		286.30	*382.57*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
3	**Net asset/(liability) recognized in balance sheet as at March 31, 2012**								
	Defined Benefit Obligation at the end of the year	433.77	447.73	51.15	315.81	58.69	22.67	28.44	2.33
		448.27	*430.88*	*50.38*	*136.45*	*58.44*	*26.80*	*28.82*	*1.91*
	Fair Value of Plan Asset at the end of the year	488.93	454.47	–	–	–	–	–	–
		286.30	*382.57*	–	–	–	–	–	–
	Amount recognised in the Balance Sheet	**55.16**	**6.74**	**(51.15)**	**(315.81)**	**(58.69)**	**(22.67)**	**(28.44)**	**(2.33)**
		(161.97)	*(48.31)*	*(50.38)*	*(136.45)*	*(58.44)*	*(26.80)*	*(28.82)*	*(1.91)*
4	**Components of employer expenses**								
	Current Service Cost	15.72	11.25	0.07	14.20	7.15	–	–	0.25
		12.50	*18.92*	*0.07*	*12.51*	*6.13*	–	–	*0.20*

Notes Forming Part of Accounts

₹ / Crores

	Particulars	Leave Encashment	Gratuity	Pension	Post Retirement Medical Benefit	Long Service Awards	Ex - Gratia	Death Benefits	Resettlement Allowance
		Funded	Funded	Non - Funded	Non - Funded	Non - Funded	Non - Funded	Non - Funded	Non - Funded
	Refer foot-notes :	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
	Interest Cost	38.28	35.80	3.87	11.73	5.04	2.03	2.15	0.16
		22.61	*30.95*	*3.36*	*10.41*	*4.25*	*2.35*	*1.96*	*0.16*
	Past Service Cost (Vested Benefits)	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–
	Expected Return on Plan Asset	(35.86)	(33.83)	–	–	–	–	–	–
		(24.72)	*(32.75)*	–	–	–	–	–	–
	Acturial (gain)/loss	(73.29)	(19.81)	3.85	170.43	(2.98)	(1.82)	2.99	0.34
		151.59	*31.22*	*9.72*	*2.23*	*5.22*	*(1.73)*	*5.71*	*(0.12)*
	Total expenses recognized in Statement of Profit and Loss	**(55.15)**	**(6.59)**	**7.79**	**196.36**	**9.21**	**0.21**	**5.14**	**0.75**
		161.98	*48.34*	*13.15*	*25.15*	*15.60*	*0.62*	*7.67*	*0.24*
5	**Actuarial Assumptions**								
	Discount Rate	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
	Expected return on plan assets	Note 9	Note 9	–	–	–	–	–	–
	Salary escalation	7.00%	7.00%	–	–	–	–	–	–
	Inflation	–	–	–	5.00%	–	–	–	–
	Mortality rate	LIC (1994-96) Mortality Table							
6	**The major categories of plan assets as a percentage to total plan assets**								
	Central & State Govt. Securities	50.21%	50.21%	N/A	N/A	N/A	N/A	N/A	N/A
	Bonds / Debentures	43.14%	43.14%	N/A	N/A	N/A	N/A	N/A	N/A
	Equity Shares	3.49%	3.49%						
	Others	3.16%	3.16%	N/A	N/A	N/A	N/A	N/A	N/A
7	**Effect of one percentage point change in assumed medical inflation rate for Post Retirement Medical Benefit**	**One percentage point increase in medical inflation rate**				**One percentage point decrease in medical inflation rate**			
	Revised DBO as at March 31, 2012	345.65				297.65			
	Revised service cost for 2011-12	13.84				15.02			
	Revised interest cost for 2011-12	13.20				10.26			

Foot Notes :

1 Leave Encashment : All employees are entitled to avail earned leave and sick leave during the service period and the same can be encashed on superannuation, resignation, termination or by nominee on death. Further, the accumulated earned leave can also be encashed during the service period. The contribution for increase in actuarial liability towards leave encashment, if any, is funded to LIC. As per the practice followed, the payment made to employees during the year to the extent of ₹ 33.08 crores is not claimed from LIC, hence, benefit paid during the year is shown as "NIL" in the above table.

2 Gratuity : All employees are entitled to receive gratuity as per the provisions of Payment of Gratuity Act, 1972.

3 Pension : The employees covered by the Pension Plan of the Corporation are entitled to receive monthly pension for life.

4 Post Retirement Medical Benefit : The serving and superannuated employees are covered under medical insurance policy taken by Corporation. It provides reimbursement of medical expenses for self and dependents as per the terms of the policy.

5 Long Service Awards : The Corporation has policy of giving service awards to its employees in the form of momento on completion of specified length of service and superannuation.

6 Ex-gratia : The ex-employees of Corporation covered under the Scheme are entitled to get ex-gratia based on the grade at the time of their retirement. The benefit will be paid to eligible employees till their survival, and after that, till the survival of their spouse.

Since the scheme is introduced from April 2007, the past service cost of ₹ 29.29 crores has been recognized in Statement of Profit and Loss.

7 Death Benefits : The families of deceased employees are paid at a specified percentage of last drawn salary till the notional date of retirement age under the provisions of Superannuation Benefit Fund Scheme.

8 Resettlement Allowance : At the time of retirement, the employees are allowed to permanently settle down at a place other than the location of the last posting.

9 The expected return on plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.

10 The fair value of the assets of Provident Fund Trust as of balance sheet date is greater than the obligation, including interest, and also the returns on these plan assets including the amount already provided are sufficient to take care of PF interest obligations, over and above the fixed contribution recognized.

11 The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

12 Figures in italics represent last year figures.

Cash Flow Statement for the Year Ended 31st March, 2012

₹ / Crores

		2011-12	2010-11
A.	**Cash Flow From Operating Activities**		
	Net Profit/(Loss)before Tax & Extraordinary items	**1,219.24**	2,337.73
	Adjustments for :		
	Depreciation prior period	**–**	1.29
	Depreciation / Amortisation	**1,712.93**	1,406.95
	Loss/(Profit) on Sale/write off of Fixed Assets/ CWIP	**9.55**	14.44
	Amortisation of capital grant	**(0.18)**	(0.19)
	Spares written off	**0.19**	3.74
	Provision for diminution in value of investments	**(4.28)**	(238.33)
	(Profit)/Loss on sale of short term investment	**96.56**	235.13
	Borrowing Cost	**2,139.23**	892.06
	Exchange rate difference on loans	**(23.10)**	131.60
	Provision for Doubtful Debts & Receivable	**5.09**	36.42
	Interest Income	**(528.33)**	(584.61)
	Share of Profit from PII	**(0.37)**	(0.02)
	Dividend Received	**(95.87)**	(82.07)
Operating Profit before Changes in Assets and Liabilities {Sub Total - (i)}		**4,530.67**	4,154.14
Increase /(Decrease) in Assets and Liabilities:			
	Trade Receivables	**(493.26)**	(253.05)
	Loans and Advances and Other Assets	**(4,700.05)**	(1,840.55)
	Inventories	**(2,832.44)**	(4,046.80)
	Liabilites and other Payables	**5,295.67**	3,552.19
	Sub Total - (ii)	**(2,730.08)**	(2,588.21)
	Cash generated from operations (i) + (ii)	**1,800.60**	1,565.93
	Direct Taxes / FBT refund / (paid) - Net	**(271.50)**	(564.50)
	Cash Flow before extraordinary items	**1,529.09**	1,001.43
	Extraordinary items	**–**	–
Net Cash from operating activities (A)		**1,529.09**	1,001.43
B.	**Cash Flow From Investing Activities**		
	Purchase of Fixed Assets (incl. Capital Work in Progress / excluding interest capitalised)	**(4,135.86)**	(4,610.07)
	Sale of Fixed Assets	**35.76**	99.80
	Purchase of Investment (Including share application money pending allotment/Adv. towards Equity)	**(412.27)**	(708.80)
	Investment in Subsidiary	**(17.00)**	(105.52)
	Sale Proceeds of Oil bonds	**1,031.34**	1,250.86
	Interest received	**538.59**	609.84
	Dividend Received	**95.87**	82.07
	Share of profit from PII	**–**	0.02
Net Cash from investing activities (B)		**(2,863.56)**	(3,381.80)
C.	**Cash Flow From Financing Activities**		
	Long term loans raised/(repaid)	**1,421.51**	3,012.77
	Short term loans raised / (repaid)	**2,370.42**	28.03
	Interest Paid on Loans	**(1,483.56)**	(893.25)
	Dividend paid (including dividend distribution tax)	**(550.93)**	(473.14)
Net Cash from financing activities (C)		**1,757.45**	1,674.41
Net Increase / (Decrease) in Cash Cash Equivalents (A + B + C)		**422.98**	(705.96)

Cash Flow Statement for the Year Ended 31St March, 2012 *(Contd.)*

₹ / Crores

	2011-12	2010-11
Opening Balance of Cash and Cash Equivalents		
Cash on hand	**6.60**	1.45
Cheques Awaiting Deposit	**0.59**	3.59
With Scheduled Banks:		
On Current Accounts	**65.91**	230.65
On Non-operative Current Accounts	**0.01**	0.01
Earmarked for Unclaimed dividend	**2.30**	3.08
Current Account with Municipal Co-operative Bank Ltd.	**0.08**	0.11
With Other Banks	**3.53**	4.29
	79.02	243.18
Overdraft from Bank	**(667.68)**	(125.88)
	(588.66)	117.30
Closing Balance of Cash and Cash Equivalents		
Cash on hand	**9.24**	6.60
Cheques Awaiting Deposit	**1.23**	0.59
With Scheduled Banks:		
On Current Accounts	**209.66**	65.91
On Non-operative Current Accounts	**0.01**	0.01
Earmarked for Unclaimed dividend	**2.36**	2.30
Current Account with Municipal Co-operative Bank Ltd.	**0.06**	0.08
With Other Banks	**3.82**	3.53
	226.38	79.02
Overdraft from Bank	**(392.06)**	(667.68)
	(165.69)	(588.66)
Net Increase / (Decrease) in cash and cash Equivalents	**422.98**	(705.96)

FOR AND ON BEHALF OF THE BOARD

S ROY CHOUDHURY
Chairman & Managing Director

B MUKHERJEE
Director - Finance

SHRIKANT M. BHOSEKAR
Company Secretary

Date : 29th May, 2012
Place : New Delhi

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

K C GUPTA
Partner
Membership No. 072936

For B K KHARE & CO.
Chartered Accountants
Firm No. 105102W

DEVDATTA MAINKAR
Partner
Membership No. 109795

C & AG's Comments

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HINDUSTAN PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2012

The preparation of financial statements of Hindustan Petroleum Corporation Limited for the year ended 31 March, 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 May 2012.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Hindustan Petroleum Corporation Limited for the year ended 31 March, 2012. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

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

Parama Sen
Principal Director of Commercial Audit
& ex-officio Member Audit Board II, Mumbai

Place : Mumbai
Date : 11 July, 2012.

Auditors' Report

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

1. We have audited the attached Consolidated Balance Sheet of **Hindustan Petroleum Corporation Limited,** its Subsidiary Companies and its interests in Joint Venture Companies as at March 31, 2012, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of **Hindustan Petroleum Corporation Limited's** management and have been prepared by the management on the basis of separate financial statement and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of the Subsidiary Companies and Joint Ventures, whose financial statements reflect the Group's share of total assets of ₹ 18,401.37 crores as at March 31, 2012, the total revenue of ₹ 9,484.60 crores and cash flows amounting to ₹ 507.64 crores for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by the other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries and joint ventures, is based solely on the report of the other auditors.

4. We have relied upon the unaudited financial statements of three joint ventures, which reflects total assets of ₹ 12,765.35 crores as at March 31, 2012 and total revenues of ₹ 90.57 crores and net cash flows amounting to ₹ 41.76 crores for the year ended on that date as considered in the consolidated financial statements.

5. We report that the consolidated financial statements have been prepared by the management of Hindustan Petroleum Corporation Limited in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" and Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures", issued under Companies (Accounting Standards) Rules, 2006.

6. Without qualifying our opinion, we invite attention to

   i) Note No. 41 of Notes to Accounts, regarding impairment of assets wherein, being technical matters subject to uncertainty we have relied on the estimates and assumptions made by the Company in arriving at recoverable value of assets, based on desired margins.

   ii) Note No. 32(b) of Notes to Accounts regarding recognition of Minimum Alternative Tax (MAT) credit wherein, we have relied on the management representation that the MAT credit of ₹ 268.77 Crores will be set off during the period specified in section 115JAA of the Income Tax Act, 1961.

   iii) Note No. 39 of Notes to Accounts regarding recoverability of outstanding amount of ₹ 505.53 Crores from Kingfisher Airlines Limited, wherein we have relied on the management representation that the entire outstanding will be realised.

   iv) Note No. 40 of Notes to Accounts regarding amortization of ancillary cost over the tenure of External Commercial Borrowings.

   v) Note No. 38 Point No 6 regarding Prize Petroleum Corporation Limited, Provision for deferred tax asset of ₹ 6.01 Crores has been made in the accounts during the year. Total deferred tax asset amounted to ₹ 10.56 Crores as at 31st March, 2012 (Previous year ₹ 10.50 Crores). Provision has been considered in the accounts despite continuous losses and the reason given for providing the same during the year which we have relied upon.

7. Based on our audit and consolidation of the reports of other auditors on separate financial statements and other financial information of the components, and to the best of our information and according to the explanation given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

Auditors' Report

(a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Hindustan Petroleum Corporation Limited, its Subsidiary Companies and its Joint Venture Companies as at March 31, 2012;

(b) in the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations of Hindustan Petroleum Corporation Limited, its Subsidiary Companies and its Joint Venture Companies for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Hindustan Petroleum Corporation Limited, its Subsidiary Companies and its Joint Venture Companies for the year ended on that date.

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

K. C. Gupta
Partner
Membership No. 072936

For B K Khare & Co.
Chartered Accountants
Firm No. : 105102W

Devdatta Mainkar
Partner
Membership No. 109795

Place : New Delhi
Date : 29th May 2012

Consolidated Balance Sheet as at 31st March, 2012

₹ / Crores

		Notes	2011-12	2010-11
I.	**EQUITY AND LIABILITIES**			
	(1) Shareholders' funds			
	(a) Share capital	3	**339.01**	339.01
	(b) Reserves and surplus	4	**12,769.18**	12,941.43
	(2) Share application money pending allotment		**133.14**	1.24
	(3) Minority interest		**2.28**	0.98
	(4) Non-current liabilities			
	(a) Long-term borrowings	5	**13,844.31**	11,046.55
	(b) Deferred tax liabilities (Net)	6	**3,436.38**	3,243.13
	(c) Other Long term liabilities	7A	**5,495.34**	4,639.55
	(d) Long-term provisions	7B	**442.55**	277.90
	(5) Current liabilities			
	(a) Short-term borrowings	8	**23,754.72**	18,586.63
	(b) Trade payables	9	**15,634.61**	10,933.51
	(c) Other current liabilities	10A	**8,149.53**	6,229.74
	(d) Short-term provisions	10B	**1,575.59**	1,678.22
	TOTAL		**85,576.64**	69,917.89
II.	**ASSETS**			
	(1) Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	11	**31,702.41**	19,480.97
	(ii) Intangible assets	12	**139.03**	136.28
	(iii) Capital work-in-progress	13	**6,125.68**	12,167.13
	(iv) Intangible under development	13A	**1.39**	0.69
	(b) Goodwill on Consolidation		**16.69**	–
	(c) Non-current investments	14	**4,066.79**	4,088.29
	(d) Long-term loans and advances	15	**1,507.45**	1,700.49
	(e) Other non-current assets	16	**135.82**	260.21
	(2) Current assets			
	(a) Current investments	17	**2,891.69**	4,015.31
	(b) Inventories	18	**22,985.95**	17,325.82
	(c) Trade receivables	19	**4,056.22**	3,589.45
	(d) Cash and bank balances	20	**734.02**	760.50
	(e) Short-term loans and advances	21	**10,710.42**	6,113.01
	(f) Other current assets	22	**503.08**	279.74
	TOTAL		**85,576.64**	69,917.89
	Significant Accounting Policies	1 & 2		

Significant Accounting Policies and Notes forming Part of Accounts are an integral part of Financial Statements.

FOR AND ON BEHALF OF THE BOARD

S. ROY CHOUDHURY
Chairman & Managing Director

B. MUKHERJEE
Director-Finance

SHRIKANT M. BHOSEKAR
Company Secretary

Date : 29th May, 2012
Place : New Delhi

FOR OM AGARWAL & CO.
Chartered Accountants
Firm No. 000971C

K. C GUPTA
Partner
Membership No. 072936

FOR B. K. KHARE & CO.
Chartered Accountants
Firm No. 105102W

DEVDATTA MAINKAR
Partner
Membership No. 109795

Consolidated Statement of Profit and Loss for the year ended 31st March, 2012

₹ / Crores

		Notes	2011-12	2010-11
I.	**Revenue from operations**			
	(a) Sale of Products (Gross)	23A	**195,652.32**	148,221.98
	Less : Excise duty		**(10,607.25)**	(9,744.16)
			185,045.07	138,477.82
	(b) Sale of Services		**42.19**	89.47
	(c) Other operating revenues	23B	**196.60**	174.94
	Revenue from operations (Net)		**185,283.86**	138,742.23
II.	**Other Income**	23C	**1,020.45**	1,243.67
III.	**Total Revenue (I + II)**		**186,304.31**	139,985.90
IV.	**Expenses**			
	Cost of materials consumed		**65,682.21**	45,010.73
	Purchases of Stock-in-Trade		**107,297.59**	85,401.55
	Packages consumed		**195.77**	157.39
	Excise Duty on Inventory differential		**(405.74)**	283.31
	Transhipping Expenses		**3,255.93**	2,887.85
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	**(1,365.19)**	(3,584.84)
	Employee benefits expenses	25	**1,643.40**	2,028.98
	Exploration Expenses		**97.61**	96.58
	Finance costs	26	**2,396.27**	918.82
	Depreciation and amortization expenses		**1,922.15**	1,498.12
	Other expenses	27	**4,740.64**	2,642.72
	Total expenses		**185,460.64**	137,341.21
V.	**Profit before exceptional and extraordinary items and tax (III-IV)**		**843.67**	2,644.69
VI.	**Prior Period Adjustments Debits / (Credits) (Net)**	28	**(23.24)**	32.80
VII.	**Profit before tax (V-VI)**		**866.91**	2,611.89
VIII.	**Tax expenses**			
	(1) Current tax		**469.91**	587.00
	(2) MAT Credit		**0.48**	(91.99)
	(3) Provision for Tax for Earlier Year Provided For / (Written Off)		**(95.22)**	80.73
	(4) Deferred tax		**315.78**	334.11
IX.	**Profit / (Loss) for the period after tax but before share of results of Minority Interests (VII-VIII)**		**175.96**	1,702.04
	Less : Share of Minority in Profit / (Loss)		**1.31**	(1.56)
X.	**Profit / (Loss) for the Period**		**174.65**	1,703.60
XI.	**Earnings per equity share:**			
	(1) Basic (2011-12 : EPS = Net Profit ₹ 174.65 crores / Weighted Avg. no. of shares - 33.863 crores)		**5.16**	50.31
	(2) Diluted (2011-12 : EPS = Net Profit ₹ 174.65 crores / Weighted Avg. no. of shares - 33.863 crores)		**5.16**	50.31
	(Total Revenue includes ₹ 7,322.02 crores (2010-11 ₹ 5,209.32 crores) towards share of jointly controlled entities).			
	(Total Expenses include ₹ 9,438.15 crores (2010-11 ₹ 4,847.06 crores) towards share of jointly controlled entities).			
	Significant Accounting Policies	1 & 2		

Significant Accounting Policies and Notes forming Part of Accounts are an integral part of Financial Statements.

FOR AND ON BEHALF OF THE BOARD

S. ROY CHOUDHURY
Chairman & Managing Director

B. MUKHERJEE
Director-Finance

SHRIKANT M. BHOSEKAR
Company Secretary

Date : 29th May, 2012
Place : New Delhi

FOR OM AGARWAL & CO.
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K. C GUPTA
Partner
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Chartered Accountants
Firm No. 105102W

DEVDATTA MAINKAR
Partner
Membership No. 109795

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

1. BASIS OF PREPARATION

1.1 The Consolidated Financial Statements (CFS) relates to parent company, Hindustan Petroleum Corporation Limited (HPCL), its subsidiary companies and its interest in Joint Ventures, in the form of jointly controlled entities (collectively referred to as the "Group").

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

In particular these CFS are prepared in accordance with Accounting Standard on "Consolidated Financial Statements" (AS-21), and "Financial Reporting of Interests in Joint Ventures" (AS-27) issued by the Institute of Chartered Accountants of India.

1.2 Principles of Consolidation:

The CFS are prepared, as far as possible, using uniform significant accounting policies for the transactions and other events in similar circumstances and are presented in the same manner as HPCL's separate financial statements. The Financial Statements of HPCL and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, the intra group balance and intra group transactions and unrealised profits or losses resulting from intra group transactions are fully eliminated. The share of Minority Interest in the Subsidiaries has been disclosed separately in CFS.

The financial statements of Joint Ventures have been consolidated by applying proportionate consolidation method on a line-by-line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of intra group balance intra group transactions and unrealized profits or losses.

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

1.3 Companies included in Consolidation :

The CFS comprise the Audited Financial Statements (except as mentioned otherwise) of HPCL, its Subsidiaries and its interest in Joint Ventures for the year ended 31st March 2012, which are as under;

	Name of the Company	Country of Incorporation	HPCL's Ownership Interest	
			31.03.2012	31.03.2011
(i)	**Subsidiaries :**			
	CREDA - HPCL Biofuels Ltd. (CHBL)	India	**74.00%**	74.00%
	HPCL Biofuels Ltd. (HBL)	India	**100.00%**	100.00%
	Prize Petroleum Company Ltd. (PPCL) (w.e.f 19th Dec, 2011)*	India	**100.00%**	—
(ii)	**Joint Ventures :**			
	HPCL - Mittal Energy Ltd. (HMEL)***^	India	**49.00%**	49.00%
	Hindustan Colas Ltd. (HINCOL)	India	**50.00%**	50.00%
	South Asia LPG Co. Pvt. Ltd. (SALPG)^	India	**50.00%**	50.00%
	Prize Petroleum Company Ltd. (PPCL) (up to 18th Dec, 2011)*	India	**—**	50.00%
	Mangalore Refinery and Petrochemicals Ltd. (MRPL)***	India	**16.95%**	16.95%
	Bhagyanagar Gas Ltd. (BGL)	India	**25.00%**	25.00%
	Petronet India Ltd. (Pet India)**	India	**16.00%**	16.00%
	Petronet MHB Ltd. (PMHBL)	India	**28.77%**	28.77%
	Aavantika Gas Ltd. (AGL)^	India	**25.00%**	25.00%

* During the year Prize Petroleum Company Ltd. (erstwhile 50% Joint Venture of HPCL) became a subsidiary of HPCL w.e.f. 19th Dec, 2011. Hence the CFS include results of PPCL as joint venture up to 18th Dec, 2011 and thereafter as a subsidiary.

** Proportionate consolidation in respect of Investments in Petronet India Limited has been discontinued in the preparation of CFS as the management has provided for full diminution in the value of Investment during FY 06-07.

*** Consolidated Financial Statements are considered.

^ Unaudited Accounts are considered.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

2. **SIGNIFICANT ACCOUNTING POLICIES**

2.1 Fixed Assets :

a. Land acquired on lease for 99 years or more is treated as freehold land.

b. Technical know-how /licence fee relating to plants/ facilities are capitalized as part of cost of the underlying asset.

2.2 Intangible Assets :

a. Cost of Right of Way for laying pipelines is capitalised as Intangible Asset and being perpetual in nature, is not amortised.

b. Technical know-how /licence fee relating to production process and process design are recognized as Intangible Assets.

c. Cost of Software directly identified with hardware is capitalised along with the cost of hardware. Application software is capitalised as Intangible Asset.

2.3 Construction Period Expenses on Projects :

a. Related expenditure (including temporary facilities and crop compensation expenses) incurred during construction period in respect of plan projects and major non-plan projects are capitalised.

b. Financing cost incurred during the construction period on loans specifically borrowed and utilised for projects is capitalised. Financing cost includes exchange rate variation in relation to borrowings denominated in foreign currency.

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

2.4 Depreciation and Amortisation :

a. Depreciation on Fixed Assets is provided on the Straight Line method, in the manner and at the rates prescribed under Schedule XIV to the Companies Act, 1956 and is charged pro rata on a monthly basis on assets, from / up to and inclusive of the month of capitalisation / sale, disposal or deletion during the year.

b. All assets costing up to ₹ 5000/-, other than LPG cylinders and pressure regulators, are fully depreciated in the year of capitalisation.

c. Premium on leasehold land is amortised over the period of lease.

d. Machinery Spares, which can be used only in connection with an item of fixed asset and the use of which is expected to be irregular, are depreciated over a period not exceeding the useful life of the principal item of fixed asset.

e. Intangible Assets other than application software are amortized on a straight line basis over a period of ten years or life of the underlying plant/facility, whichever is earlier.

f. Application software are normally amortised over a period of four years, or over its useful life, whichever is earlier.

2.5 Impairment of Assets :

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

2.6 Foreign Currency Transactions :

a. Foreign Currency transactions during the year are recorded at the exchange rates prevailing on the date of transactions.

b. All foreign currency assets, liabilities and forward contracts are restated at the rates prevailing at the year end.

c. All exchange differences (except as stated in note 2.3.b and note 33) are recognised in the Statement of Profit and Loss including those covered by forward contracts, where the premium / discount arising from such contracts are recognised over the period of contracts.

d. The realised gain or loss in respect of commodity hedging contracts, the pricing period of which has expired during the year, are recognised in the Statement of Profit and Loss along with the underlying transaction. However, in respect of contracts, the pricing period of which extends beyond the balance sheet date, suitable provision is made for likely loss, if any.

2.7 Investments :

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

b. Current investments are valued at the lower of cost and fair value.

2.8 Inventories :

a. Crude oil is valued at cost on First in First out (FIFO) basis or at net realisable value, whichever is lower.

b. Raw material for lubricants and finished lubricants are valued at weighted average cost or at net realisable value, whichever is lower.

c. Stock-in process is valued at raw material cost plus cost of conversion or at net realisable value, whichever is lower.

d. Finished products other than Lubricants are valued at cost (on FIFO basis month-wise) or at net realisable value, whichever is lower.

e. Empty packages are valued at weighted average cost.

f. Stores and spares are valued at weighted average cost. Stores & spares in transit are valued at cost.

g. Value of surplus, obsolete and slow moving stores and spares, if any, is reduced to net realisable value. Surplus items, when transferred from completed projects are valued at cost / estimated value, pending periodic assessment / ascertainment of condition.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

2.9 Duties on Bonded Stocks :

Excise / Customs duty is provided on stocks stored in Bonded Warehouses (excluding goods exempted from duty / exports or where liability to pay duty is transferred to consignee).

2.10 Grants :

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

b. Grants received against revenue items are recognised as income.

2.11 Provisions :

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

2.12 Exploration & Production Expenditure :

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

a. Cost of surveys, studies, carrying and retaining undeveloped properties are expensed out in the year of incurrence.

b. Cost of acquisition, drilling and development are treated as capital work-in-progress when incurred and are capitalised when the well is ready to commence commercial production.

c. Accumulated costs on exploratory wells in progress are expensed out in the year in which they are determined to be dry.

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

2.13 Employee Benefits :

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

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

Short term employee benefits are recognized as an expense at an undiscounted amount in the Statement of Profit & Loss of the year in which the related services are rendered.

2.14 Sale of Products :

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

2.15 Research and Development Expenditure :

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

2.16 Taxes on Income :

a. Provision for current tax is made in accordance with the provisions of the Income Tax Act, 1961.

b. Deferred tax liability/asset on account of timing difference between taxable and accounting income is recognised using tax rates and tax laws enacted or substantively enacted as at the balance sheet date. In the event of unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized, if there is virtual certainty that sufficient future taxable income will be available to realize such assets.

c. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, is considered as an asset when it is probable that the future economic benefits associated with it, will flow to the Company.

2.17 Contingent Liabilities and Capital Commitments :

Contingent Liabilities are considered only for items exceeding ₹ 5 lakhs in each case. Contingent Liabilities in respect of show cause notices are considered only when converted into demands. Capital Commitments are considered only for items exceeding ₹ 1 lakh in each case.

2.18 Accounting / Classification of Expenditure and Income :

a. Insurance claims are accounted on acceptance basis.

b. All other claims/entitlements are accounted on the merits of each case/realisation.

c. Raw materials consumed are net of discount towards sharing of under-recoveries.

d. Income and expenditure of previous years, individually amounting to ₹ 5 lakhs and below are not considered as prior period items.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
3. SHARE CAPITAL		
A. Authorised:		
75,000 Cumulative Redeemable Preference Shares of ₹ 100/- each	**0.75**	0.75
34,92,50,000 Equity Shares of ₹ 10/- each	**349.25**	349.25
	350.00	350.00
B. Issued, Subscribed & Paid-up :		
33,93,30,000 Equity Shares of ₹ 10 each	**339.33**	339.33
Less: 7,02,750 Shares Forfeited	**(0.70)**	(0.70)
33,86,27,250 equity shares of ₹ 10 each fully paid up	**338.63**	338.63
Add: Shares Forfeited (money received)	**0.39**	0.39
	339.01	339.01

(a) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	31.03.2012 %	31.03.2011 %
President of India	**51.11**	51.11
Life Insurance Corporation of India	**8.89**	8.64

(b) Right and Restrictions on Equity Shares

The Company has only one class of Equity Shares having a face value of ₹ 10/- per share which are issued and subscribed. Each Shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of the winding up of the Company, the holders of equity shares will be entitled to receive the remaining assets of the company in proportion to the number of equity shares held by the shareholders and the amount paid up thereon.

The Company also has 75000 6% cumulative Redeemable Non-convertible Preference Shares of ₹ 100/- each as a part of the Authorised Capital, which were issued earlier by the erstwhile ESRC. Presently the said preference shares stand redeemed.

4. RESERVES AND SURPLUS

	2011-12	2010-11
Capital Reserve		
As per last Balance Sheet	**0.08**	0.08
(Includes ₹ 0.08 crores (2010-11 ₹ 0.08 crores) towards share of jointly controlled entities).		
Capital Redemption Reserve		
As per last Balance Sheet	**–**	–
Add: Transfer from Statement of Profit & Loss	**0.78**	–
Less: Transfer to Statement of Profit & Loss	**–**	–
	0.78	–
(Includes ₹ 0.78 crores (2010-11 ₹ Nil crores) towards share of jointly controlled entities).		
Share Premium Account		
As per last Balance Sheet	**1,098.46**	1,098.46
(Includes ₹ 55.31 crores (2010-11 ₹ 55.31 crores) towards share of jointly controlled entities).		
Debenture Redemption Reserve		
As per last Balance Sheet	**262.55**	86.40
Add: Transfer from Statement of Profit & Loss	**176.15**	176.15
	438.70	262.55
(Includes ₹ Nil crores (2010-11 ₹ Nil crores) towards share of jointly controlled entities).		

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
Capital Grant		
As per last Balance Sheet	**3.98**	4.17
Received during the year	**–**	–
Less: Amortised during the year	**(0.18)**	(0.19)
	3.80	3.98
(Includes ₹ Nil crores (2010-11 ₹ Nil crores) towards share of jointly controlled entities).		
Market Development Reserve		
As per last Balance Sheet	**1.40**	1.40
(Includes ₹ 1.40 crores (2010-11 ₹ 1.40 crores) towards share of jointly controlled entities).		
General Reserve		
As per last Balance Sheet	**1,472.54**	1,249.67
Add : Adjustment for Dividend	**(2.04)**	62.55
Add: Transfer from Statement of Profit & Loss	**95.68**	160.32
	1,566.18	1,472.54
(Includes ₹ 108.34 crores (2010-11 ₹ 59.18 crores) towards share of jointly controlled entities).		
Surplus		
Balance Brought Forward	**10,102.43**	9,292.93
Profit for the Period	**174.65**	1,703.60
Profit Available for Appropriation	**10,277.08**	10,996.53
Less : Profit appropriated to Debenture Redemption Reserve	**(176.15)**	(176.15)
Less : Profit appropriated to Capital Redemption Reserve	**(0.78)**	–
Less : Profit appropriated to General Reserve	**(95.68)**	(160.32)
Less : Profit appropriated for Proposed Dividend	**(287.83)**	(474.08)
Less : Profit appropriated for Tax on Distributed Profits	**(56.86)**	(83.55)
	9,659.78	10,102.43
	12,769.18	12,941.43
5. LONG-TERM BORROWINGS		
Secured :		
Debentures / Bonds		
7.70% Non-Convertible Debentures	**1,000.00**	1,000.00
7.35% Non-Convertible Debentures	**–**	1,000.00
Zero Coupon Bonds issued to Bankers Under Corporate Debt Restructuring Scheme	**9.10**	18.00
Term Loans		
From Banks :		
Canara Bank	**17.15**	17.15
Corporation Bank	**10.29**	10.29
Union Bank of India (For Sugauli & Lauriya Project)	**354.00**	289.92
Rupee Term Loan from Bank of Baroda	**8.88**	4.25
Rupee Loan from Banks	**3,792.69**	3,321.33
Foreign Currency Loan	**2,364.77**	1,668.97
From Others :		
Rupee Loan from Financial Institutions	**143.17**	–
Deferred Payment Liabilities (Deferred Sales tax Loan)	**0.77**	0.99
Total (A)	**7,700.82**	7,330.90

(Includes ₹ 6,346.81 crores (2010-11 ₹ 5,040.99 crores) towards share of jointly controlled entities).

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
Unsecured :		
Syndicated Loans from Foreign Banks (repayable in foreign currency)	**4,401.12**	2,797.05
Term Loan from Oil Industry Development Board	**958.07**	621.00
Rupee Loan from Banks	**235.93**	129.02
Deferred Payment Liabilities (Deferred Sales tax Loan)	**46.50**	46.50
Loans and advances from related parties	**501.87**	122.08
Total (B)	**6,143.49**	3,715.65
(Includes ₹ 852.12 crores (2010-11 ₹ 297.60 crores) towards share of jointly controlled entities).		
Long Term Borrowings (A+B)	**13,844.31**	11,046.55
6. DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Assets :		
Provision for Employee Benefits	**424.50**	241.18
Others	**453.25**	342.35
Total (A)	**877.75**	583.53
Deferred Tax Liabilities :		
Depreciation	**3,924.67**	3,255.03
Others	**389.46**	571.63
Total (B)	**4,314.13**	3,826.66
Deferred Tax Liability (B - A)	**3,436.38**	3,243.13
(Includes ₹ 361.64 crores (2010-11 ₹ 47.49 crores) towards share of jointly controlled entities).		
Deferred Tax Assets (Others) includes proportionate share of deferred tax assets on account of unabsorbed depreciation/losses which have been recognised based on the virtual certainty assessment by the managements of certain Subsidiaries / Joint Ventures.		
7A. OTHER LONG TERM LIABILITIES		
Trade Payables	**2.51**	2.25
Others :		
Deposits from Dealers /Suppliers/Consumers for LPG Cylinders	**5,379.98**	4,540.25
Other Deposits	**4.26**	4.71
Accrued Charges/Credits	**0.47**	2.21
Other Liabilities	**108.12**	90.13
	5,495.34	4,639.55
(Includes ₹ 24.28 crores (2010-11 ₹ 25.97 crores) towards share of jointly controlled entities).		
7B. LONG-TERM PROVISIONS		
Provision for Employee Benefits	**442.55**	277.90
	442.55	277.90
(Includes ₹ 5.67 crores (2010-11 ₹ 4.68 crores) towards share of jointly controlled entities).		
8. SHORT-TERM BORROWINGS		
Secured :		
Collateral Borrowing and Lending Obligation (CBLO)	**1,260.00**	990.00
Short Term Loans from Banks (repayable in foreign currency)	**1,700.26**	–
Working Capital Loans from Banks	**2.03**	11.71
Overdrafts from Banks	**425.94**	667.37
	3,388.23	1,669.08
(Includes ₹ 1,701.89 crores (2010-11 ₹ 11.40 crores) towards share of jointly controlled entities).		

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
Unsecured :		
Loans and advances from related parties	**15.00**	–
Inter Company Deposits	**945.00**	500.00
Other Loans and Advances :		
Short Term Loans from Banks (repayable in foreign currency)	**15,612.87**	9,992.55
Rupee Loans from Banks	**53.62**	–
Clean Loans from Banks	**600.00**	6,025.00
Commercial Paper	**3,140.00**	400.00
	20,366.49	16,917.55
(Includes ₹ 830.66 crores (2010-11 ₹ 364.19 crores) towards share of jointly controlled entities).		
	23,754.72	18,586.63
9. TRADE PAYABLES		
Trade Payables other than Micro, Small and Medium Enterprises	**15,634.61**	10,933.51
	15,634.61	10,933.51
(Includes ₹ 3,026.26 crores (2010-11 ₹ 1,894.52 crores) towards share of jointly controlled entities).		
10A. OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Debts	**2,569.73**	1,490.78
Interest accrued but not due on loans	**225.62**	172.88
Interest accrued and due on loans	**0.42**	–
Unpaid matured Fixed Deposits	**0.02**	0.02
Other Payables :		
Other Deposits	**120.08**	102.44
Accrued Charges/Credits	**169.43**	118.90
Preference share capital redeemed remaining unclaimed /unencashed	**0.01**	0.01
Unclaimed Dividend	**5.00**	4.47
Total outstanding dues of Micro, Small and Medium Enterprises	**5.85**	2.81
Other Liabilities	**5,053.37**	4,337.43
	8,149.53	6,229.74
(Includes ₹ 827.04 crores (2010-11 ₹ 300.43 crores) towards share of jointly controlled entities).		
10B. SHORT-TERM PROVISIONS		
Provision for Employee Benefits	**1,216.45**	1,076.94
Others :		
Provision for Tax (Net)	**5.97**	21.43
Provision For Proposed Dividend	**287.83**	474.08
Provision for Fringe Benefit Tax	**0.16**	0.16
Provision for Tax on Distributed Profits	**52.90**	83.75
Other Provisions	**12.28**	21.86
	1,575.59	1,678.22

(Includes ₹ 28.48 crores (2010-11 ₹ 52.68 crores) towards share of jointly controlled entities).

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

11. TANGIBLE ASSETS

₹ / Crores

Sr. No.	Description	GROSS BLOCK (AT COST)					DEPRECIATION / AMORTISATION					NET BLOCK	
		As at 1st April, 2011	Additions / Reclassifications	Deductions / Reclassifications	Other Adjustments*	**As at 31st March, 2012**	As at 1st April, 2011	For the Year	Deductions	Other Adjustments*	**As at 31st March, 2012**	**As at 31st March, 2012**	As at 31st March, 2011
1	Land - Freehold	687.17	33.08	0.18	–	**720.07**	–	–	–	–	**–**	**720.07**	687.17
2	Buildings	2,658.71	856.83	6.32	–	**3,509.22**	370.21	63.30	2.40	–	**431.11**	**3,078.11**	2,288.50
3	Plant & Equipment	24,830.85	12,735.98	65.22	0.92	**37,502.53**	10,708.95	1,710.85	48.42	0.47	**12,362.49**	**25,140.03**	14,121.89
4	Furniture & Fixtures	130.67	17.84	2.95	0.11	**145.67**	58.66	7.57	2.06	0.07	**64.24**	**81.43**	72.01
5	Transport Equipment	161.71	17.77	5.03	0.05	**174.50**	81.58	14.63	4.06	0.02	**92.17**	**82.33**	80.13
6	Office Equipment	532.01	112.28	55.91	0.28	**588.66**	237.06	44.10	50.51	0.25	**230.90**	**357.76**	294.95
7	Roads and Culverts	1,534.79	327.48	5.86	–	**1,856.41**	137.32	27.26	1.34	–	**163.24**	**1,693.17**	1,397.47
8	Leasehold Property - Land	489.65	13.38	0.28	0.14	**502.89**	66.68	14.82	0.32	0.14	**81.32**	**421.57**	422.97
9	Railway Siding & Rolling Stock	287.01	24.66	0.03	–	**311.64**	172.46	12.65	0.02	–	**185.09**	**126.55**	114.55
10	Unallocated Capital Expenditure on Land Development	0.20	–	–	–	**0.20**	0.20	–	–	–	**0.20**	**–**	–
11	Assets held for Disposal	1.37	0.07	–	–	**1.44**	0.04	0.01	–	–	**0.05**	**1.39**	1.33
	Grand Total	31,314.14	14,139.37	141.78	1.50	**45,313.23**	11,833.16	1,895.19	109.13	0.95	**13,610.81**	**31,702.41**	19,480.97
	(Includes share of jointly controlled entities)	1,788.49	9,594.05	2.02	(1.50)	**11,379.02**	924.99	197.95	1.18	(0.95)	**1,111.45**	**10,267.57**	863.50
	Previous Year 2010-11	26,556.60	4,959.41	201.87	–	**31,314.14**	10,420.45	1,488.57	75.86	–	**11,833.16**	**19,480.97**	16,136.15

* Pertains to wholly owned subsidiary Prize Petroleum Company Ltd. (PPCL) (erstwhile 50% Joint Venture), due to 100% consolidation of PPCL as against 50% consolidation as on 31-3-2011.

12. INTANGIBLE ASSETS

₹ / Crores

Sr. No.	Description	GROSS BLOCK (AT COST)					DEPRECIATION / AMORTISATION					NET BLOCK	
		As at 1st April, 2011	Additions / Reclassifications	Deductions / Reclassifications	Other Adjustments*	**As at 31st March, 2012**	As at 1st April, 2011	For the Year	Deductions	Other Adjustments*	**As at 31st March, 2012**	**As at 31st March, 2012**	As at 31st March, 2011
1	Right of Way	44.02	0.65	–	–	**44.67**	–	–	–	–	**–**	**44.67**	44.02
2	Technical / Process Licenses	49.88	13.12	–	–	**63.00**	11.74	7.33	–	–	**19.07**	**43.93**	38.14
3	Software	137.63	14.72	0.03	0.64	**152.96**	91.48	26.29	0.01	0.57	**118.33**	**34.63**	46.14
4	Share of Intangible Assets in JVs:												
	ONGC Marginal Fields (PI - 50%)	4.93	–	–	4.93	**9.86**	0.27	0.10	–	0.32	**0.69**	**9.16**	4.66
	Project Sanganpur (PI - 50%)	3.36	–	–	3.36	**6.72**	0.04	–	–	0.04	**0.08**	**6.64**	3.32
	Grand Total	239.82	28.49	0.03	8.93	**277.21**	103.53	33.72	0.01	0.93	**138.17**	**139.03**	136.28
	(Includes share of jointly controlled entities)	23.64	0.57	–	(8.93)	**15.28**	5.51	2.04	–	(0.94)	**6.61**	**8.67**	18.13
	Previous Year 2010-11	189.26	50.60	0.04	–	**239.82**	83.23	25.89	5.59	–	**103.53**	**136.28**	106.03

* Pertains to wholly owned subsidiary Prize Petroleum Company Ltd. (PPCL) (erstwhile 50% Joint Venture), due to 100% consolidation of PPCL as against 50% consolidation as on 31-3-2011.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
13. CAPITAL WORK-IN-PROGRESS		
Unallocated Capital Expenditure and Materials at Site	**5,328.09**	10,607.00
Capital Stores	**100.31**	175.73
Capital Stores lying with Contractors	**200.03**	130.05
Capital goods in transit	**30.70**	3.02
	5,659.13	10,915.80
Construction period expenses pending apportionment (Net of recovery):		
Establishment charges	**137.06**	109.38
Borrowing Cost	**311.36**	616.77
Depreciation	**0.14**	4.40
Other Expenses Incurred During Construction	**17.99**	520.78
	466.55	1,251.33
	6,125.68	12,167.13
(Includes ₹ 1,672.33 crores (2010-11 ₹ 7,977.89 crores) towards share of jointly controlled entities).		
13A. INTANGIBLE UNDER DEVELOPMENT *		
ONGC Onshore Marginal Fields	**1.38**	0.69
SR-ONN-2004-01 - (South Rewa Block)	**0.01**	–
	1.39	0.69

* Pertains to wholly owned subsidiary Prize Petroleum Company Ltd. (PPCL) (erstwhile 50% Joint Venture).
Increase of ₹ 0.70 crores is on account of 100% consolidation of PPCL as against 50% consolidation as on 31-3-2011.

	2011-12	2010-11
14. NON-CURRENT INVESTMENTS		
Trade Investments		
Quoted		
Investment in Equity		
Oil India Ltd.		
53,50,110 Equity Shares of ₹ 10 each fully paid up	**561.76**	561.76
Scooters India Ltd.		
10,000 Equity Shares of ₹ 10 each fully paid up	**0.01**	0.01
Investment in Government or trust securities		
6.90% Oil Marketing Companies' GOI Special Bonds 2026*	**3,500.00**	3,500.00
Un - Quoted		
Investment in Equity		
Investments in Joint Venture		
Petronet India Ltd.		
1,59,99,999 Equity Shares of ₹ 10 each fully paid up	**16.00**	16.00
Less : Provision for Diminution	**(16.00)**	(16.00)
Investment in Preference Shares		
Investments in Joint Venture		
Prize Petroleum Co. Ltd		
5,00,00,000 Preference Shares of ₹ 10 each, ₹ 6.70 each paid up	**–**	21.50
Other non-current investments		
Petroleum India International (Association of Persons) Contribution towards Seed Capital	**5.00**	5.00
Total Trade Investments - A	**4,066.77**	4,088.27

* ₹ 2,740 crores bonds pledged with Clearing Corporation of India Limited against CBLO Loan.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
Other Investments		
Un - Quoted		
Investment in Government or trust securities		
Government Securities of the face value of ₹ 0.02 Crores		
Deposited with Others	**0.02**	0.02
On hand - ₹ 0.25 lakhs (2010-11 ₹ 0.25 lakhs)	**0.00**	0.00
Government Securities of the face value of ₹ 0.24 lakhs		
Deposited with Others - ₹ 0.10 lakhs	**0.00**	0.00
On hand - ₹ 0.14 lakhs (2010-11 ₹ 0.14 lakhs)	**0.00**	0.00
Less: Provision for loss on Investments* - ₹ 0.14 lakhs	**(0.00)**	(0.00)
Investment in Debentures or bonds		
East India Clinic Ltd.		
1/2% Debenture of face value of - ₹ 0.15 lakhs	**0.00**	0.00
5% Debenture of face value of - ₹ 0.07 lakhs	**0.00**	0.00
Other non-current investments		
Shushrusha Citizen Co-operative Hospital Limited		
100 Equity Shares of ₹ 100/- each fully paid	**0.00**	0.00
Total Other Investments - B	**0.02**	0.02
Total Non - Current Investments (A + B)	**4,066.79**	4,088.29

(Includes ₹ Nil crores (2010-11 ₹ Nil crores) towards share of jointly controlled entities).

* Includes ₹ 0.14 lakhs (2010-11 ₹ 0.14 lakhs) not in the possession of the Company.

15. LONG-TERM LOANS AND ADVANCES

	2011-12	2010-11
Secured, considered good :		
Employee Loans and Advances	**241.31**	260.56
Interest Accrued thereon	**159.71**	149.91
Unsecured, considered good :		
Capital Advances	**149.27**	488.02
Other Loans and Advances :		
Advances recoverable in cash or in kind or for value to be received	**50.67**	27.99
Balances with Excise, Customs, Port Trust etc.	**40.24**	2.99
Other Deposits	**69.64**	64.29
MAT Credit	**268.77**	500.87
Share application money pending allotment	**3.73**	3.73
Advance towards equity	**173.76**	40.19
Advances given to others	**12.00**	12.00
Advance tax (net of provisions)	**171.66**	93.04
Other Receivables	**166.69**	56.90
Total A	**1,507.45**	1,700.49
Unsecured, considered doubtful :		
Accounts Receivable & Deposits	**0.09**	0.09
Less : Provision for Doubtful Receivables	**(0.09)**	(0.09)
Total B	**–**	–
Total (A+B)	**1,507.45**	1,700.49

(Includes ₹ 184.37 crores (2010-11 ₹ 414.04 crores) towards share of jointly controlled entities).

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
16. OTHER NON-CURRENT ASSETS		
Unamortized expenses	**101.35**	27.32
Others	**34.47**	232.89
	135.82	260.21
(Includes ₹ 67.45 crores (2010-11 ₹ 31.91 crores) towards share of jointly controlled entities).		
17. CURRENT INVESTMENTS		
Quoted		
Investment in Government or trust securities		
7.47% Oil Marketing Companies' GOI Special Bonds, 2012	**–**	9.98
7.61% Oil Marketing Companies' GOI Special Bonds, 2015	**5.02**	5.10
6.90% Oil Marketing Companies' GOI Special Bonds, 2026	**22.45**	23.14
8.00% Oil Marketing Companies' GOI Special Bonds, 2026	**22.93**	23.65
8.20% Oil Marketing Companies' GOI Special Bonds, 2024	**605.02**	1,284.46
6.35% Oil Marketing Companies' GOI Special Bonds, 2024	**2,231.65**	2,664.36
	2,887.07	4,010.69
Unquoted		
Investment in Government or trust securities		
7% GOI Oil Bonds, 2012 (Valued at Cost)	**4.62**	4.62
Total	**2,891.69**	4,015.31
(Includes ₹ 4.62 crores (2010-11 ₹ 4.62 crores) towards share of jointly controlled entities).		
18. INVENTORIES		
(As per Inventory taken, valued and certified by the Management)		
Raw Materials (Including in Transit ₹ 3,065.06 crores (2010-11 ₹ 1,564.97 crores))	**7,733.64**	3,505.57
Stock in Process	**1,973.28**	1,735.85
Finished Products	**7,338.91**	6,537.72
Stock-in-Trade (Including in Transit ₹ 310.86 crores (2010-11 ₹ 278.92 crores))	**5,637.22**	5,310.65
Stores and Spares (Including in Transit ₹ 28.42 crores (2010-11 ₹ 12.13 crores))	**294.53**	223.64
Packages	**8.37**	12.39
	22,985.95	17,325.82
(Includes ₹ 3,463.16 crores (2010-11 ₹ 709.64 crores) towards share of jointly controlled entities).		
19. TRADE RECEIVABLES		
Over six months (from the due date) :		
Unsecured Considered good	**151.72**	212.43
Considered doubtful	**123.80**	125.56
Less: Provision for Doubtful Debts	**(123.80)**	(125.56)
	151.72	212.43
Others :		
Secured Considered good	**7.95**	1.18
Unsecured Considered good	**3,896.55**	3,375.84
Considered doubtful	**27.42**	23.95
Less: Provision for Doubtful Debts	**(27.42)**	(23.95)
	3,904.50	3,377.02
	4,056.22	3,589.45
(Includes ₹ 516.29 crores (2010-11 ₹ 595.96 crores) towards share of jointly controlled entities).		

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
20. CASH AND BANK BALANCES		
Cash and cash equivalent :		
With Scheduled Banks:		
On Current Accounts	**231.63**	126.59
On Non-operative Current Accounts	**0.01**	0.01
Cheques Awaiting Deposit	**1.55**	0.73
Cash on hand	**9.89**	6.78
Investment in UTI Mutual Funds	**–**	13.89
Fixed Deposits with Banks	**314.74**	173.51
	557.82	321.51
Other Bank Balances :		
With Scheduled Banks:		
On Fixed Deposit Accounts	**170.74**	301.23
Earmarked for Unclaimed dividend	**5.00**	4.47
In Current Account with Municipal Co-operative Bank Ltd.	**0.06**	0.08
Other Bank Balances & Deposits	**0.40**	133.21
	176.20	438.99
	734.02	760.50

(Includes ₹ 485.60 crores (2010-11 ₹ 647.34 crores) towards share of jointly controlled entities).

	2011-12	2010-11
21. SHORT-TERM LOANS AND ADVANCES		
Secured, considered good :		
Employee Loans & Advances	**351.27**	108.85
Interest Accrued thereon	**6.74**	12.03
Unsecured, considered good :		
Loans & Advances to Related Party	**45.45**	0.10
Others :		
Advances recoverable in cash or in kind or for value to be received	**13.23**	20.47
Balances with Excise, Customs, Port Trust etc.	**1,002.10**	902.51
Other Deposits	**44.55**	48.57
MAT Credit	**–**	0.48
Prepaid Expenses	**110.02**	9.75
Amounts recoverable under Subsidy Schemes	**8,520.76**	4,505.39
Advance Income tax (Net)	**4.43**	1.50
Other Accounts Receivable	**611.87**	503.36
Total A	**10,710.42**	6,113.01
Unsecured, considered doubtful :		
Accounts Receivable & Deposits	**3.99**	3.85
Less : Provision for Doubtful Receivables	**(3.99)**	(3.85)
Total B	**–**	–
Total (A+B)	**10,710.42**	6,113.01

(Includes ₹ 707.20 crores (2010-11 ₹ 632.68 crores) towards share of jointly controlled entities).

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
22. OTHER CURRENT ASSETS		
Interest Accrued on Investments & Term Deposits	**93.50**	105.65
Unamortized Expenses	**26.07**	25.89
Delayed Payment Charges Receivable from Customers	**143.96**	68.66
Others	**239.55**	79.54
	503.08	279.74
(Includes ₹ 22.82 crores (2010-11 ₹ 28.52 crores) towards share of jointly controlled entities).		
23A. SALE OF PRODUCTS (GROSS)		
Sale of Products	**176,532.74**	138,495.46
Recovery under Subsidy Schemes	**19,119.58**	9,726.52
	195,652.32	148,221.98
(Includes ₹ 7,821.12 crores (2010-11 ₹ 5,825.93 crores) towards share of jointly controlled entities).		
23B. OTHER OPERATING REVENUES		
Rent Recoveries	**79.82**	70.80
Net Recovery for LPG Filling Charges	**2.56**	1.58
Miscellaneous Income	**114.22**	102.56
	196.60	174.94
(Includes ₹ 1.66 crores (2010-11 ₹ 2.05 crores) towards share of jointly controlled entities).		
23C. OTHER INCOME		
Interest Income On :		
Deposits	**59.62**	31.52
Staff Loans	**13.21**	14.85
Customers' Accounts	**100.35**	24.83
Long Term Investments	**241.50**	241.50
Current Investments	**287.15**	343.43
Others	**61.07**	55.32
Dividend income	**34.94**	25.36
Exchange rate variation (Net)	**–**	323.09
Share of Profit from Petroleum India International (AOP)	**0.37**	0.02
Miscellaneous Income	**222.24**	183.75
	1,020.45	1,243.67
(Includes ₹ 72.51 crores (2010-11 ₹ 138.48 crores) towards share of jointly controlled entities).		
24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Closing Stock:		
Stock in Process	**1,973.28**	1,735.85
Finished Products	**7,338.91**	6,537.72
Stock - In - Trade (In respect of goods acquired for trading)	**5,637.22**	5,310.65
	14,949.41	13,584.22
Less: Opening Stock:		
Stock in Process	**1,735.85**	855.39
Finished Products	**6,537.72**	2,083.92
Stock - In - Trade (In respect of goods acquired for trading)	**5,310.65**	7,060.07
	13,584.22	9,999.38
	1,365.19	3,584.84
(Includes ₹ 148.51 crores (2010-11 ₹ 139.25 crores) towards share of jointly controlled entities).		

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
25. EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages, Bonus, etc.	**1,146.06**	1,282.13
Contribution to Provident and Other Funds	**81.18**	82.15
Pension, Gratuity etc.	**63.52**	438.47
Employee Welfare Expenses	**352.64**	226.23
	1,643.40	2,028.98
(Includes ₹ 56.02 crores (2010-11 ₹ 42.21 crores) towards share of jointly controlled entities).		
26. FINANCE COSTS		
Interest expense	**1,370.34**	864.37
Other borrowing costs	**44.48**	0.34
Applicable net gain/loss on foreign currency transactions and translation	**981.45**	54.11
	2,396.27	918.82
(Includes ₹ 250.81 crores (2010-11 ₹ 26.76 crores) towards share of jointly controlled entities).		
27. OTHER EXPENSES		
Consumption of Stores, Spares and Chemicals	**133.98**	125.13
Power and Fuel	**2,442.80**	1,998.01
Less : Fuel of own production consumed	**(1,908.80)**	(1,650.90)
	534.00	347.11
Rent	**161.56**	144.35
Repairs and Maintenance - Buildings	**34.85**	27.85
Repairs and Maintenance - Plant & Machinery	**524.53**	520.03
Repairs and Maintenance - Other Assets	**153.23**	118.68
Insurance	**37.25**	26.93
Rates and Taxes	**124.80**	57.85
Irrecoverable Taxes and Other Levies	**153.74**	173.38
Equipment Hire Charges	**0.12**	3.04
Travelling and Conveyance	**127.99**	116.40
Printing and Stationery	**13.53**	12.71
Electricity and Water	**438.24**	276.73
Charities and Donations	**26.54**	19.69
Stores & spares written off	**0.24**	3.66
Loss on Sale of Current Investment	**96.56**	235.14
Provision for Diminution in value of Current Investments	**(4.28)**	(238.33)
Provision for Doubtful Receivables (After adjusting provision no longer required)	**0.14**	–
Provision for Doubtful Debts (After adjusting provision no longer required)	**4.81**	38.19
Loss on Sale/ write off of Fixed Assets/ CWIP (Net)	**9.97**	14.62
Security Charges	**88.84**	75.47
Advertisement & Publicity	**82.78**	92.82
Sundry Expenses and Charges (Not otherwise classified)	**704.01**	417.40
Consultancy & Technical Services	**34.94**	33.87
Exchange Rate Variation (Net)	**1,258.27**	–
	4,740.64	2,642.72
(Includes ₹ 376.19 crores (2010-11 ₹ 158.58 crores) towards share of jointly controlled entities).		
Note :		
Payment to Auditors included in Sundry Expenses and Charges		
Audit fees	**0.48**	0.32
Other Services	**0.20**	0.16
Reimbursement of expenses	**0.19**	0.11
	0.87	0.59
(Includes ₹ 0.34 crores (2010-11 ₹ 0.10 crores) towards share of jointly controlled entities).		

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

	2011-12	2010-11
		₹ / Crores
28. PRIOR PERIOD ADJUSTMENTS DEBITS / (CREDITS) (NET)		
Expenditure on Enabling Assets	**1.71**	13.64
Repairs and Maintenance - Plant & Machinery	**0.11**	0.31
Depreciation	**(10.71)**	19.05
Interest	**0.29**	–
Exchange Rate Variation	**(1.21)**	–
Others	**(13.43)**	(0.20)
	(23.24)	32.80

(Includes ₹ (8.94) crores (2010-11 ₹ 17.42 crores) towards share of jointly controlled entities).

Prior period depreciation includes ₹ (9.36) crores (2010-11 ₹ Nil) pertaining to proportionate share of Petronet MHB Ltd. on account of change of average rate of Depreciation for double & triple shift based on opinion of EAC of ICAI.

29. During the year ended 31st March 2012, the Revised Schedule VI notified under the Companies Act 1956 has become applicable to Group. The Group has also reclassified / regrouped previous year's figures in accordance with the requirements applicable in the current year.

30. During the current financial year 2011-12, ONGC and GAIL offered discount on prices of crude, PDS SKO and Domestic LPG purchased from them. Accordingly, the Corporation has accounted the discount as under :

(a) ₹ 1,868.12 crores (2010-11 ₹ 1,378.15 crores) discount received on purchase of PDS SKO and Domestic LPG from ONGC and GAIL has been adjusted against Purchase of Product for Resale.

(b) ₹ 10,211.63 crores (2010-11 ₹ 5,259.40 crores) discount received on Crude Oil purchased from ONGC has been adjusted against Raw Material Cost.

31. In principle approval of Government of India for Budgetary Support amounting to ₹ 18,342.77 crores (2010-11 ₹ 8,976.28 crores), has been received and the same has been accounted under "Recovery under Subsidy Schemes" under the head Revenue from Operations.

32. (a) Considering the uncertainties attached to certain benefits under the Income Tax Act, HPCL has been continuing to account for such tax benefits in the year they are allowed in the Appeals / Assessments. Further, where issues are strong on merits/covered by legal precedents, tax has not been provided for.

Accordingly, upon receipt of Appellate Order for the Assessment Year 2008-09 and Assessment Order for the Assessment Year 2009-10 during the year, HPCL has reversed provision for tax / deferred tax / MAT Credit Entitlement amounting to ₹ 58.11 crores (2010-11 Reversal of provision of ₹ 271.39 crores) after duly considering MAT Credit, available for set off U/s 115JAA of the Income Tax Act, 1961.

For the earlier assessment years, a reversal of provision for tax / deferred tax / MAT credit Entitlement amounting to ₹ 37.67 crores (2010-11 Provision of ₹ (46.26) crores) is made after duly considering MAT Credit, available for set off U/s 115JAA of the Income Tax Act, 1961.

(b) MAT Credit Entitlement consists of ₹ 268.77 crores (2010-11: ₹ 500.87 crores) towards earlier years, arising primarily on account of higher depreciation considered in Return of Income, is shown under Long Term Loans & Advances. The recognition of MAT Credit is on the basis of cogent evidence that the Corporation will be able to set off the credit during the period specified in section 115JAA of the Act.

33. In accordance with the option as per AS – 11 (notified under the Company's Accounting Standards Rules, 2006) exercised in 2008-09, HPCL has adjusted the exchange differences arising on long term foreign currency monetary items to the cost of assets. HPCL has continued to exercise the option during the year 2011-12 as per Ministry of Corporate Affairs' Notification dated 29-12-2011.

34. RELATED PARTY TRANSACTIONS

(i) Names of the Joint Venture Companies :

Mittal Energy Investments Pte Ltd.

Oil and Natural Gas Corporation Ltd.

ONGC Mangalore Petrochemicals Ltd.

Shell MRPL Aviation Fuels & Services Pvt. Ltd.

Mangalam Retail Services Ltd.

Mangalore Special Economic Zone

Total Gas Power India (TGPI) France

Total Project India Pvt. Ltd.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

34. RELATED PARTY TRANSACTIONS *(Contd.)*

(i) Names of the Joint Venture Companies *(Contd.):*

Hydrocarbon Resources Development Pvt. Company Ltd.
Jai Prakash Associates Ltd.
Trenergy, Malaysia, Valdel Oil & Gas Pvt. Ltd.
COLASIE SA, France
COLAS SA, France

Key Management Personnel (KMP):
Shri S. Roy Choudhury, Chairman and Managing Director.
Dr. V. Vizia Saradhi, Director - Human Resources.
Shri B. Mukherjee, Director - Finance.
Shri K. Murali - Director - Refineries.
Smt. Nishi Vasudeva, Director - Marketing (w.e.f 4-7-2011).
Shri. Arvind Huilgol, Manager (till 26.05.2011).
Shri M Somasundar, Manager (w.e.f 27.05.2011).
Shri. D K Hota, CEO.
Shri P. Dwarkanath, CEO & Director.
Shri U. K. Basu, Managing Director.
Shri P P Upadhya, Director - Technical.
Shri. V. Anantharaman, Manager.
Shri Vishnu Agarwal, Director - Finance.
Shri P P Nadkarni, Managing Director.
Shri M. R. Pasrija, Managing Director. (till 31-12-2011).
Shri Sahastra Pal Singh, Manager & CEO (w.e.f 3-1-2012).
Shri Pardeep Madan, Managing Director.
Shri N. K. Agarwal, Managing Director.
Shri Sanjay Grover, Manager.

The disclosure of transactions with Related Parties does not include following Related Parties for which no disclosure is required as they are State-Controlled Enterprises.

- Gas Authority of India Ltd.

(ii) Details of Transactions :

₹ / Crores

Nature of Transactions	**2011-12**	2010-11
Sales	**–**	41.65
Purchases	**–**	1.07
Investment in Equity / Share Application Money Received	**261.90**	–
Advance towards Equity	**–**	5.36
Services Rendered / (Received)	**(1.95)**	5.04
Others	**–**	1.89
Outstanding Balances as on	**31.03.2012**	31.03.2011
Share Application money pending allotment	**261.90**	–
Trade Payables	**0.37**	–

Remuneration paid to Key Management Personnel :	**2011-12**	2010-11
Salary and Allowances	**2.66**	3.48
Contribution to Provident Fund and other funds	**0.10**	0.16
Pension and Gratuity	**0.03**	0.08
Other benefits	**0.47**	0.76
	3.26	4.48

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

35. DISCLOSURE FOR EMPLOYEE BENEFITS

Liability towards long term defined employee benefits is determined on actuarial valuation by independent actuaries at the year end by using Projected Unit Credit method. However, in case of few joint venture entities, the liability was recognized based on best estimates. In respect of Provident Fund, the contribution for the period is recognized as expense and charged to Statement of Profit & Loss. Short term employee benefits are recognized as an expense at an undiscounted amount in the Statement of Profit & Loss of the year in which the related services are rendered.

Summarized disclosure on defined benefit plans is given hereunder:

₹ / Crores

Particulars	1st Apr 2011	31st Mar 2012	Change
Defined Benefit Obligation (DBO)	**1,226.31** *(925.10)*	**1,369.34** *(1,226.31)*	**(143.03)** *(301.21)*
Fair value of Assets	**637.57** *(496.42)*	**949.86** *(637.57)*	**(312.29)** *(141.15)*
Amount recognized in the Balance Sheet - Liability		**419.47** *(555.59)*	
Total expenses recognized in Statement of Profit & Loss		**159.89** *(285.06)*	

Previous Year's figures are given in Brackets and Italics.

36. CONTINGENT LIABILITIES AND COMMITMENTS

₹ / Crores

	2011-12	2010-11
(i) Contingent Liabilities :		
a. Claims against the Group not acknowledged as debts	**323.22**	388.87
b. Guarantees		
Given to others	**59.41**	297.32
Given on behalf of Subsidiaries / Joint Ventures	**–**	149.45
	59.41	446.77
c. Other money for which the Group is contingently liable		
Disputed demands / claims involving appeals / representations filed by the Group		
Income Tax	**101.92**	53.30
Sales Tax / Octroi	**2,895.79**	2,889.58
Excise / Customs / Service Tax	**443.03**	449.43
Land Rentals & Licence Fees	**93.64**	87.74
Others	**87.65**	79.48
	3,622.03	3,559.53
Disputed demands / claims involving appeals filed against the Group		
Income Tax	**0.31**	0.35
Sales Tax / Octroi	**17.52**	17.27
Excise / Customs	**34.01**	28.76
Employee Benefits / Demands (to the extent quantifiable)	**167.16**	152.73
Enhancement of Compensation against land acquired	**21.91**	21.59
Navi Mumbai Municipal Corporation Cess	**0.62**	0.02
Others	**267.29**	228.28
	508.82	449.00
Total (i)	**4,513.48**	4,844.17
(Includes ₹ 142.09 crores (2010-11 ₹ 178.33 crores) towards share of jointly controlled entities).		
(Includes ₹ 366.73 crores (2010-11 ₹ 336.20 crores) towards share of jointly controlled operations).		
(ii) Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**609.49**	6,483.58
(Includes ₹ 590.78 crores (2010-11 ₹ 2,513.02 crores) towards share of jointly controlled entities).		
(Includes ₹ 479.29 crores (2010-11 ₹ 519.68 crores) towards share of jointly controlled operations).		
Total (i+ii)	**5,122.97**	11,327.75

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

37. SEGMENT REPORTING

Information regarding Primary Segment Reporting as per AS-17 for the year ended 31st March, 2012 is as under :

₹ / Crores

Particulars	2011-12			2010-11		
	Down-stream Petroleum	**Exploration & Production**	**Total**	Down-stream Petroleum	Exploration & Production	Total
Revenue :						
External Revenue	**185,506.11**	**–**	**185,506.11**	139,249.06	–	139,249.06
Inter-segment Revenue	**–**	**–**	**–**	–	–	–
Total Revenue	**185,506.11**	**–**	**185,506.11**	139,249.06	–	139,249.06
Result :						
Segment Results	**2,631.62**	**(97.61)**	**2,534.01**	2,920.07	(96.58)	2,823.49
Less: Unallocated Expenses (Net of unallocated Income)	**–**	**–**	**–**	–	–	–
Operating Profit	**2,631.62**	**(97.61)**	**2,534.01**	2,920.07	(96.58)	2,823.49
Add / (Less) :						
Finance Costs			**(2,396.28)**			(918.82)
Loss on Sale of Current Investments and Provision for Diminution			**(92.28)**			3.20
Dividend Income & Share of Profit from AOP			**35.32**			25.38
Interest Income			**762.90**			711.45
Prior Period (Expenses) / Income			**23.24**			(32.80)
Profit before Tax			**866.91**			2,611.90
Less: Tax Expenses (including Deferred tax)			**(690.95)**			(909.86)
Profit after Tax but before share of Minority Interest			**175.96**			1,702.04
Less : Share of Minority in (Profit) / Loss			**(1.31)**			1.56
Profit / (Loss) for the Period			**174.65**			1,703.60
Other Information :						
Segment Assets	**77,449.79**	**39.22**	**77,489.01**	60,626.92	33.03	60,659.95
Unallocated Corporate Assets			**8,087.63**			9,257.56
Total Assets			**85,576.64**			69,917.51
Segment Liabilities	**53,864.25**	**610.16**	**54,474.41**	41,114.14	474.56	41,588.70
Unallocated Corporate Liabilities			**17,657.20**			15,047.71
Minority Interest			**2.28**			0.98
Total Liabilities			**72,133.89**			56,637.39
Capital Expenditure	**8,120.90**	**6.19**	**8,127.09**	4,376.42	33.03	4,409.45
Depreciation (Including Prior Period)	**1,911.44**	**–**	**1,911.44**	1,517.17	–	1,517.17
Non Cash Expenses Excluding Depreciation	**–**	**–**	**–**	–	–	–

Notes:

1. The Group is engaged in the following business segments:
   a) Downstream i.e. Refining and Marketing of Petroleum Products.
   b) Exploration and Production of Hydrocarbons.
   Segments have been identified taking into account the nature of activities and the nature of risks and returns.
2. Segment Revenue comprises the following:
   a) Turnover (Net of Excise Duties).
   b) Subsidy from Government of India.
   c) Net Claim/(surrender to) PPAC/GOI.
   d) Other income (excluding interest income, dividend income and investment income).
3. There are no geographical segments.
4. Previous year's figures have been regrouped / reclassified wherever necessary.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

38. In respect of certain Subsidiaries and Joint Venture Companies, the following notes to accounts are disclosed:

1. CREDA – HPCL Biofuels Ltd.

Change in Accounting Policy

The company has changed its accounting policy during the year 2011-12 with respect to expenditure incurred on cultivation and maintenance of jatropha plantation. Prior to 2011-12, all expenses directly or indirectly attributable to plantation activity were charged to revenue in the year in which they were incurred.

As per the revised policy all the expenses directly attributable to cultivation and maintenance of jatropha plantation such as:

- Lease rental
- Cost of saplings
- Cost of fertilizers and Pesticides
- Irrigation Expenses
- Outsourced Labour
- Direct Supervision Cost and;
- Any other allocable expenses directly or indirectly attributable to plantation activity are transferred to Capital Work in Progress for a period of 5 years from the date of plantation. The same are capitalized thereafter and amortised over a period of 25 years.

In view of Indian Accounting Standard 16 (Ind AS 16), 'Property, Plant & Equipment', providing that general and administrative costs are not part of the costs of an item of a plant or equipment, office and administrative expenses are not allocable or attributable to plantation activity and hence have not been transferred to Capital Work in Progress.

This change in accounting policy has been carried out with retrospective effect since inception.

Accordingly, an amount of ₹ 3.68 crores (pertaining to the year 2011-12) has been transferred to Capital Work in Progress (Plantation Activity). Consequent upon such change, loss for the year 2011-12 is lower by ₹ 3.68 crores.

Similarly, expenses amounting of ₹ 5.67 crores debited to Profit & Loss Account in previous years (2008-09 to 2010-11) are also transferred to Capital Work in Progress (Plantation Activity). Reversal of Lease Rental of ₹ 0.47 crores and Warehousing charges of ₹ 0.00 crores (₹ 47,575/-) pertaining to previous years and carried out in current year are also transferred to Capital Work in progress. Consequently, loss for the year 2011-12 is lower by ₹ 5.20 crores.

2. Bhagyanagar Gas Ltd.

Commitments :

The company is required to complete minimum residential connections for piped gas under the terms of contract awarded by PNGRB failing to complete the minimum number of connections would make the Company liable for penal consequences, against which the company has submitted bank guarantees to PNGRB and other authorities. The company has received notices for delays in minimum installations. The charges for not completing minimum number of connections cannot be measured at this stage and also the Company has represented the matter to the concerned authorities as the delay is on account of various factors most of them are beyond the control of the company. The management is confident of getting time limit extended and consequent relief in the matter.

3. South Asia LPG. Pvt. Ltd.

The Company has recognized revenue from LPG storage and warehouse Services at ₹ 1,540 per MT and By-pass services at ₹ 200 per MT based on on-going negotiations with M/s. Indian Oil Corporation Limited ('IOCL') and M/s. Bharat Petroleum Corporation Limited ('BPCL') amounting to ₹ 59.37 crores (Previous year ₹ 45.38 crores) in respect of which formal agreements are yet to be entered. The customers IOCL and BPCL have been making payments at 85% of the above billing rates, since January 2008. The Company is following up with both these customers for finalization of the terms of agreements and is confident of collecting the entire dues outstanding as on March 31, 2012 aggregating to ₹ 37.03 crores.

4. Petronet MHB Ltd.

a. Contingent Liabilities :

There are 127 cases regarding enhancement of land compensation pending with Karnataka High Court against Order of Principal Judge Bangalore Rural District Court. 35 Cases for enhancement of land and malkies Compensation was dismissed by Hassan District Court. Against 12 dismissed cases the petitioners filed their Writ petition in High Court of Karnataka. 3 cases for enhancement of land and malkies Compensation & damage outside the ROW pending with Mangalore District Court. Out of 2 cases for damages outside the ROW are pending Chickmagalur District Court, one case is dismissed and other case is in final argument stage. In the dismissed case petitioner filed a writ petition in the High Court of Karnataka and the High Court of Karnataka, remanded the case back to Chickmagalur District Court for fresh hearing of the case. The amounts of contingent liability are not ascertainable at present for the above cases.

Notes to the Consolidated Financial Statements for the year ended 31st March, 2012

b. **Corporate Debt Restructuring (CDR) :**

The company has issued Zero Coupon Bonds amounting to ₹ 164.44 crores to Lenders as per CDR Approved Scheme repayable in 36 quarterly installments commencing from Sept, 2006 and ending on June 2015. The Company has paid 23 Quarterly Installments totaling to ₹ 111.87 crores up to 31st March, 2012 including pre-payment of ₹ 10 crores in February, 2009 and ₹ 10 crores in Sept, 2011.The balance Outstanding as on 31st March, 2012 is ₹ 52.57 crores.

c. **PNGRB Order :**

In terms of Notification No. G.S.R. 987(E) dated 20.12.2010 issued by Petroleum & Natural Gas Regulatory Board (PNGRB), the Pipeline Transportation Tariff is determined at the level of 75% of the rail tariff on train load basis for equivalent rail distance. Consequent to the PNGRB Order No. TO/03/2011 dated 21.07.2011 notifying the pipeline tariff for PMHBL and de-linking busy season charges of 7% and development charges of 2% levied by railway on rail freight, the freight income is considered on the basis of tariff as notified effective from 27.12.2010.

5. **HPCL – Mittal Energy Ltd.**

Change in accounting policy :

The Central Government vide notification dated December 29, 2011, inserted paragraph 46A in Accounting Standard-11 'The Effects of Changes in Foreign Exchange Rates', notified pursuant to the Rules. The said paragraph provides the enterprises with an option to treat exchange differences, arising in accounting periods commencing on or after April 1, 2011, on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, as an adjustment to the cost of the asset to be depreciated over the balance life of the asset, and in other cases, as an accumulation in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements to be amortized over the balance period of such long-term asset/liability. The Company has decided to avail this option as against the hitherto followed practice of recording such exchange differences in the profit and loss account, as and when they arose.

Had the Company continued to follow its previously followed practice, the net loss on exchange fluctuations would have been higher and the depreciation charge would have been lower by ₹ 407.27 crores and ₹ 5.25 crores respectively and consequently the net block of fixed assets would have been lower and the loss after tax for the current period and the debit balance in Profit & Loss Account would have been higher by ₹ 402.02 crores.

6. **Prize Petroleum Company Ltd.**

The Company has been incurring losses continuously over the years, due to various reasons and the accumulated losses as of 31st March, 2012 amounted to ₹ 33.90 crores According to Accounting Standard interpretations issued by ICAI, it is not prudent to provide for deferred tax assets unless there is virtual certainty of future profits.

The management has reviewed the position and has drawn action plan to stop incurring losses and earn considerable surpluses in coming years. The management is confident of recouping the past losses in a short period of 3 to 5 years. The Company has also obtained opinion for providing deferred tax assets based on management assessment to recoup the losses. In view of above, provision for deferred tax assets for the year has been considered necessary.

39. Total amount outstanding from M/s Kingfisher Airlines Ltd is ₹ 505.53 crores, out of which ₹ 434 crores is covered by Bank Guarantee. Management is confident that the entire dues will be realized.

40. Ancillary costs incurred towards raising of Long Term Syndicated Loans (External Commercial Borrowings) from Foreign Banks (repayable in foreign currency) is being amortized over the tenure of the loan. Total amount of such ancillary costs remaining unamortized as on the balance sheet date is ₹ 81.68 crores.

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

Consolidated Cash Flow Statement for the Year Ended 31st March, 2012

₹ / Crores

	2011-12	2010-11
A. Cash Flow From Operating Activities		
Net Profit before Tax & Extraordinary items	**866.91**	2,611.89
Adjustments for :		
Depreciation / Amortisation	**1,922.15**	1,498.02
Depreciation (Prior Period)	**(10.71)**	19.15
Miscellaneous Expenditure written off	**–**	0.26
Raw Materials Prior Period	**–**	0.15
Loss on Sale/write off of Fixed Assets/ CWIP	**9.97**	14.58
Amortisation of capital grant	**(0.18)**	(0.19)
Spares written off	**0.24**	3.74
Provision for diminution in investments	**(4.28)**	(238.33)
Borrowing Cost	**2,396.27**	918.82
Provision for Doubtful Debts & Receivable	**4.95**	–
Interest Income	**(589.72)**	(594.24)
Share of Profit from PII	**(0.37)**	(0.02)
Dividend Received	**(34.94)**	(25.36)
(Profit) / Loss on sale of Oil bonds	**96.56**	235.14
Operating Profit before Changes in Assets and Liabilities {Sub-total (i)}	**4,656.85**	4,443.61
Increase / (Decrease) in Assets and Liabilities :		
Trade Receivables	**(471.72)**	(454.47)
Other Receivables	**(4,371.00)**	(2,111.81)
Inventories	**(5,662.07)**	(4,223.03)
Trade and other Payables	**6,646.29**	3,892.78
Sub-total (ii)	**(3,858.50)**	(2,896.53)
Cash generated from operations (i + ii)	**798.35**	1,547.08
Direct Taxes / FBT refund / (paid) - Net	**(281.06)**	(722.46)
Cash Flow before extraordinary items	**517.29**	824.62
Extraordinary items	**–**	–
Net Cash from operating activities (A)	**517.29**	824.62
B. Cash Flow From Investing Activities		
Purchase of Fixed Assets (incl. Capital Work in Progress / excluding interest capitalised)	**(8,408.46)**	(8,469.77)
Sale of Fixed Assets	**(119.11)**	(97.40)
Purchase of Investment (Including share application money pending allotment/Adv. towards Equity)	**(260.66)**	545.39
Misc. Expenditure incurred by GGSRL	**–**	(39.27)
Sale Proceeds of Oil bonds	**1,127.90**	1,250.87
Interest received	**492.02**	632.24
Dividend Received	**34.94**	25.36
Share of profit from PII	**0.37**	0.02
Net Cash from Investing Activities (B)	**(7,133.00)**	(6,152.57)

Consolidated Cash Flow Statement for the Year Ended 31st March, 2012

	2011-12	2010-11
		₹ / Crores
C. Cash Flow From Financing Activities		
Proceeds from Calls in Arrear (Net)	**–**	0.01
Share application money received/(paid)	**131.90**	(137.45)
Loans raised	**9,286.23**	6,246.34
Fixed deposits / debentures repaid	**–**	(0.07)
Interest Paid on Loans	**(2,038.12)**	(884.88)
Dividend paid (including dividend distribution tax)	**(549.04)**	(480.24)
Net Cash from Financing Activities (C)	**6,830.97**	4,743.71
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	**215.26**	(584.25)
CASH & CASH EQUIVALENTS AS ON 1ST APRIL (OPENING) :		
Cash / Cheques on Hand	**7.51**	7.07
Balances with Scheduled Banks		
– On Current Accounts	**126.59**	273.92
– Others	**626.32**	521.85
Balances with other Banks	**0.08**	0.11
	760.50	802.95
Overdrafts from Banks	**(667.68)**	(125.88)
	92.82	677.07
CASH & CASH EQUIVALENTS AS ON 31ST MARCH (CLOSING):		
Cash / Cheques on Hand	**11.44**	7.51
Balances with Scheduled Banks		
– On Current Accounts	**231.63**	126.59
– Others	**490.89**	626.32
Balances with other Banks	**0.06**	0.08
	734.02	760.50
Overdrafts from Banks	**(425.94)**	(667.68)
	308.08	92.82
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**215.26**	(584.25)

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

FOR AND ON BEHALF OF THE BOARD

S. ROY CHOUDHURY
Chairman & Managing Director

B. MUKHERJEE
Director-Finance

SHRIKANT M. BHOSEKAR
Company Secretary

Date : 29th May, 2012
Place : New Delhi

FOR OM AGARWAL & CO.
Chartered Accountants
Firm No. 000971C

K. C GUPTA
Partner
Membership No. 072936

FOR B. K. KHARE & CO.
Chartered Accountants
Firm No. 105102W

DEVDATTA MAINKAR
Partner
Membership No. 109795

Financial Details of Subsidiaries

₹ / Crores

Particulars		CREDA-HPCL Biofuel Ltd.		HPCL Biofuels Ltd.		Prize Petroleum Company Ltd.*
		2011-12	2010-11	**2011-12**	2010-11	**2011-12**
a.	Share Capital	**10.58**	10.58	**205.52**	205.52	**70.00**
b.	Reserves & Surplus	**(1.80)**	(6.82)	**(49.86)**	(9.87)	**(33.90)**
c.	Total Assets	**19.52**	7.38	**835.84**	679.44	**36.53**
d.	Total Liabilities	**10.73**	3.62	**680.18**	483.79	**0.43**
e.	Details of Investments (except in case of investment in the subsidiaries)	**–**	–	**–**	–	**–**
f.	Turnover	**0.04**	–	**4.86**	–	**0.33**
g.	Profit / (Loss) before taxation	**5.02**	(6.00)	**(39.99)**	(7.14)	**(0.56)**
h.	Provision for taxation	**0.00**	0.01	**0.00**	0.00	**(0.06)**
i.	Profit / (Loss) after taxation	**5.02**	(6.01)	**(39.99)**	(7.14)	**(0.50)**
j.	Proposed Dividend	**–**	–	**–**	–	**–**

* Proportionate figures for point no. (f) to (i) are reported for the period 19th December 2011 to 31st March 2012 as Prize Petroleum Company Ltd. became a subsidiary of HPCL w.e.f.19th December 2011.

Human Resource Accounting

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

Age	21-30	31-40	41-50	Above 50	Total
No. of Employees	1,609	1,295	4,043	4,279	11,226
Management	1,379	885	1,490	1,378	5,132
Non Management	230	410	2,553	2,901	6,094
Average Age					45

Accounting for Human Resource Assets

The Lev & Schwartz model is being used by our Company to compute the value of Human Resource Assets. The evaluation as on 31st March 2012 is based on the present value of future earnings of the employees on the following assumptions:

1. Employees' compensation represented by direct & indirect benefits earned by them on cost to company basis.
2. Earnings up to the age of superannuation are considered on incremental basis taking the Corporation's policies into consideration.
3. Such future earnings are discounted @ 8.50%.

₹ / Crores

	2011-12	2010-11
VALUE OF HUMAN RESOURCES		
Management Employees	**14,105**	11,781
Non Management Employees	**7,307**	6,712
	21,412	18,493
Human Assets vis-à-vis Total Assets		
Value of Human Assets	**21,412**	18,493
Net Fixed Assets	**20,850**	18,645
Investments	**10,370**	11,335
Net Current Assets	**10,679**	6,984
	63,311	55,457
Employee Cost	**1,583**	2,017
Net Profit Before Tax (PBT)	**1,219**	2,346
Ratios (in %)		
Employee Cost to Human Resource	**7.39**	10.91
Human Resource to Total Resource	**33.82**	33.35
PBT to Human Resource	**5.69**	12.69

Joint Ventures

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

Corporate Governance

Company's Philosophy on Code of Governance

HPCL believes in good Corporate Governance practices, ethics, fairness, professionalism and accountability to enhance stakeholder's value and interest on sustainable basis and to build an environment of trust and confidence of its stakeholders. At HPCL, Corporate Governance is to follow a systematic processes, policies, rules, regulations and laws by which companies are directed, controlled and administered by the management in meeting the stakeholder's aspirations and societal expectations.

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

Keeping in view the above philosophy, the Corporate Governance at HPCL is based on the following main key principles & practices :-

- Proper composition of the Board of Directors, size, varied experience and commitment to discharge their responsibilities.
- Well developed internal control, systems and processes, risk management and financial reporting
- Full adherence and compliance of laws, rules & regulations
- Timely and balanced disclosures of all material information on operational and financial matter to the stakeholders.
- Clearly defined management's Performance and accountability measurement standards.
- To enhance accuracy and transparency in business operations, performance, risk and financial position.

In compliance with Clause 49 of the Listing Agreement executed with Stock Exchanges as mandated by Securities and Exchange Board of India (SEBI) guidelines on statutory disclosure as well as notification on Corporate Governance for Public Sector Enterprises, issued by the Department of Public Enterprises (DPE), the Corporate Governance disclosures are :-

1. BOARD OF DIRECTORS:

1.1 Composition of Board of Directors

Executive Directors including Chairman (Whole-time)	5
Non-Executive Govt. Directors (Ex-officio)	2 *
Non-Executive Independent Directors (Non-official)	6 *
Total	**13**

* Three Non-Executive Independent Directors were appointed effective 09.04.2012 and one Non-Executive Govt. Director was appointed on the Board of HPCL effective 03.08.2012 respectively.

1.2 Board Meetings:

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

26.05.2011	29.07.2011	12.08.2011	01.11.2011
14.12.2011	09.02.2012	12.03.2012	

Corporate Governance

1.3 Particulars of Directors including their attendance at the Board / Shareholder's Meetings

Names of Directors	Academic Qualifications Meetings held	No. of Board attended	No. of Meetings	Attendance at the last AGM	Details of Directorships in Companies	Memberships held in Committees as specified in Clause 49 of the Listing Agreement
FUNCTIONAL DIRECTORS						
Shri S. Roy Choudhury	B.E. (Mech.)	07	07	Yes	1. Hindustan Colas Ltd. 2. HPCL Mittal Energy Ltd. 3. HPCL Biofuels Ltd. 4 Prize Petroleum Ltd. 5. SA LPG Company Pvt. Ltd.	a) Chairman, Audit Committee - HPCL Mittal Pipelines Ltd., b) Member, Remuneration Committee – HPCL Mittal Energy Ltd., HPCL Mittal Pipelines Ltd. c) Member, Audit Committee – HPCL Biofuels Ltd.
Dr. V. Viziasaradhi*	B.Sc., Post Graduate in Industrial Relations & Personnel Management	07	06	Yes	1. CREDA HPCL Biofuel Ltd.	a) Member, Investors Grievances Committee - HPCL.
Shri B. Mukherjee	B.Sc., F.C.A.	07	07	Yes	1. Petronet India Ltd. 2. HPCL Mittal Energy Ltd. 3. CREDA HPCL Biofuel Ltd. 4. HPCL Biofuels Ltd. 5. Hindustan Colas Ltd. 6. Prize Petroleum Company Ltd. 7. HPCL Mittal Pipelines Ltd. 8. South Asia LPG Co. Pvt. Ltd.	a) Chairman, Audit Committee - HPCL Biofuels Ltd., CREDA HPCL Biofuel Ltd., Prize Petroleum Company Limited, SA LPG Company Pvt. Ltd. b) Chairman, Remuneration Committee – Prize Petroleum Company Limited c) Member, Audit Committee -HPCL, HPCL Mittal Energy Ltd., Hindustan Colas Limited, HPCL Mittal Pipelines Ltd. d) Member, Investors Grievances Committee - HPCL e) Member, HR Policies /Remuneration Committee - Hindustan Colas Ltd.
Shri K. Murali	B.Tech. (Chemical Engg.)	07	06	Yes	1. HPCL Mittal Energy Ltd. 2. Mangalore Refinery & Petrochemicals Ltd. 3. CREDA HPCL Biofuel Ltd. 4. HPCL Biofuels Ltd. 5. Prize Petroleum Company Ltd.	a) Member, Audit Committee - HPCL Mittal Energy Ltd., CREDA HPCL Biofuel Ltd., Mangalore Refinery & Petrochemicals Ltd., Prize Petroleum Company Ltd.
Smt. Nishi Vasudeva **	B.A., PGDBM (IIM Kolkata)	07	06	Yes	1. SA LPG Company Pvt.Ltd 2. Hindustan Colas Ltd. 3. Bhagyanagar Gas Ltd. 4. Aavantika Gas Ltd.	—
Shri Pushp Joshi**	BA, LLB, PG (PM&IR) XLRI, Jamshedpur	—	—	—	1. Prize Petroleum Co. Ltd. 2. CREDA HPCL Biofuel Ltd.	—
NON-EXECUTIVE DIRECTORS						
(a) PART-TIME (EX-OFFICIO)						
Dr. S.C. Khuntia****	IAS, Post Graduate in Physics, Computer Science Economics, Sociology & Ph.D. in Economics	—	—	—	1. Indian Oil Corporation Limited 2. Indian Strategic Reserve Limited	—
Shri L.N. Gupta	IAS, MA (Eco), MBA (Birmingham University)	07	07	No	1. Engineers India Ltd. 2. Indian Strategic Petroleum Reserves Ltd. 3. Central Pollution Control Board	—

Corporate Governance

Names of Directors	Academic Qualifications Meetings held	No. of Board attended	No. of Meetings	Attendance at the last AGM	Details of Directorships in Companies	Memberships held in Committees as specified in Clause 49 of the Listing Agreement
Shri P.K. Sinha ***	IAS, M.Phil in Social Sciences & Master Diploma in Public Administration	07	06	No	1. Indian Oil Corporation Ltd. 2. Bharat Petroleum Corporation Ltd.	a) Member – Establishment & Remuneration Committee -Indian Oil Corporation Ltd
(b) PART-TIME DIRECTORS (NON-OFFICIO)						
Dr. Gitesh K. Shah	D.Sc. (Organic Chemistry) USA, Ph.D (Organic Chemisity), Gujarat University, M.Sc. (Organic Chemistry) Gujarat University)	07	07	Yes	1. Harita Projects Pvt.Ltd.	a) Chairman, Audit Committee - HPCL
Shri Anil Razdan	IAS, (Retd) L.L.B., B.Sc. (Hons)	07	06	No.	1. Bharat Electronics Ltd. 2. Era Infra Engg. Ltd. 3. Green Valley Engery Venture (P) Ltd. 4. Era Khandwa Power Ltd. 5. MMTC Ltd. 6. Power Trading Corporation of India	a) Member, Audit Committee - HPCL, Bharat Electronics Ltd., MMTC Ltd. b) Member, HR Policies / Remuneration Committee - HPCL
Shri S.K. Roongta	B.E.(Hons), Post Graduation in Business Management – International Trade	07	05	No	1. The Shipping Corporation of India Ltd. 2. Neyveli Lignite Corpn. Ltd. 3. Jubilant Industries Ltd. 4. ACC Ltd. 5. Vedanta Aluminium Ltd. 6. Talwandi Sabo Power Ltd. 7. Bharat Aluminium Co.Ltd. 8. Sterlite Energy Limited	a) Chairman, HR Polices / Remuneration Committee - HPCL b) Member, Audit Committee - HPCL Jubilant Industries Ltd., ACC Ltd, Talwandi Sabo Power Ltd., Sterlite Energy Limited c) Member, Investors' Grievance Committee - Jubilant Industries Ltd.,
Shri G.K. Pillai ****	IAS M.Sc.	—	—	NA	1. IvyCap Ventures Advisors Pvt.Ltd.	a) Member, HR Policies & Remuneration Committee - HPCL@
Shri A.C. Mahajan ****	M.Sc. (Hons)	—	—	NA	1. Himvati Power Private Ltd.	a) Member, Audit Committee - HPCL @ b) Chairman, Investors' Grievance Committee - HPCL@
Dr. G. Raghuram ****	B. Tech, PGDM, Ph.D.	—	—	NA	1. Arshiya International Ltd. 2. Take Solution Ltd. 3. DARCL Logistics Ltd. 4. Alock Ashdown Gujarat Ltd. 5. India Infrastructure Finance Co.Ltd. 6. VidyaVardhini Education Foundation 7. Adani Ports and Special Economic Zone	a) Member, Investors' Grievance Committee - HPCL@ b) Member, HR Policies & Remuneration Committee - HPCL@

* Dr. V. Viziasaradhi, Director – HR, retired from the services of the Corporation effective July 31, 2012 on attaining the age of superannuation.

** Smt. Nishi Vasudeva, appointed as Director (Marketing) effective 04.07.2011 and Shri Pushp Kumar Joshi, appointed as Director (HR) effective 01.08.2012

*** Shri P.K. Sinha, Special Secretary and Financial Advisor, MOP&NG, has resigned from the Board of HPCL w.e.f. March 01, 2012 consequent upon his appointment as Secretary, Ministry of Shipping, Government of India.

**** S/Shri G.K. Pillai, A.C. Mahajan, Dr. G. Raghuram have been appointed as Non-Official Part-Time Directors effective 09.04.2012 and Dr. S.C. Khuntia has been appointed as Ex-official Part-Time Director effective 03.08.2012 on the Board of HPCL.

@ The Board Sub-Committees were reconstituted effective July 16, 2012 and Directors inducted in the Sub-Committee(s) as per the details shown again each Director.

Corporate Governance

1.4 PROFILES OF DIRECTORS:

Shri S. Roy Choudhury

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

He has held various positions in the Company in Refinery, Marketing (Operations), Projects and Sales Division of HPCL. He is well known in the Oil Industry for his knowledge and expertise in handling the cross Country Pipeline Projects. Before his appointment as C & MD, Shri S. Roy Choudhury was Director - Marketing of HPCL.

Shri B. Mukherjee

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

Shri K. Murali

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

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

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

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

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

Smt. Nishi Vasudeva : (From 04.07.2011)

Smt. Nishi Vasudeva has been appointed as the Director (Marketing) of Hindustan Petroleum Corporation Ltd effective July 04, 2011. She holds Post Graduate Diploma in Business Management from Indian Institute of Management, Kolkata. She commenced her career in the Petroleum Industry with Engineers India Limited. She has a wide exposure to the Petroleum Industry spanning over 34 years in various streams like Marketing, Corporate, Strategy & Planning, Information System etc. Prior to take over as Director (Marketing) HPCL, Smt. Nishi Vasudeva was the Executive Director-Marketing Co-ordination.

Shri Pushp Kumar Joshi (From 01.08.2012)

Shri Pushp Kumar Joshi took charge as Director – HR effective August 01, 2012. Prior to this, he was holding key portfolios in Human Resources function viz. Executive Director – HRD and Head – HR of Marketing Division.

A Bachelor of Law and an alumnus of XLRI, Jamshedpur, Shri Pushp Kumar Joshi joined HPCL in 1986. Since then he has held various key positions in Human Resources and Industrial Relations functions in HQO, Marketing and Refineries divisions of HPCL.

As Director-HR, Shri Joshi is presently responsible for overseeing the design and deployment of key Human Resource policies and strategies while leading Human Resources practices that are employee oriented and aim at building high performance culture. He is also responsible for providing key outlook to the management on strategic HR plans, employee development, labour relations apart from others.

Spearheading HR practices with strong business focus and contemporary approaches, few hallmarks of his innovation and leadership have been Project Akshay – the leadership development programme, Productivity Improvement Initiatives, Introduction of Internal Customer care by leveraging IT Platform, Conceptualization and Rollout of Technical & Behavioral training programs, Business Process Reengineering exercise, Implementation of JDE (HR), Introduction of Health Management System, HR Green Credit and pioneering & driving numerous other HR initiatives.

Corporate Governance

Dr. V. Viziasaradhi (Till 31.07.2012)

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

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

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

Dr. S.C. Khuntia (From 03.08.2012)

Dr. Subhash Chandra Khuntia (IAS Karnataka cadre 1981) is a post-Graduate in Physics, Computer Science, Economics, Sociology and Doctorate in Economics. Before joining Petroleum Ministry as Additional Secretary & Financial Advisor, he was Principal to the Govt. of Karnataka.

Dr. Khuntia has handled various key assignments including District administration, Land revenue management, Rural development, Urban Development and Finance in the Karnataka State Government as well as in the Ministries of Agriculture, Finance and Human Resource Development in the Central Government.

Shri L N Gupta

Shri L N Gupta has been appointed as a Director in the HPCL Board effective June 25, 2008. Shri L N Gupta is a Joint Secretary (Refineries) in the Ministry of Petroleum and Natural Gas. He is an IAS Officer and has done his M.A. in Economics and MBA from Birmingham University.

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

Shri P.K. Sinha (Till 29.02.2012)

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

Dr. Gitesh K. Shah

Dr. Gitesh K. Shah a Scientist turned Management Expert has been appointed as an Independent Director on the Board of HPCL for a period of three years from December 07, 2009.

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

Shri Anil Razdan

Shri Anil Razdan joined the HPCL Board as an Independent Director effective January 10, 2011.

Shri Anil Razdan joined the Indian Administrative Service in 1973. He is an alumnus of St. Stephen's College, Delhi University B.Sc (Hons.) Physics (1965-68) and Faculty of Law, Delhi University for LL.B (1968-71). He has been a Visiting Fellow Member of the University of Oxford.

Shri Anil Razdan was Secretary to the Government of India, Ministry of Power during 2007-08. He has held various significant assignments in the Government of Haryana, and the energy sector in the Government of India, including that of Additional & Special Secretary with the Ministry of Petroleum & Natural Gas.

As Secretary, Ministry of Power, Government of India, Shri Anil Razdan's tenure was hailed as a visionary one, with many path breaking initiatives and unprecedented activity, heralding a paradigm shift in the scale and width of operations. He is presently Member of the Advisory Group of the Union Minister of Power, Member of the Ministry of Heavy Industries and

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Public Enterprises, Task Force on Memorandum of Understanding (MoU) with Public Sector Enterprises of the Government of India for the year 2010-11, and Convenor of the Task Force for the Energy Group of companies, Chairman of the Urjavaran Foundation, Member of the Advisory Boards of Project Management Associates (PMA), the India Energy Forum and International Fenestration Forum.

He is currently an eminent Energy Expert and Consultant, and contributes strategy opinion and papers on energy to various prominent journals and media.

Shri S.K. Roongta

Shri S K Roongta joined the HPCL Board as an Independent Director effective January 10, 2011.

Shri Roongta is a Bachelor of Engineering (Hons.) Electrical from BITS, Pilani and also a Gold Medalist in Post Graduate Diploma in Business Management, International Trade from Indian Institute of Foreign Trade (IIFT), New Delhi. Shri Roongta is a Fellow Member of All India Management Association.

Shri Roongta joined Steel Authority of India Limited (SAIL) in 1972 as Executive-Marketing and rose to the position of Chairman, SAIL in August 2006 before superannuating effective May 2010.

Shri Roongta also holds Directorships in Neyveli Lignite Corporation Ltd., Shipping Corporation Ltd., Jubilant Industries Ltd., ACC Ltd., and Vedanta Aluminium Ltd.

Shri Roongta has been associated with various Academic Institutions and Apex Bodies by holding important positions.

Shri G.K. Pillai

Shri G K Pillai a retired IAS officer. He joined Indian Administrative Service in the year 1972 and belongs to Kerala Cadre. Shri Pillai has done his M.Sc., at IIT, Chennai.

He started his career as a Sub-Collector, Quilon and worked in diverse fields of Revenue Administration and was District Collector, Quilon. He was also Deputy Secretary, Labour, Special Officer for Cashew Industry, Special Secretary, Industries. Later he become Secretary, Health and Family Welfare during 1993-96. He also served as Principal Secretary to the Chief Minister of Kerala during the period 2001-04.

In the Government of India he held the positions of Under Secretary/Deputy Secretary in Ministry of Defence and also served as Director/Joint Secretary in the Department of Surface Transport. Later he served in the Ministry of Home Affairs as Joint Secretary (North East) from 1996 to 2001. In 2004 he joined Ministry of Commerce and Industry as Additional Secretary, Department of Commerce, Special Secretary, Commerce and then elevated to the rank of Secretary, Department of Commerce in the year 2006. He served as Secretary, Department of Commerce from 2006 to June 2009. During this period he actively participated in negotiations for comprehensive economic co-operation agreements with Singapore, ASEAN, Japan, South Korea. He played key role in the enactment of the SEZ Act 2005 and was Chairman of the Board of approvals for SEZ during 2005 to 2009.

He has represented State and Central Government delegations to USA, EU, Argentina, Japan, Canada etc., He was appointed as Union Home Secretary in June 2009 and retired from Government service in June 2011.

Shri G K Pillai besides Director in HPCL is also Chairman of the Board of IVY Cap Ventures Advisors Pvt Ltd, a venture capital company sponsored by the IIT Alumni Association

Shri A.C. Mahajan

Mr. Avinash Chander Mahajan, a career Banker, has done M.Sc., (Honours School in Chemistry) in 1972, and thereafter joined Bank of India as an Officer in 1972 and after spending 38 years in the Banking Sector in different positions in various Public Sector Banks in India and abroad, he superannuated in August 2010.

He held various top position in Bank of India viz., as in charge of “Integrated Treasury” of the Bank; and then as General Manager In-Charge of Credit Department ; as General Manager Risk Management Department as well as Chief Executive, Japan branches. He had also worked in Kenya for five years as in charge of Nairobi (Kenya) branch.

He was appointed as an Executive Director of Bank of Baroda in 2005 before joining Allahabad Bank and later on Canara Bank as Chairman and Managing Director. He had also held various positions in IBA Committees besides being Deputy Chairman of IBA and Member of the Managing Committee of IBA.

Presently besides being on the Board of various companies including Hindustan Petroleum Corporation Limited, Shri Mahajan is a Chairman of Governing Council of Banking Codes and Standards Board of India (BCSBI), an independent watch dog of banking industry which is tasked with duty of ensuring that Banks provide to the customers services in transparent manner.

Dr. G. Raghuram

Dr. Raghuram has done his graduation from the Indian Institute of Technology (IIT), Madras, MBA from IIM, Ahmedabad and PhD from Northwestern University, USA.

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Dr. Raghuram is a professor in the Indian Institute of Management (IIM), Ahmedabad. His specialization is in infrastructure and transportation systems, and supply chain and logistics management. His research, consultancy, case studies and publications focus includes railways, ports and shipping, air and road sector, service organizations and issues in logistics and supply chain management. He has taught at Northwestern University and Tulane University, USA. He has been a visiting faculty at various universities in USA, Canada, Yugoslavia, Tanzania, UAE, Singapore and several institutions in India. He has co-authored four books and published over 70 papers. He was the President of Operational Research Society of India (1999-2000). He is a Fellow of the Operational Research Society of India (ORSI) and Chartered Institute of Logistics and Transport (CILT), UK.

He also holds Directorships in Alcock Ashdown (Gujarat) Ltd., Arshiya International Ltd., DARCL Logistics Limited, India Infrastructure Finance Company (IIFC) Ltd., and Take Solutions Ltd., He is also holding Directorships in VidyaVardhini Education Foundation and Adani Ports and Special Economic Zone.

He is currently a member of the Steering Committee on Transport Sector for the formulation of the Twelfth Five Year Plan (2012-17) and Member of the Expert Group for Modernization of Indian Railways. He is also the Chairman of various committees connected with Ministries related to Transportation and the Planning Commission.

2. REMUNERATION OF DIRECTORS:

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

3. BOARD SUB-COMMITTEES:

A. Audit Committee:

The Audit Committee presently comprises of Executive and Non-Executive Directors as follows.

Dr. Gitesh K. Shah is the Chairman of the Committee.

1.	Dr. Gitesh K. Shah	Non-Executive Independent Director
2.	Shri Anil Razdan	Non-Executive Independent Director
3.	Shri S.K. Roongta	Non-Executive Independent Director
4.	Shri A.C. Mahajan*	Non-Executive Independent Director
5.	Shri B. Mukherjee	Whole-Time Director

* Shri A.C. Mahajan was inducted as Member, Audit Committee effective July 16, 2012.

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

The scope of the Audit Committee includes the following:

- Reviewing with Management the annual financial statements before submission to the Board.
- Reviewing with the Management, Statutory Auditors and Internal Auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Reviewing the Company's financial and risk management policies.

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The Committee, at the Meeting held on May 29, 2012 reviewed the Accounts for the Financial Year 2011-12, before the Accounts were adopted by the Board.

Dates of Audit Committee Meetings held during 2011-12

03.05.2011	26.05.2011	15.06.2011	22.07.2011
12.08.2011	02.09.2011	01.11.2011	09.02.2012

Attendance at the Audit Committee Meetings during 2011-12 :-

Name of the Members	No. of Meetings held	No. of Meetings attended	% of Attendance
Dr. Gitesh K. Shah	08	08	100
Shri Anil Razdan	08	08	100
Shri S.K. Roongta	08	04	50
Shri A.C. Mahajan	–	–	–
Shri B. Mukherjee	08	08	100

B. Committee on HR Policies/Remuneration :

The Board has constituted the Board Sub-Committee on HR Policies to look into various aspects including Remuneration as well as Compensation and Benefits for the employees. Shri S.K. Roongta is the Chairman of the Committee. The Committee presently comprises of:

1.	Shri S.K. Roongta	Non-Executive Independent Director
2.	Dr. Gitesh K. Shah*	Non-Executive Independent Director
3.	Shri Anil Razdan	Non-Executive Independent Director
4.	Shri G.K. Pillai**	Non-Executive Independent Director
5.	Dr. G. Raghuram**	Non-Executive Independent Director

* Dr. Gitesh K. Shah Ceased to be a Member of HR Policies/Remuneration Committee effective July 15, 2012.

** Shri G.K. Pillai and Dr. G. Raghuram inducted as Members, HR Policies/Remuneration Committee effective July 16, 2012.

A meeting of the HR-Polices / Remuneration Committee was held on 02.12.2011.

Attendance at the HR Policies / Remuneration Committee Meeting during 2011-12 :-

Name of the Members	No. of Meeting held	No. of Meeting attended	% of Attendance
Shri S. K. Roongta	01	01	100
Dr. Gitesh K. Shah	01	01	100
Shri Anil Razdan	01	01	100
Shri G.K. Pillai	–	–	–
Dr. G. Raghuram	–	–	–

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

However, having regard to the aspects covering wage revisions / other benefits to the Officers arising from time to time, the Board has renamed the Committee on HR Policies as HR Policies / Remuneration Committee.

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

➢ The remuneration of the Whole Time Functional Directors include basic salary, allowances and perquisites as determined by the Government of India. Moreover, they are entitled to provident fund and superannuation contributions as per the rules of the Company.

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➢ The gross value of the fixed component of the remuneration paid to the Whole-Time Functional Directors, during the financial year 2011-12 is given below:

(Figures in ₹)

Name of the Directors	Salaries & Allowances	Contribution to Provident Fund	Contribution to Superannuation Fund and Gratuity	Other Benefits	Total
S. Roy Choudhury (Chairman & Managing Director)	3758575	192628	77175	696292	4724670
Dr. V. Vizia Saradhi (Director – HR)	2939313	181524	72726	1469177	4662740
B. Mukherjee (Director – Finance)	2910915	178875	71665	701236	3862691
K. Murali (Director – Refineries)	3104243	173657	69574	672248	4019722
Nishi Vasudeva (Director – Marketing) From 04.07.2011	2101443	129932	52056	435326	2718757

C. Investors Grievance Committee:

The Board has constituted an Investors Grievance Committee comprising of Non-Executive & Whole Time Directors Directors. Dr.Gitesh K. Shah was the Chairman of the Committee. The Committee presently comprises of :

1.	Shri A.C. Mahajan**	Non-Executive Independent Director
2.	Shri S.K. Roongta*	Non-Executive Independent Director
3.	Dr. V. Viziasaradhi*	Whole-time Director
4.	Shri B. Mukherjee	Whole-time Director
5.	Dr. Gitesh K. Shah*	Non-Executive Independent Director
6.	Dr. G. Raghuram**	Non-Executive Independent Director

* Dr. V. Viziasaradhi, Shri S.K. Roongta and Dr. Gitesh K. Shah ceased to be a Members and Chairman of Investors Grievance Committee effective July 15, 2012.

** Shri A.C. Mahajan was inducted as Chairman and Dr. G. Raghuram inducted as Member, Investors Grievance Committee, effective July 16, 2012.

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

Dates of Investors Grievance Committee Meetings held during 2011-12 :-		
	03.05.2011	01.11.2011

Attendance at the Investors Grievance Committee Meetings:

Name of the Members	No. of Meetings held	No. of Meetings attended	% of Attendance
Dr.Gitesh K. Shah	02	02	100%
Dr. V. Viziasaradhi	02	–	–
Shri S.K. Roongta	02	02	100%
Shri B. Mukherjee	02	02	100%
Shri A.C. Mahajan	–	–	–
Prof. G. Raghuram	–	–	–

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D. Investment Committee:

The Board has constituted the Investment Committee to review and recommend proposals involving major investments into projects by the Company. The Committee presently comprises of following Members. Shri Anil Razdan is the Chairman of the Committee.

1.	Shri Anil Razdan	Non-Executive Independent Director
2.	Shri L.N. Gupta	Non Executive Part-Time Director
3.	Dr. Gitesh K. Shah	Non-Executive Independent Director
4.	Shri S.K. Roongta*	Non-Executive Independent Director
5.	Shri G.K. Pillai**	Non Executive Part-Time Director
6.	Shri B. Mukherjee	Whole Time Director

* Shri S.K. Roongta, ceased to be a Member of Investment Committee effective July 15, 2012.

** Shri G.K. Pillai inducted as Member of Investment Committee effective July 16, 2012.

Dates of Investment Committee Meetings held during 2011-12

12.08.2011	27.09.2011	30.01.2012	09.02.2012

E. Corporate Social Responsibility (CSR) Committee

The Corporation has constituted a CSR Committee comprising the following Directors for periodic review, discussion and guidance on various CSR initiatives. Shri Anil Razdan was the Chairman of the Committee.

1.	Shri G.K. Pillai**	Non-Executive Independent Director
2.	Shri L.N. Gupta	Non-Executive Part-Time Director
3.	Dr. Gitesh K. Shah	Non-Executive Independent Director
4.	Shri A.C. Mahajan**	Non-Executive Independent Director
5.	Shri S.K. Roongta*	Non-Executive Independent Director
6.	Shri Anil Razdan*	Non-Executive Independent Director
7.	Smt. Nishi Vasudeva	Whole-Time Director
8.	Shri Pushp Kumar Joshi***	Whole-Time Director
9.	Dr. V. Viziasaradhi*	Whole-Time Director

* Shri S.K. Roongta & Dr. V. Viziasaradhi ceased to be Members and Shri Anil Razdan, ceased to be a Chairman of CSR Committee effective July 15, 2012.

** Shri G.K. Pillai inducted as Chairman and Shri A.C. Mahajan inducted as Member of CSR Committee effective July 16, 2012.

*** Shri Pushp Kumar Joshi inducted as Member of CSR Committee effective August 01, 2012.

The Meetings of the CSR Committee were held on 29.07.2011 and 20.03.2012 during 2011-12

F. Sustainability Development Committee

The Corporation has during 2011-12 constituted a Sustainability Development Board Sub- Committee comprising of the following Directors. Dr. G. Raghuram is the Chairman of the Committee.

1.	Prof. G. Raghuram	Non-Executive Independent Director
2.	Shri L.N. Gupta	Non-Executive Part-Time Director
3.	Dr. Gitesh K. Shah	Non-Executive Independent Director
4.	Shri Anil Razdan	Non-Executive Independent Director
5.	Shri K Murali	Whole-Time Director
6.	Shri Pushp Kumar Joshi**	Whole-Time Director
7.	Dr. V. Viziasaradhi*	Whole-Time Director

* Dr. V. Viziasaradhi, ceased to be Member effective July 15, 2012.

** Shri Pushp Kumar Joshi, inducted as Member of Sustainability Development Committee effective August 01, 2012.

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4. SITTING FEES FOR THE YEAR 2011-2012:

The details of Sitting Fees paid to Part-time Independent Directors for the year 2011-12 for attending the Board / Sub-Committee Meetings are given below:

(Figures in ₹)

Details of Meetings	Shri Gitesh K. Shah	Shri S.K. Roongta	Shri Anil Razdan
Board	140000	100000	120000
Audit Committee	120000	60000	120000
HR / Remuneration Committee	15000	15000	15000
Investor Grievance Committee	30000	30000	–
Investment Committee	60000	30000	60000
CSR Committee	30000	30000	15000
Total Sitting fees paid	395000	265000	330000

5. DIRECTORS' SHAREHOLDING:

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

6. RIGHT TO INFORMATION ACT 2005:

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

7. INTEGRITY PACT:

The Corporation has introduced "Integrity Pact" (IP) to enhance ethics / transparency in the process of awarding contracts. An MoU has been signed with "Transparency International" on July 13, 2007. This was made applicable in the Corporation effective September 01, 2007 for contracts above ₹ 1 crore(s). The Integrity Pact has now become a part of tender documents to be signed by the Company and by the vendor(s) / bidder(s).

8. SHARES DEPARTMENT ACTIVITIES:

HPCL has a Shares Department under the Company Secretary. Shares Department of HPCL is accredited ISO 9001:2008 certification from International Standard accredited by Joint Accreditation System of Australia and New Zealand in March 2009 for 3 years to assure HPCL shareholders of quality services. Shares Department is again recertified, complying with International Standard of ISO 9001:2008 requirements, by ICS Pvt. Ltd. accredited by Joint Accreditation System of Australia and New Zealand for further period of 3 years from March 2012 to March 2015.

Shares Department monitors the activities of R&T Agents M/s. Link Intime India Pvt. Ltd and looks into the issues relating to shareholders like; Share transfers, demat, remat, Duplicate, transmission, which are approved by the Share Transfer Committee and also dividend payment and other important matters.

Presently, HPCL has around 1,03,925 shareholders. The Corporation regularly interacts with the shareholders through letters, emails, investors' meets, during AGM, wherein the activities of the Corporation, its performance details are shared with the Shareholders. The Company has been taking appropriate steps to ensure that Shareholder related activities are given due priority and all references / representations are resolved at the earliest.

The Company Secretary of the Corporation is the Compliance Officer in terms of the requirements of Stock Exchanges. The quarterly results are published in English and Vernacular newspapers. The Financial and other details are also posted on the Company's website viz. www.hindustanpetroleum.com

9. During the year 2011-12, there were no material transactions with Directors or their relatives having potential conflict with the interests of the Company at large. There have been no instances of non-compliance by the Company or penalties or strictures imposed on the Company by any Stock Exchange or SEBI or any Statutory Authority, on any matter relating to capital markets during the last 3 years.

10. DETAILS OF ANNUAL GENERAL MEETINGS:

10.1 Location and time, of the last three Meetings held:

Year	Location	Date	Time
2010-2011	Y.B. Chavan Auditorium, Mumbai	22.09.2011	11.00 a.m.
2009-2010	Y.B. Chavan Auditorium, Mumbai	16.09.2010	11.00 a.m.
2008-2009	Y.B. Chavan Auditorium, Mumbai	28.08.2009	11.00 a.m.

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10.2 Whether Special Resolutions were put through postal ballot last year?

During the Year, in accordance with Section 192A of the Companies Act, 1956, read with Companies (Passing of Resolution by Postal Ballot) Rules, 2011, Postal Ballot Forms & Postal Ballot Notice dated February 15, 2012 containing Ordinary Resolution for increase in the borrowing powers of the Board under Section 293(1)(d), and for creation of charge / provide security of the assets of the Corporation as security for borrowing under Section 293 (1) (a), were sent to the Shareholders of the Company through post for receiving postal ballot votes in physical mode and also to the shareholders through e-mail for receving votes through e-Voting. For e-Voting, the Corporation has utilised the platform provided by M/s. National Securities Depository Limited (NSDL) an agency appointed by Ministry of Corporate Affairs. HPCL is the 1st among all Oil PSUs who have utlised the e-Voting mode during Postal Ballot Process of 2012 .

10.3 Are votes proposed to be conducted through postal ballot this year? No.

11. MEANS OF COMMUNICATION :

Timely disclosure of consistent, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end, major steps taken are as under :

i. Quarterly Financial results

The quarterly unaudited financial / audited financial results of the Company are announced within the time limits prescribed by the Listing Agreement. The results are published in leading business/regional newspapers like Economic Times, Times of India, Financial Express, Indian Express, Loksatta, Maharashtra Times etc.

ii. Website

The Company's Corporate Website www.hindustanpetroleum.com provides separate sections for investors where relevant information for shareholders is available. It also provides comprehensive information on HPCL's Portfolio of businesses, including sustainability initiatives comprising CSR activities, HSE performance etc.

iii. News releases

Official News Releases are hosted on Company's website :www.hindustanpetroleum.com

iv. Annual Report

Annual Report is circulated to shareholders and other members entitled thereto. The Management Discussion & Analysis Report is a part of Annual Report

v. Green Initiative of MCA:

The Ministry of Corporate Affairs (MCA) vide circular Ref. 17/95/2011 CL-V dated. 21.04.2011 has taken a "Green Initiative in Corporate Governance" allowing paperless compliances by Listed Companies. In compliance with the initiative, Companies are permitted to effect services of various notices/documents to its shareholders through electronic mode, at their registered E-mail addresses.

In order to contribute towards the Green initiatives of MCA, as a responsible listed Public Sector Undertaking during 2011-12, HPCL had sent E-mails stating its intention to send all documents through E-mail to approximately 45000 numbers of shareholders who had already registered their E-mail addresses either with their respective Depositories or with the R&T Agents of HPCL. An option is given to the shareholders to receive all documents in physical form, in case they do not wish to receive them in Electronic Mode. Shareholders, who had not registered their E-mail addresses but wish to receive documents in Electronic Mode, were also requested to register their E-mail addresses with the DPs or with R&T Agents.

This move by the Ministry is welcome since it will benefit the society at large through speedier communication as well as reduction in paper consumption and contribute towards a Greener Environment.

vi. General Shareholders Information :

General Shareholder Information has been incorporated in the Annual Report below and form a part of Annual Report.

12. GENERAL SHAREHOLDER INFORMATION:

12.1 60th Annual General Meeting

Date and Time	:	September 18, 2012 at 11.00 A.M.
Venue	:	Y.B. Chavan Auditorium, Yashwantrao Chavan Pratishthan Gen. Jagannathrao Bhonsle Marg, Mumbai – 400 021.

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12.2 Financial Calendar

Financial reporting for Quarter ending 30/06/12	–	End July / Mid August 2012
Financial reporting for Quarter ending 30/09/12	–	End October / Mid November 2012
Financial reporting for Quarter ending 31/12/12	–	End January / Mid February 2013
Financial reporting for Quarter ending 31/03/13	–	End May 2013
Annual General Meeting for year ending 31/03/2013	–	August / September 2013

12.3 Dates of Book Closure : September 01, 2012 to September 18, 2012 (both days inclusive)

12.4 Dividend payment date : September 22, 2012 (tentative)

12.5 (a) Listing on Stock Exchanges as of 31.03.2012 :

The Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	The National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051

12.6 (b) Listing fees : Listing fees for financial year 2012-13 have been paid to the Stock Exchanges in April 2012

12.7 Stock Codes :

BSE : 500104

NSE : HINDPETRO

ISIN (for trading in Demat form) : INE094A01015

12.8 Stock Market Data :

HPCL SHARE PRICE

Year	BSE		NSE	
	High	Low	High	Low
2011-12	419.50	238.75	480.35	238.05
2010-11	555.45	293.25	555.70	292.00
2009-10	425.00	242.50	425.90	242.65
2008-09	305.85	164.10	306.00	163.25
2007-08	405.90	218.00	404.80	205.00

Performance in comparison to Broad Based Indices

As on	HPCL Share price	BSE 30 SENSEX	NSE 50 NIFTY
31-3-2012	303.20	17404.20	5295.55
31-3-2011	356.95	19445.22	5833.75
31-3-2010	318.45	17527.77	5249.10
31-3-2009	269.10	9708.50	3020.95
31-3-2008	255.60	15644.44	4734.50

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HPCL SHARE PRICE MONTHLY DATA:

Month	Bombay Stock Exchange				National Stock Exchange			
	High ₹	Low ₹	Close ₹	Volume Nos.	High ₹	Low ₹	Close ₹	Volume Nos.
April-11	384.50	342.35	372.00	16,48,228	384.40	342.20	372.70	1,20,28,639
May-11	411.00	347.00	379.95	37,93,148	415.00	346.55	380.50	2,01,54,371
Jun-11	419.50	360.05	397.80	39,30,259	420.70	360.30	397.50	2,10,87,228
Jul-11	413.00	372.25	382.75	22,41,199	480.35	377.00	383.75	1,50,66,138
Aug-11	413.40	369.50	373.15	22,28,723	414.00	369.20	373.45	1,90,69,614
Sep-11	395.00	351.00	365.40	16,81,604	392.40	356.35	366.55	1,37,03,718
Oct-11	385.40	331.55	333.30	12,99,746	385.50	315.45	333.15	1,51,17,067
Nov-11	348.40	272.25	277.00	23,46,185	348.80	272.00	276.50	1,89,12,933
Dec-11	296.50	245.70	251.70	14,90,754	297.00	245.20	252.95	1,14,29,844
Jan-12	298.00	238.75	294.65	17,38,446	298.55	238.05	295.15	1,32,25,354
Feb-12	317.40	275.00	312.65	38,60,270	329.80	250.20	313.60	2,28,56,593
Mar-12	317.00	277.60	303.20	29,34,018	317.10	278.45	303.60	1,76,81,629

PER SHARE AND RELATED DATA :

		2011-12	2010-11	2009-10	2008-09	2007-08
Per Share Data	**Unit**					
EPS	₹	26.92	45.45	38.43	16.98	33.51
CEPS	₹	77.70	98.54	78.86	46.97	64.62
Dividend	₹	8.50	14.00	12.00	5.25	3.00
Book Value	₹	387.52	370.49	341.32	316.88	311.59
Share Related Data	**Unit**					
Dividend Payout	%	36.70	35.80	36.41	36.17	10.47
Price to Earnings*	Multiple	11.27	7.85	8.27	15.85	7.63
Price to Cash Earnings*	Multiple	3.90	3.62	4.04	5.73	3.96
Price to Book Value *	Multiple	0.78	0.96	0.93	0.85	0.81
* Based on March 31 closing prices (BSE)	₹	303.20	356.95	318.45	269.10	255.60

12.9 Registrars and Transfer Agents : **M/s. Link Intime India Pvt.Ltd.**
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078
Telephone No. (022) 25963838
Fax No. (022) 25966969
E-mail: mumbai@linkintime.co.in

12.10 Share Transfer System

Activities relating to Share Transfers are carried out by M/s. Link Intime India Pvt.Ltd. who are the Registrars and Transfer Agents of the Company, who have arrangements with the Depositories viz., National Securities Depository Limited and Central Depository Services (India) Limited. The transfers are approved by the Share Transfer Committee. Share transfers are registered and Share Certificates are despatched within stipulated period from the date of receipt if the documents are correct and valid in all respect.

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The number of shares transferred during the last two years:

2011-12 : 25750 Shares

2010-11 : 47600 Shares

12.11 Status of Investor Services:

Investor correspondence received and replied during the year are as follows:

Sr.No.	Nature of Correspondence	Number
1.	Share Transfers and related issues / Demat / Warrant Conversion	70
2.	Transmission of Shares / Nomination for shares	116
3.	Issue of Duplicate Share Certificates / Bonus / Rectification of shares	511
4.	Dividend related issues / ECS / Bank Mandate	1328
5.	Request for Change of Address	114
6.	Call Money Payment Correspondence / Reminders / Forfeiture Shares	2
7.	SEBI/NSE / BSE / NSDL / CDSL Complaints & Legal cases	17
8.	Others	33
	Total	**2191**

All complaints received from SEBI, Stock Exchanges, Department of Company Affairs etc., have been appropriately dealt with.

12.12 Dematerialisation of shares and liquidity:

The total number of shares dematerialised as on 31.03.2012 is 33,66,03,662 representing 99.40% of Issued and Subscribed share capital including shares held by the Government of India. Trading in Equity shares of the Company is permitted only in dematerialised form, w.e.f., February 15,1999 as per notification issued by the Securities and Exchange Board of India.

12.13 Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity:

There are no outstanding Warrants to be converted into Equity shares.

Detachable Tradeable Warrants issued alongwith public issue shares in April 1995 were converted into equityshares during the period February 1997 - April 1997. The said Warrant certificates were not called back by the Company and bear no value.

12.14 Plant Locations:

The Corporation has 2 Refineries located at Mumbai and Visakh. It has 101 Regional offices, 33 Terminals/ Tap off Points, 68 Depots, 45 LPG Bottling Plants, 11253 Retail outlets, 33 ASFs, 1638 SKO / LDO Dealers and 2897 LPG Distributors located all over the country.

12.15 Address for correspondence

Registrars and Transfer Agents:	Company's Shares Department:
M/s. **Link Intime India Pvt. Ltd.** Unit: **HINDUSTAN PETROLEUM CORPN. LTD.** C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West), Mumbai - 400 078 Telephone No.: 022 – 25963838. Fax No.: 022 – 25946969 E-mail:mumbai@linkintime.co.in	**HINDUSTAN PETROLEUM CORPN. LTD.** Shares Department, 2nd Floor, Petroleum House, 17, Jamshedji Tata Road, Churchgate, Mumbai - 400 020 Telephone No.: 022 - 22863204/3201/3233/3239/3208 Fax No.: 022-22874552/22841573 E-mail: hpclinvestors@hpcl.co.in

Corporate Governance

12.16 Distribution Schedule as on 31.03.2012 :

No. of Shares	Physical Holding		Dematerialised Holding		Total Shareholding		Percentage	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares	Shareholders	Holding
1-500	9332	1660382	87709	8695908	97041	10356290	93.38	3.06
501-1000	407	296925	3711	2816167	4118	3113092	3.96	0.92
1001-5000	37	59981	2058	4077594	2095	4137575	2.02	1.22
5001-10000	1	6300	207	1522556	208	1528856	0.20	0.45
10001 & above	0	0	463	319491437	463	319491437	0.44	94.35
TOTAL:	**9777**	**2023588**	**94148**	**336603662**	**103925**	**338627250**	**100.00**	**100.000**

12.17 Shareholding Pattern :

As on	31.03.2012			31.03.2011		
CATEGORY	No. of Holders	Shares held	% of total issued shares	No. of Holders	Shares held	% of total issued shares
The President of India	1	173076750	51.11	1	173076750	51.11
Financial Institutions	41	47290495	13.97	28	54105169	15.98
FII/OCBs	162	29332957	8.66	155	28526191	8.42
Banks	16	438688	0.13	21	2895504	0.86
Mutual Funds	133	42172549	12.45	131	42151335	12.45
NRIs	3051	990389	0.29	3180	1196827	0.35
Employees (Physical)	642	275645	0.08	702	307110	0.09
Others	99879	45049777	13.31	101917	36368364	10.74
TOTAL	**103925**	**338627250**	**100.00**	**106135**	**338627250**	**100.00**

12.18 Code of Conduct:

In compliance with the terms of clause 49 of the Listing Agreement with Stock Exchanges, “Code of conduct for Board Members and Senior Management Personnel of Hindustan Petroleum Corporation Limited” has been devised and made effective 1.1.2006. The purpose of this Code is to enhance further ethical and transparent process in managing the affairs of the company. This Code has been made applicable to

a) All Whole-Time Directors

b) All Non-Whole Time Directors including independent Directors under the provisions of law and

c) Senior Management Personnel.

This code would be read in conjunction with the Conduct, Discipline & Appeal Rules for Officers applicable to Whole time Directors and Senior Management Personnel.

All the Board Members and Senior Management Personnel have provided the Annual Compliance Certificate duly signed by them as on March 31, 2012.

12.19 Compliance of Clause 49 of the Listing Agreement

The Corporation is complying with the various mandatory and non mandatory Corporate Governance requirements envisaged under Clause 49 of the Listing Agreement with the Stock Exchanges and the DPE guidelines on Corporate Governance. With regard to appointment of required number of Independent Directors,

Corporate Governance

the Corporation has already taken up the same with its Administrative Ministry i.e. Ministry of Petroleum & Natural Gas, New Delhi.

12.20 The Corporation has a Whistle-Blower Policy in place and no personnel has been denied access to the Audit Committee.

DECLARATION OF THE CHAIRMAN & MANAGING DIRECTOR

This is to certify that the company has laid down Code of Conduct for all Board Members and Senior Management of the Company and the same are uploaded on the website of the company – http://www.hindustanpetroleum.com.

Further certified that the Members of the Board of Directors and Senior Management Personnel have affirmed and having complied with code as applicable to them during the year ended March 31, 2012.

S. Roy Choudhury
Chairman & Managing Director

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Board of Directors of
Hindustan Petroleum Corporation Limited

We have examined the compliance of Corporate Governance by Hindustan Petroleum Corporation Limited for the year ended on March 31, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India and the DPE Guidelines on Corporation Governance for Central Public Sector Enterprises.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the mandatory requirements of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement and the DPE guidelines on Corporate Governance for CPSE except compliance of Clause 49(I)(A)(ii) of the Listing Agreement and 3.1.2 of the DPE Guidelines relating to the number of Independent Directors on the Board of Directors of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Thalendra Sharma
Partner
Membership No. 079236

For B.K. KHARE & CO
Chartered Accountants
Firm No.: 105102W

Devdatta Mainkar
Partner
Membership No. 109795

Place : Mumbai
Date : August 10, 2012

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HP
power
power
power

Hindustan Petroleum Corporation Limited

Petroleum House, 17, Jamshedji Tata Road,
Churchgate, Mumbai- 400020