



BHARAT PETROLEUM CORPORATION LIMITED

(incorporated with limited liability in the Republic of India)

U.S.\$2,000,000,000 Medium Term Note Programme

Under the U.S.\$2,000,000,000 Euro Medium Term Note Programme (the **Programme**), Bharat Petroleum Corporation Limited (**BPCL**) and any New Issuer (as defined herein) (the **Issuers**, and each an **Issuer**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). Notes issued by any New Issuer (as defined herein) (the **Guaranteed Issuer**) will be guaranteed by BPCL (in such capacity, the **Guarantor**). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Programme Agreement, the Trust Deed and the Agency Agreement (each as defined herein) each contain provisions enabling BPCL to, from time to time, nominate any subsidiary (as defined in the Conditions) of BPCL as an additional issuer (a **New Issuer**) to issue Notes. It is intended that such New Issuer shall accede to the terms of the Programme by executing, *inter alia*, a new issuer programme accession letter, a supplemental trust deed and a supplemental agency agreement, and thereafter, shall become, and be treated as, an issuer for the purpose of the Programme. In such event, BPCL and such additional New Issuer shall make available a supplemental Offering Circular in relation to such accession. Unless and until a supplemental Offering Circular is published providing details of the accession of a New Issuer under the Programme, references in this Offering Circular to "the Issuer" should be taken as references to BPCL only.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any further Dealer appointed under the Programme from time to time by the relevant Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Exchange Securities Trading Limited (the **SGX-ST**). Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the **Official List**). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See "**Investment Considerations**" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

Each Tranche of Bearer Notes of each Series (as defined in "Form of the Notes") will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note**) and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note** as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg. On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series.

Registered Notes sold in an "offshore transaction" within the meaning of Regulation S (**Regulation S**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**), which will be sold outside the United States (U.S.) and, in certain circumstances, only to non-U.S. persons (as defined in Regulation S), will initially be represented by a global note in registered form, without receipts or coupons, (a **Registered Global Note**) deposited with a common depository for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of such common depository.

Prior to expiry of the distribution compliance period (as defined in Regulation S) (the **Distribution Compliance Period**) (if any) applicable to each Tranche of Notes, beneficial interests in the Notes may not be offered or sold to, or for the account or benefit of, a U.S. person, save as otherwise provided in the Terms and Conditions of the Notes and may not be held otherwise than through Euroclear or Clearstream, Luxembourg.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

This Offering Circular has not been and will not be registered as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the Registrar of Companies in India in accordance with the Companies Act, 1956, as amended and replaced from time to time, the Companies Act, 2013, as amended and other applicable Indian laws for the time being in force. This Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any Registrar of Companies or any stock exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of private placement to any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India. If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. See "**Subscription and Sale**".

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or, in certain circumstances, to U.S. persons (as defined in Regulation S under the Securities Act). The Notes are being offered outside the United States in reliance on Regulation S under the Securities Act. Bearer Notes are subject to U.S. tax law requirements. See "**Subscription and Sale**".

Sole Arranger and Dealer

The Royal Bank of Scotland

The date of this Offering Circular is 27 January 2015.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person is or has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Issuer, any of the Arrangers or the Dealers or the Trustee.

Neither the Arrangers, the Dealers nor the Trustee (as defined herein) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Arrangers or the Dealers, the Trustee or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Arrangers or the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing any of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers or the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. To the fullest extent permitted by law, the Arrangers, the Dealers, and the Trustee do not accept any responsibility for the contents of this Offering Circular. Each of the Arrangers, the Dealers, and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. The Arrangers, the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arrangers, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other

requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any of the Arrangers or the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy and the Netherlands), India, Singapore, Japan and Hong Kong, see “*Subscription and Sale*”.

None of the Issuer, the Arrangers, the Dealers and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 (FSMA) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See “*Subscription and Sale*”.

In connection with the offering of any series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and no-one else and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arrangers, the Dealers, or the Trustee or any person affiliated with the Arrangers, the Dealers, or the Trustee in connection with its investigation of the accuracy of such information or its investment decision.

For a description of other restrictions, see “*Subscription and Sale*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Rupees in accordance with generally accepted accounting principles in the Republic of India (Indian GAAP) which differ in certain important respects from International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). For a discussion of the principal differences between Indian GAAP and IFRS as they relate to the Issuer, see “*Summary of Significant Differences Between Indian GAAP and IFRS*”. Unless otherwise stated, all financial data contained herein is that of the Issuer, its subsidiaries and joint venture companies on a consolidated basis. The financial statements for the years ended 31 March 2013 and 31 March 2014 included in this Offering Circular have been audited by the auditors as set out in paragraphs 6 and 7, respectively, of the section entitled “*General Information*”. Please see the auditors’ report for the year ended 31 March 2014 on pages F-7 to F-8 and the auditors’ report for the year ended 31 March 2013 on pages F-46 to F-47. The unaudited, reviewed financial statements of the Issuer for the six months ended 30 September 2014 have been reviewed by the auditors as set out in paragraph 8 of the section entitled “*General Information*”, and the auditors’ review report, is set out on pages F-2 to F-3.

CERTAIN DEFINITIONS

In this Offering Circular, references to **India** are to the Republic of India, references to the **Government** are to the Government of India and references to the **RBI** are to the Reserve Bank of India. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to **fiscal** or **fiscal year** are to the year ending on 31 March.

Unless the context otherwise indicates, all references to **BPCL** or the **Issuer** are to Bharat Petroleum Corporation Limited and its subsidiaries and joint venture companies on a consolidated basis.

Industry and market share data in this Offering Circular are derived from various government and private publications or obtained in communications with government ministries in India. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Issuer believes that the industry data used in this Offering Circular is reliable and takes responsibility for the accurate extraction of such data from publicly available sources, it has not been independently verified by the Issuer, the Arrangers, the Dealers or the Trustee.

As used in this Offering Circular, the terms, **Tenth Plan**, **Eleventh Plan**, **Twelfth Plan** and **Thirteenth Plan** refer to the five year plans of the Government, and mean the Tenth Five Year Plan covering the period fiscal 2002-2007, the Eleventh Five Year Plan covering the period fiscal 2007-2012, the Twelfth Five Year Plan covering the period 2012-2017 and the Thirteenth Five Year Plan covering the period 2017-2022, respectively.

All references in this document to **U.S. dollars**, **U.S.\$** and **\$** refer to United States dollars, to **Rupee**, **Rupees**, **INR**, **Rs.** and **₹** refer to Indian Rupees and to **SGD** refers to Singapore dollars. In addition, references to **Sterling**, **GBP** and **£** refer to pounds sterling and to **euro**, **EUR** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community, as amended.

References to **crores** and **lakhs** in the Issuer’s financial statements are to the following:

One lakh	100,000	(one hundred thousand)
One crore.	10,000,000	(ten million)
Ten crores	100,000,000	(one hundred million)
One hundred crores	1,000,000,000	(one thousand million or one billion)

In this Offering Circular, where information has been presented in millions or billions of units, amounts may have been rounded, in the case of information presented in millions, to the nearest ten thousand or one hundred thousand units or, in the case of information presented in billions, one, ten or one hundred million units. Accordingly, the totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as “will”, “would”, “aimed”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “target”, “propose to”, “future”, “objective”, “goal”, “projected”, “should”, “can”, “could”, “may” and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Issuer with respect to, but not limited to, regulatory changes relating to the oil and gas in India and the Issuer’s ability to respond to them, the Issuer’s ability to successfully implement its strategy, the Issuer’s growth and expansion, including the Issuer’s ability to complete its capacity expansion plans, technological changes, the Issuer’s exposure to market risks, general economic and political conditions in India which have an impact on the Issuer’s business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the Issuer’s industry.

For a further discussion on the factors that could cause actual results to differ, see the discussion under “*Investment Considerations*” contained in this Offering Circular.

ENFORCEMENT OF FOREIGN JUDGMENTS IN INDIA

The Issuer is a limited liability public company incorporated under the laws of India. All of the Issuer’s directors and executive officers named herein are residents of India and all or a substantial portion of the assets of the Issuer and such persons are located in India. As a result, it may not be possible for investors to effect service of process on the Issuer or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of the Issuer or such directors and executive officers under laws other than Indian law, including any judgment predicated upon United States federal securities laws. There is doubt as to the enforceability in India in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The Issuer understands that the statutory basis for recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Code of Civil Procedure, 1908 (the **Civil Code**). Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India.

However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards, even if such awards are enforceable as a decree or judgment.

The United States has not been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Code. However, the United Kingdom has been declared by the Government to be a reciprocating territory and the High Courts in England as the relevant superior courts. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the judgment and not by proceedings in execution whereas, a judgment of a superior court in the United Kingdom may be enforceable by proceedings in execution, and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the judgment and not by proceedings in execution. Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India.

Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999 to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment. Also, a party may file suit in India against the Issuer, its directors or its executive officers as an original action.

GLOSSARY OF TERMS USED IN THIS OFFERING CIRCULAR

Below are certain terms relating to the oil and gas sector used in this Offering Circular.

Unless otherwise indicated in the context, references to:

ATF refers to aviation turbine fuel.

CBFS refers to carbon black feed stock.

CDU refers to Crude Distillation Unit.

FO refers to fuel oil.

HSD refers to high speed diesel.

km refers to kilometre.

LABFS refers to linear alkyl benzene feedstock.

LDO refers to light diesel oil.

LNG refers to liquefied natural gas.

LPG refers to liquefied petroleum gas.

LSHS refers to low sulphur heavy stock.

MMSCMD refers to million metric standard cubic metre per day.

MMT refers to million metric tonnes.

MMTPA refers to million metric tonnes per annum.

MS refers to motor spirit.

MTO refers to mineral turpentine oil.

RLNG refers to regassified liquid natural gas.

SKO refers to superior kerosene oil.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published audited or reviewed, as the case may be, interim non-consolidated financial results of the Issuer, (see “*General Information*” for a description of the financial statements currently published by the Issuer); and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the principal paying agent in London (which for the time being is Citibank, N.A.) (the **Principal Paying Agent**) for the Notes listed on the SGX-ST.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$2,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

The offering of the Notes will be made entirely outside India. This Offering Circular may not be distributed directly or indirectly in India or to residents of India and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

Each purchaser of Notes will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Notes may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless determined otherwise in compliance with applicable law.

The Issuer will issue Notes under the Programme in accordance with applicable laws including without limitation the ECB Guidelines.

The Government does not provide any guarantee or financial support in relation to any payment or obligation in respect of the Notes and has no commitment or obligation whatsoever in relation to any payment or obligation in respect of the Notes.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuer: Bharat Petroleum Corporation Limited

Guarantor: Bharat Petroleum Corporation Limited (where relevant)

Investment Considerations: There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “*Investment Considerations*” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “*Investment Considerations*” and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Description: Medium Term Note Programme

Arranger: The Royal Bank of Scotland plc

Dealer: The Royal Bank of Scotland plc

and any other Dealers appointed in accordance with the Programme Agreement (as defined under “*Subscription and Sale*”).

Certain Restrictions: Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”) including the following restrictions applicable at the date of this Offering Circular.

Trustee: Citicorp International Limited

Principal Paying Agent: Citibank, N.A., London Branch

Transfer Agent: Citibank, N.A., London Branch

Registrar: Citigroup Global Markets Deutschland AG

Programme Size: U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described under “*General Description of the Programme*”) in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution: Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer including but not limited to the minimum maturity period specified under the ECB Guidelines (as defined in Condition 1) or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer and/or registered form as described in “ <i>Form of the Notes</i> ”.
Fixed Rate Notes:	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate, subject to any regulatory requirement including but not limited to the ECB Guidelines, determined:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes, subject to any regulatory requirement (including but not limited to the ECB Guidelines).</p>

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).

Other provisions in Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both, subject to any regulatory requirement including but not limited to the ECB Guidelines.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).

Partly Paid Notes: The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Other Notes: The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption: Unless otherwise indicated in the applicable Pricing Supplement the relevant Notes cannot be redeemed prior to their stated maturity other than (i) in specified instalments, if applicable, (ii) for taxation reasons, (iii) following a Change in Control (as defined in Condition 8) or (iv) following an Event of Default (as defined in Condition 11). Please note that any redemption of the Notes prior to their average stated maturity will require the prior approval of the RBI under the ECB Guidelines (save and except where such Notes are issued by a New Issuer that is not incorporated in India).

The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement, subject to any regulatory requirement including but not limited to the ECB Guidelines.

Denomination of Notes: Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Taxation: All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 9), subject as provided in Condition 9. In the event that any such deduction is made, the Issuer (or, as the case may be, the Guarantor) will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.

Without prejudice to the Issuer 's obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 7.8.

Negative Pledge: The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Cross Default: The terms of the Notes will contain a cross default provision as further described in Condition 11.

Status of the Notes: The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Guarantee: In the event that the Notes are guaranteed by the Guarantor, the guarantee will be unconditional and irrevocable. The obligations of the Guarantor under its guarantee will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

Use of Proceeds: The net proceeds from each issue of Notes will be applied by the Issuer to finance capital expenditure of ongoing and/or new projects or to refinance existing borrowings or for such other purpose under the relevant guidelines, as may be set forth in the Pricing Supplement applicable to such Notes.

- Rating: The rating of the Notes to be issued under the Programme may be specified in the applicable Pricing Supplement.
- Listing: Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least SGD200,000.
- Unlisted Notes may also be issued.
- The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
- Governing Law: The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
- Clearing System: The Euroclear, Clearstream, Luxembourg (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement (see “*Form of Notes*”).
- Selling Restrictions: There are restrictions on the offer, sale and transfer of the Notes under the Prospectus Directive and in the United States, the European Economic Area (including the United Kingdom, Italy and the Netherlands), Japan, India, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “*Subscription and Sale*”).
- United States Selling Restrictions: . . . Regulation S, Category 1 or 2, TEFRA C or D, or TEFRA not applicable as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). The Notes will be issued outside the United States and, in certain instances, only to non-U.S. persons, in reliance on Regulation S.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

Bearer Notes

Each Tranche of Bearer Notes will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note**) and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system satisfactory to the Trustee is available or (iii) the

Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect from an authorised officer of the Issuer has been given to the Trustee. The Issuer will promptly give notice to the Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Permanent Bearer Global Notes and all Definitive Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar (each as defined under “*Terms and Conditions of the Notes*”) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event (as defined under “*Form of the Notes — Bearer Notes*”).

The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) of the definition of Exchange Event under “*Form of the Notes — Bearer Notes*”, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a **Global Note**) held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Trust Deed and the expressions **Noteholder** and **Holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Trustee and the Principal Paying Agent.

No Noteholder, Receiptholder (as defined below) or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7, 8 (except Condition 8.2), 12, 13, 14, 15 (insofar as such Notes are not listed or

admitted to trade on any stock exchange) or 17, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

Bharat Petroleum Corporation Limited

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by Bharat Petroleum Corporation Limited (if applicable)]
under the U.S.\$2,000,000,000
Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 27 January 2015 [and the supplement[s] to it dated [] and []] (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

1. (a) Issuer: [Bharat Petroleum Corporation Limited/specify other]
- (b) Guarantor: [Not Applicable/Bharat Petroleum Corporation Limited]
2. (a) Series Number: []
- (b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []

5. (a) Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (b) [Net proceeds: []]
6. (a) Specified Denominations: []
(N.B. Notes must have a minimum denomination of € 100,000 or equivalent) (Note — where Bearer Notes with multiple denominations above [€ 100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:
- “[€ 100,000] and integral multiples of [€ 1,000] in excess thereof up to and including [€ 199,000]. No Notes in definitive form will be issued with a denomination above [€ 199,000].”*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the € 100,000 minimum denomination is not required.)*
- (In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*
- (b) Calculation Amount: []
(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7. (a) Issue Date: []
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
8. Maturity Date: [Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[] per cent. Fixed Rate]
 [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Dual Currency Interest]
 [specify other]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency Redemption] [Partly Paid]
 [Instalment]
 [specify other]

11. Put/Call Options: [Investor Put]
[Issuer Call]
(further particulars specified below)
12. Change of Interest Basis or Redemption/Payment Basis: [Applicable/Not Applicable]
(If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis)
13. (a) Date of board approval for issuance of Notes [and Guarantee] obtained: [] [and [], respectively]/[None required]
(N.B. Only relevant where board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)
- (b) Date of regulatory approval/consent for issuance of Notes obtained: []/[None required]
(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes)
14. Listing: [Singapore/specify other/None]
(N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market)
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date *(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
- (d) Broken Amount(s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (e) Day Count Fraction: [Actual/Actual (ICMA)] [30/360] [Actual/365 (Fixed)]
[specify other]
- (f) Determination Date(s): [[] in each year] [Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

17. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: []
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]/[specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): []
- (f) Screen Rate Determination:
- Reference Rate: Reference Rate: [] month [LIBOR/EURIBOR/specify other Reference Rate]
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum

- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)]
 [Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360]
 [360/360]
 [Bond Basis]
 [30E/360]
 [Eurobond Basis]
 [30E/360 (ISDA)]
[specify other]
(See Condition 6 for alternatives)
18. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
 [Actual/360]
 [Actual/365]
[specify other]
19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: *[give or annex details]*
- (b) Calculation Agent: *[give name]*
- (c) Calculation Agent responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): []
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
(Need to include a description of market disruption or settlement disruption events and adjustment provision)

- (e) Specified Period(s)/Specified Interest Payment Dates: []
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (g) Additional Business Centre(s): []
- (h) Minimum Rate of Interest: [] per cent. per annum
- (i) Maximum Rate of Interest: [] per cent. per annum
- (j) Day Count Fraction: []
20. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [*give or annex details*]
- (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): []
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/*specify other/see Appendix*]

- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee)
22. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee)
23. Final Redemption Amount: [] per Calculation Amount
24. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes:
 [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at anytime/only upon an Exchange Event]]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]
[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:

"[€ 100,000] and integral multiples of [€ 1,000] in excess thereof up to and including [€ 199,000].

No Notes in definitive form will be issued with a denomination above [€ 199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)

[Registered Notes:

Registered Global Note ([] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (specify nominal amounts)]

26. Additional Financial Centre(s): [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(g) relate)
27. Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature): [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues]
29. Details relating to Instalment Notes: [Not Applicable]
- (a) [Instalment Amount(s): [give details]]
- (b) [Instalment Date(s): [give details]]

30. Redenomination applicable: Redenomination [not] applicable
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
31. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

32. (a) If syndicated, names of Managers: [Not Applicable/give names]
(b) Stabilising Manager(s) (if any): [Not Applicable/give name(s)]
33. If non-syndicated, name of relevant Dealer: [Not Applicable/give name(s)]
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
35. Whether Category 1 or Category 2 applicable in respect of the Notes offered and sold in reliance on Regulation S: [Category 1/Category 2]
[(Notes offered in reliance on Category 1 must be in registered form)]
36. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

37. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
38. Delivery: Delivery [against/free of] payment
39. Additional Paying Agent(s) (if any): []

ISIN: []
Common Code: []

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of Bharat Petroleum Corporation Limited.]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By: _____
Duly authorised

By: _____
Duly authorised]

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and except for the paragraphs in italics, are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor (where relevant) and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Bharat Petroleum Corporation Limited (**BPCL** or the **Issuer** and together with the New Issuers (as defined below), the **Issuers**) and constituted by a Trust Deed dated 27 January 2015 (as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and Citicorp International Limited (the **Trustee** which expression shall include any successor as Trustee). BPCL may, from time to time, nominate its Subsidiaries (as defined below) as additional issuers to issue the Notes pursuant to the Programme (each a **New Issuer**). It is intended that such New Issuer shall accede to the terms of the Programme by executing new, amended or restated contractual documents, as appropriate, and shall become and be treated as an “Issuer” and a “Guaranteed Issuer” for the purpose of the Programme. The parties agree that, in the case of any New Issuer, the term Issuer or Issuers as used herein shall only apply from the time of accession of such New Issuer to the Programme.

The Notes to be issued by any New Issuer (the **Guaranteed Issuers**) will be guaranteed by BPCL (in such capacity, the **Guarantor**) on a senior or subordinated basis as specified in the applicable Pricing Supplement. The Notes to be issued by BPCL will not be guaranteed.

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note in bearer form (a **Bearer Global Note**);
- (iii) any Global Note in registered form (a **Registered Global Note**);
- (iv) definitive Notes in bearer form (**Definitive Bearer Notes**, and together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and
- (v) definitive Notes in registered form (**Definitive Registered Notes**, and together with Registered Global Notes, the **Registered Notes**), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement dated 27 January 2015 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) and made between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and as transfer agent (the **Transfer**

Agent, which expression shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and Citigroup Global Markets Deutschland AG as registrar (the **Registrar**, which expression shall include any successor registrar and together with the Paying Agents and Transfer Agents, the **Agents**).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (**Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose names the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being, at 39th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong) and at the specified office of each of the Principal Paying Agent and the other Paying Agents. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form (**Bearer Notes**) and/or in registered form (**Registered Notes**) and, in the case of definitive Notes, will be serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) in each case, as specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement, which Interest Basis shall be as per the applicable laws including but not limited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 (Notification No. FEMA 3/2000), as amended, and the Master Circular on External Commercial Borrowings and Trade Credits dated 1 July 2014 as issued by the Reserve Bank of India as updated and amended from time to time by any rules, regulations, notifications, circulars, press notes or orders issued by the Reserve Bank of India or other governmental authority of India in relation to external commercial borrowings (the “**ECB Guidelines of India**”).

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor (where relevant), the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (where relevant), the Trustee, any Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Guarantor (where relevant), the Trustee, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of the Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of the Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

The Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Guarantor (where relevant), the Trustee and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for the Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes Generally

The Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent may prescribe (such initial regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any duty, tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp duty payable on the transfer of Notes effected in the Republic of India (**India**) unless the Issuer is the counterparty directly liable for that documentary stamp duty.

3. STATUS OF THE NOTES AND THE GUARANTEE IN RESPECT OF THE NOTES

3.1 Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3.2 Status of the Guarantee

In the event the Notes are guaranteed by the Guarantor, the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed will be unconditionally and irrevocably guaranteed by the Guarantor (the **Guarantee**). The payment obligations of the Guarantor under the Guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) will rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

*All guarantees by BPCL, as the Guarantor, which would be applicable to the Notes when the Notes are issued by a New Issuer shall be subject to applicable laws including, but not limited to, the Foreign Exchange Management (Guarantees) Regulations, 2000, as amended (the **FEMA Guarantees Regulations**) and the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004, as amended (the **FEMA ODI Regulations**).*

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer and the Guarantor (where relevant) will ensure that no Relevant Indebtedness of the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries (as defined below) will be secured by any Security Interest (as defined below) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries unless the Issuer, the Guarantor (where relevant) or the relevant Principal Subsidiary, as the case may be, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

4.2 Interpretation

For the purposes of these Conditions:

- (a) **Approved Investor** means (i) a person which has been duly registered with the Securities Exchange Board of India as a Foreign Institutional Investor in terms of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, (ii) a Qualified Foreign Investor as defined by the Securities and Exchange Board of India and the Reserve Bank of India, and includes (iii) a person who is duly registered as a 'foreign portfolio investor' under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended.
- (b) **Eligible Person** means any one of the following persons who shall be entitled to attend and vote at a meeting:
- (i) a holder of a Note in definitive form which is not held in an account with any Clearing System;
 - (ii) a bearer of any voting certificate;
 - (iii) a proxy specified in any block voting instruction; and
 - (iv) a proxy appointed by a holder of a Note in definitive form which is not held in an account with any clearing system;
- (c) **Principal Subsidiary** means at any time a Subsidiary of BPCL:
- (i) whose total revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of BPCL and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total revenues, or, as the case may be, consolidated total assets of BPCL and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of BPCL and its Subsidiaries, provided that in the case of a Subsidiary of BPCL acquired after the end of the financial period to which the then latest audited consolidated accounts of BPCL and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of BPCL and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by BPCL;
 - (ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of BPCL which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (d)(ii) on the date on which the consolidated accounts of BPCL and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (d)(i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

- (iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of BPCL and its Subsidiaries relate, generate total revenues equal to) not less than 10 per cent. of the consolidated total revenues, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of BPCL and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (d)(i) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate total revenues equal to) not less than 10 per cent. of the consolidated total revenues, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of BPCL and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (d)(i) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (d)(iii) on the date on which the consolidated accounts of BPCL and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (d)(i) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

A certificate (given at the request of the Trustee) by the Director (Finance) of BPCL addressed to the Trustee that in their opinion a Subsidiary of BPCL is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, or proven error be conclusive and binding on all parties.

- (d) **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities (together, Securities) which (a) by their terms are payable in a currency other than Rupees or are denominated in Rupees and more than 50 per cent. of the aggregate nominal amount of which is initially distributed outside of India (provided that, for these purposes, Securities sold to an Approved Investor will not be regarded as being distributed outside of India) by or with the authorisation of BPCL and (b) are for the time being, or capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity of any such indebtedness;
- (e) **Security Interest** means any mortgage, charge, pledge, lien or other security interest; and
- (f) **Subsidiary** means, any company (i) in which BPCL holds a majority of the voting rights or (ii) of which BPCL is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which BPCL is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of BPCL.

5. REDENOMINATION

5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days' prior notice to the Trustee, the Principal Paying Agent, Euroclear and/or Clearstream, Luxembourg as applicable, and at least 30 days prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of 0.01 with a nominal amount in euro for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than 1,000 or such smaller denominations as the Issuer in conjunction with the Principal Paying Agent may determine) euro 0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); and
 - (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

- (g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (h) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Trustee and the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

5.2 Definitions

In these Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

euro and **€** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph 5.1(a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty on the Functioning of the European Union, as amended.

6. INTEREST

All interest payable on the Notes shall be subject to applicable laws including but not limited to the ECB Guidelines of India and in accordance with any specific approval received by the Issuer and/or the Guarantor (where relevant) from the RBI or any other governmental or regulatory authority.

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest is required to be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Fixed Rate Note shall have an interest rate which shall be in accordance with applicable Indian regulatory requirements (including but not limited to the ECB Guidelines of India) or any specific approval received by the Issuer and/ or the Guarantor (where relevant) from the RBI or any other governmental or regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

- (a) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or
- (c) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

The Rate of Interest shall be in accordance with applicable Indian regulatory requirements (including without limitation, the ECB Guidelines of India) or any specific approval received by the Issuer and/or the Guarantor (where relevant) from the RBI or any other governmental or regulatory authority.

- (i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement

incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) **Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of sub-paragraph (A) above, no such offered quotation appears or, in the case of sub-paragraph (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(c) ***Minimum and/or maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Where applicable, the Rate of Interest shall not exceed the rate of interest as specified under the ECB Guidelines of India or any specific approval received by the Issuer and/or the Guarantor (where relevant) from the RBI or any other governmental or regulatory authority.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. If required to be calculated by it, the Principal Paying Agent or, as the case may be, the Calculation Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, such stock exchange or other relevant authority as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Floating Rate Note or Index Linked Interest Note shall have an interest rate which shall be in accordance with applicable Indian regulatory requirements (including but not limited to the ECB Guidelines of India) or any specific approval received by the Issuer and/or the Guarantor (where relevant) from the RBI or any other governmental or regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

- (i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any

portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph (e), the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 6, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith, manifest or proven error) be binding on the Issuer, the Guarantor (where relevant), the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (where relevant), the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

Each Dual Currency Interest Note shall have an interest rate which shall be in accordance with applicable Indian regulatory requirements (including but not limited to the ECB Guidelines of India) or any specific approval received by the Issuer and/or the Guarantor (where relevant) from the RBI or any other governmental or regulatory authority.

6.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

Each Partly Paid Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines of India) or any specific approval received by the Issuer and/or the Guarantor (where relevant) from the RBI or any other governmental or regulatory authority.

6.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

6.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii), the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (ii) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the **TARGET2 System**) is open.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

7.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Instalment Amounts (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9.2) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

7.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date,

and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition 7 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Guarantor (where relevant), the Trustee, the Registrar or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or the Guarantor (where relevant) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the Guarantor (where relevant) in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 7, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor (where relevant), adverse tax consequences to the Issuer or the Guarantor (where relevant).

7.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 11) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation; and
 - (ii) any Additional Financial Centre specified in the applicable Pricing Supplement; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

7.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.4); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7.8 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 9, in the place of payment; and (ii) any withholding or deduction required pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986 (the **Code**); and (iii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

8.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are neither a floating Rate Note, an Index Linked Interest Note, nor a Dual Currency Note) or on any Interest Payment Date (if the Notes are either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9, or the Guarantor (where relevant) would be required to pay such additional amounts, in each case, as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9.2(ii)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or the Guarantor (where relevant) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor (where relevant) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 8, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (1) a certificate signed by an authorised officer of the Issuer or the Guarantor (where relevant) stating that the Issuer or the Guarantor (where relevant) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or the Guarantor (where relevant) has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.4 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

*ECB Guidelines of India may require the Issuer to obtain the prior approval of the RBI or designated authorised dealer category I bank appointed in accordance with the ECB Guidelines of India (**AD Bank**) as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.*

8.3 Redemption upon Change of Control

Within 15 days following any Change of Control, the Issuer will give notice to the Noteholders, the Trustee and the Principal Paying Agent in accordance with Condition 15 stating that a Change of Control has occurred.

Following the occurrence of a Change of Control, each Noteholder will have the right to require the Issuer to redeem, in whole but not in part, the Notes held by such Noteholder at their nominal amount outstanding together with interest (including additional amounts pursuant to Condition 9 if any) accrued to (but excluding) the date of redemption.

To exercise the right to require redemption of any Notes, the holder of the Notes must deliver such Notes at the specified office of any Paying Agent, in the case of Bearer Notes, or of any Transfer Agent or the Registrar, in the case of Registered Notes, on any business day (being, in relation to any place, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in that place) at the place of such specified office falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held in a clearing system, be any form acceptable to the clearing system delivered in a manner acceptable to the clearing system) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is to be made by cheque, an address) to which payment is to be made under this paragraph accompanied by such Notes or evidence satisfactory to the relevant Paying Agent, Transfer Agent or the Registrar, as the case may be, that such Notes will, following the delivery of the Put Notice, be held to its order or under its control.

Subject to the receipt of RBI or AD Bank approval, where required, the Issuer is obliged to redeem any such Notes on the first business day in the place where such redemption notice is deposited falling 30 days after such deposit.

A Put Notice given by a holder of any Note shall be irrevocable and no Note deposited with a Paying Agent, Transfer Agent or the Registrar pursuant to this Condition 8.3 may be withdrawn without the prior written consent of the Issuer.

The right of any Noteholder to require the Issuer to redeem any Note upon a Change of Control is not conditional upon a Change of Control notice having been given by the Issuer, but will, if such notice is given by the Issuer, be exercised by such Noteholder within 45 days of the giving of such notice.

A **Change of Control** will have occurred if the Government of India will at any time cease to own, directly or indirectly, more than 50 per cent. of the voting securities of BPCL.

In this Condition 8.3, **voting securities** means stock (or equivalent interests) having voting power for the election of directors, commissioners, managers or trustees of a company (or otherwise the power to control the management and policies of such corporation or other entity).

ECB Guidelines of India require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

8.4 Early Redemption Amounts

For the purpose of Conditions 8.2 and 8.3 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.5 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.4 above.

8.6 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 8 and the applicable Pricing Supplement.

8.7 Purchases

The Issuer, the Guarantor (where relevant) or any Subsidiary may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation.

8.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

8.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 8.1, 8.2 or 8.3 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.4(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9. TAXATION

9.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor (where relevant) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor (where relevant) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction (the **Additional Amounts**); except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

- (e) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or
- (f) where such withholding or deduction is required pursuant to an agreement described in (i) Section 871(m) of the Code or (ii) agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

9.2 Interpretation

As used herein:

- (i) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15; and
- (ii) **Tax Jurisdiction** means India or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor (where relevant) becomes subject in respect of payments made by it of principal and interest in respect of the Notes, Receipts and Coupons.

In the circumstance that the Issuer is based in India any payments made by the Issuer or the Guarantor (where relevant), are required to be within the all-in-cost ceilings prescribed under the ECB Guidelines of India and in accordance with any specific approvals from the RBI obtained by such Issuer or the Guarantor (where relevant) in this regard.

9.3 Transfers or Sales

The Issuer or the Guarantor (where relevant) has agreed to indemnify any transferor or transferee of a Note (or any beneficial interest therein), other than a transferor or transferee who is liable to Indian tax by reason of his having a connection with India apart from the mere holding of a Note, against any loss resulting from the imposition of Indian income, capital gains or gift tax on the transfer or sale of a Note outside India. The foregoing indemnity will terminate following an appropriate amendment of the Income Tax Act, 1961 of India and/or a reasoned legal opinion in writing of a practising eminent Indian taxation lawyer that the Notes are not and are not deemed to be situated in India. The Issuer or the Guarantor (where relevant) will first obtain approval from the RBI, or such other governmental or regulatory authority, prior to making any payments under such indemnity, if required.

10. PRESCRIPTION

The Notes (whether bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9.2) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (d) (other than the winding up or dissolution of the Issuer or the Guarantor), (e) to (g), (i), (j), (m) and (n) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer and the Guarantor (where relevant) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their nominal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) If a default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of three days in the case of principal or seven days in the case of interest; or
- (b) if the Issuer or the Guarantor (where relevant) fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Guarantor (where relevant) of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor (where relevant) or the Principal Subsidiaries becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor (where relevant) or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; (iii) any security given by the Issuer, the Guarantor (where relevant) or any of its Principal Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer, the Guarantor (where relevant) or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that no event described in this Condition 11.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) inclusive above which have occurred and are continuing, amounts to at least U.S.\$25,000,000 (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (e) if the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (f) if (i) proceedings are initiated against the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged within 14 days; or
- (g) if the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) if any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets or shares of the Issuer, the Guarantor (where relevant) or any of the Principal Subsidiaries without fair compensation, unless, and for so long as such compulsory purchase or expropriation is being contested in good faith and by appropriate proceedings; or
- (i) if at any time the Government of India ceases to own (directly or indirectly) at least 50.0 per cent. of the voting securities of BPCL; or
- (j) a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other financing related agreement) is agreed or declared by the Issuer or the Guarantor (where relevant) in respect of any Indebtedness for Borrowed Money (including any obligations arising under guarantees (where relevant)) of the Issuer or any of its Subsidiaries; or
- (k) if the Issuer, the Guarantor (where relevant) or any of its Principal Subsidiaries is or becomes entitled or subject to, or is declared by law or otherwise to be protected by, immunity (sovereign or otherwise) and Condition 20.4 is held to be invalid or unenforceable; or
- (l) the Guarantee (where relevant) ceases to be, or is claimed by the Guarantor (where relevant) not to be, in full force and effect; or
- (m) it is or will become unlawful for the Issuer or the Guarantor (where relevant) to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (n) if any events occur which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in subparagraphs (d) to (h) inclusive, (k) and (l).

Interpretation

For the purposes of this Condition, **Indebtedness For Borrowed Money** means any indebtedness (whether being principal, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit.

ECB Guidelines of India require the Issuer and/or the Guarantor (where relevant) to obtain the prior approval of the RBI or the AD Bank, as the case may be, before effecting a redemption of Notes prior to their stated maturity, even in case of an event of default and such approval may not be forthcoming.

11.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor (where relevant) as it may think fit to enforce the provisions of the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (where relevant) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The names of the initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, after consultation with the Trustee, to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be the Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (c) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) so long as the Notes are listed on the SGX-ST, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Paying Agents will be given promptly to the Noteholders in accordance with Condition 15 and clause 27.1 of the Agency Agreement.

In acting under the Agency Agreement, the Paying Agents, Registrar and the Transfer Agents act solely as agents of the Issuer and the Guarantor (where relevant) and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia as the Trustee may approve. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery by mail of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receipholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 15.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor (where relevant) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than one tenth in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, *inter alia*, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receipholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receipholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of these Conditions or the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receipholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receipholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receipholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receipholder or Couponholder be entitled to claim, from the Issuer, the Guarantor (where relevant),

the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer and the Guarantor (where relevant) to the substitution in place of the Issuer (or of any previous substitute under this Condition 16) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of any Subsidiary or the Guarantor (where relevant), subject to (a) except in the case of the substitution of the Issuer by the Guarantor (where relevant), the Notes being unconditionally and irrevocably guaranteed by BPCL, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 15.

17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND WHERE APPLICABLE, THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor (where relevant) and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer or the Guarantor (where relevant), (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Repatriation of proceeds outside India by the Issuer and/or the Guarantor (where relevant) under an indemnity clause may require the prior approval of the RBI or such other governmental or regulatory body under applicable law.

18. FURTHER ISSUES

The Issuer and the Guarantor (where relevant) shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

20.2 Submission to jurisdiction

- (a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a **Dispute**) and accordingly the Issuer submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

20.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of such agent being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute acceptable to the Trustee, failing which the Trustee may appoint another process agent for this process. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

20.4 Waiver of Immunity

To the fullest extent permitted by law, the Issuer irrevocably and unconditionally:

- (a) submits to the jurisdiction of the English courts in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;
- (b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any other jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and

- (c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the English courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation: (i) relief by way of interim or final injunction or order for specific performance or recovery of any property; (ii) attachment of its assets; and (iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer to finance capital expenditure of ongoing and/or new projects or to refinance existing borrowings or for such other purpose under the relevant guidelines, as may be set forth in the Pricing Supplement applicable to such Notes.

CAPITALISATION

Set out below is the Issuer's total debt, shareholders' equity and capitalisation as of 30 September 2014 as derived from its unaudited but reviewed unconsolidated financial statements as of 30 September 2014 and as adjusted to reflect the issue of the Notes. For additional information, see the Issuer's financial statements and the notes thereto included elsewhere in this Offering Circular.

	As of 30 September 2014 ⁽¹⁾	
	Actual	
	Rs. billion	U.S.\$ billion ⁽²⁾
Non-current Liabilities		
Long-term borrowings	128.39	2.08
The Notes	—	—
Total	128.39	2.08
Current Liabilities		
Current maturities of long-term borrowings	2.23	0.04
Short-term borrowings	9.99	0.16
Total	12.22	0.20
TOTAL INDEBTEDNESS	140.61	2.28
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share capital	7.23	0.12
Reserves and surplus	203.36	3.30
TOTAL SHAREHOLDERS' EQUITY	210.59	3.42
TOTAL INDEBTEDNESS AND SHAREHOLDERS' EQUITY	351.20	5.70

Note:

- (1) Except as disclosed herein, there have been no material changes to the Issuer's capitalisation since 30 September 2014.
- (2) For figures as of 30 September 2014, U.S. dollar translations have been made using the exchange rate reported by the Reserve Bank of India on 30 September 2014, which was Rs.61.6135 = U.S.\$1.00.

INVESTMENT CONSIDERATIONS

BPCL believes that the following investment considerations may affect its ability to fulfill its obligations under the Notes. All of these factors are contingencies which may or may not occur and BPCL is not in a position to express a view on the likelihood of any such contingency occurring. Additional risks not presently known to BPCL or that it currently deems immaterial may also impair BPCL's business operations. BPCL's business, financial condition and/or results of operations could be materially adversely affected by any of these risks, which may, as a result, affect BPCL's ability to repay the amount of principal of, or interest on, the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to BPCL's Business

Cyclical downturns in the refining industry may adversely affect BPCL's margins and BPCL's operating results.

A significant portion of BPCL's revenue is attributable to sales of petroleum products in India, the prices of which are affected by worldwide prices of feedstock and end products and in some cases, Government regulation. Historically, the prices of feedstock and end products have been cyclical and sensitive to relative changes in supply and demand, the availability of feedstock and general economic conditions. From time to time, the markets for BPCL's petroleum products, in particular fuel oil and naphtha, have experienced periods of increased imports or capacity additions, which have resulted in oversupply and declining prices and margins in the domestic market, and BPCL has therefore been forced to look to the export of these products. Exports typically result in lower margins as export prices are lower than domestic prices. This is due to domestic prices having historically been linked to import parity prices.

Any downturn resulting from the existing or future excess industry capacity or otherwise would have a material adverse effect on BPCL's business, financial condition and results of operations. These conditions may be sustained or further aggravated by anticipated or unanticipated capacity additions or other events.

BPCL's operations are affected by the volatility of prices for, and availability of, crude oil.

BPCL's operations largely depend on the supply of crude oil, one of BPCL's principal raw materials. BPCL typically stocks approximately 18 days of crude oil in its storage tanks, pipelines and in transit. BPCL obtains approximately 75 per cent. of its crude oil requirements from abroad, including amongst others, Saudi Arabia, Iraq, Kuwait, United Arab Emirates, Malaysia, Brunei and Azerbaijan. Events such as hostilities, strikes, natural disasters, political developments in petroleum-producing regions, domestic and foreign government regulations and other events could interrupt the supply of crude oil which could have a material adverse effect on BPCL's business, financial condition and results of operations. In addition, these events or other events, such as changes in the regulatory environment in India or elsewhere, may adversely affect prices of crude oil generally or the price at which BPCL is able to obtain a supply of crude oil. Under the term contracts that BPCL has entered into for the purchase of crude oil, purchase prices are determined by prevailing market prices. A significant increase in the price of crude oil would have an adverse effect on BPCL's business, financial condition and results of operations if BPCL is unable to pass on any such higher costs to its customers.

BPCL's refineries and other infrastructure such as depots, installations and pipelines are subject to operational risks that may cause significant interruption to BPCL's business.

BPCL's operations are subject to certain risks generally associated with oil and petroleum businesses, and the related receipt, distribution, storage and transportation of feedstocks, products and waste. These risks are particularly significant for BPCL, as most of BPCL's operations are integrated and inter-dependent. As such, the occurrence of any of these hazards in one area of BPCL's business may have a direct and adverse effect on the performance of other areas of BPCL's business. These hazards include, but are not limited to explosions, fires, earthquakes and other natural disasters, mechanical failures, accidents, acts of terrorism, operational problems including refinery closure for scheduled and unscheduled maintenance and repairs, transportation interruptions, chemical or oil spills, discharges of toxic or hazardous substances or gases, and other environmental risks. These hazards can cause personal injury and loss of life, environmental damage and severe damage to or destruction of property and equipment, and may result in the limitation or interruption of BPCL's business operations and the imposition of civil or criminal liabilities.

In addition, BPCL's ability to continue to use the ports and related facilities in the Western coastal areas of India, through which BPCL receives crude oil, is critical to BPCL's business. BPCL is also dependent on its pipeline network as well as rail and road links for the transportation of its products. Any damage to, or blockage at, these facilities could interrupt the supply of crude oil and the transportation of BPCL's petroleum products. Such damage or blockage could result from a variety of factors, including natural disasters, ship accidents, deliberate attacks on pipelines or operating problems. If one or more of such events were to occur, it could have a material adverse effect on BPCL's business, financial condition and results of operations, including the temporary or permanent cessation of certain of BPCL's facilities or operations.

A change in the Government's policy on tariffs, direct and indirect taxation and fiscal or other incentives and payment for petroleum goods could adversely affect BPCL's business.

BPCL's profitability is significantly affected by the difference between import tariffs currently imposed by the Government on crude oil, which is BPCL's most significant raw material, and tariffs currently imposed on certain refined petroleum products. Increases in import tariffs on crude oil or decreases in import tariffs on certain refined petroleum products could have a material adverse effect on BPCL's business, financial condition and results of operations. There can be no assurance that there will not be a significant change in Government policy which could adversely affect BPCL's financial condition and results of operations in this way. BPCL's profitability is also significantly dependent on the policies of the central and state governments relating to various direct and indirect taxes (including sales tax and income tax), duties (including excise duties and import duties) and fiscal or other incentives. Any change in Government policies relating to such taxes or duties or incentives could adversely affect BPCL's profitability.

Furthermore, there can be no assurance that the Government will not intervene with regard to the timing of payments by purchasers of certain petroleum products in the interest of public policy. In recent years, payments by a few domestic airline companies in respect of ATF to their suppliers, including BPCL, were deferred. In select cases of payment deferment, the Government facilitated discussions between the concerned airline companies and BPCL. Any prolonged or additional significant changes in Government policy with respect to payment for any of BPCL's products could adversely affect BPCL's business, financial condition and results of operations.

Government intervention in the pricing decisions of BPCL may adversely affect its business.

The Government has historically sought to control inflation and achieve other social and economic objectives through intervention in prices of BPCL's petroleum and gas products such as motor spirit (until June 2010), diesel (until October 2014), LPG for domestic use and kerosene sold under the public distribution system (**PDS**) (collectively, **Controlled Products**). The Government has the ultimate discretion to regulate the prices at which BPCL may sell its Controlled Products.

Government intervention in BPCL's petroleum product pricing has, from time to time, resulted in BPCL incurring gross losses on the sale of Controlled Products. Historically, the Government has sought to compensate for such gross losses incurred by public sector oil marketing companies (OMCs), including BPCL, through the issue of oil bonds, cash subsidies and discounts from upstream companies. Any change in the Government's policy to provide these subsidies without making corresponding changes to the pricing policy of these Controlled Products will materially affect BPCL's business, financial condition and results of operations.

Furthermore, there can be no assurance that the Government will not intervene with regard to the pricing of certain petroleum products in the interest of public policy. In recent years, the Government decided to continue with the subsidised price of diesel for retail consumers and fishermen, while the industrial customers were required to pay a non-subsidised price. Thus, there was a wide gap between the prices offered to industrial and retail customers. As a result, many of the industrial customers of diesel shifted their purchases to retail outlets. However, Government control on pricing of diesel sold through retail outlets ended with the deregulation of diesel prices in October 2014.

BPCL is subject to many environmental and safety regulations.

The operation of a refinery, the distribution of petroleum products and the related production of by-products and waste entail environmental risks. BPCL is subject to extensive central, state, local and foreign laws, regulations, rules and ordinances relating to pollution, the protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. In the ordinary course of business, BPCL is continually subject to environmental inspections and monitoring by government enforcement authorities. BPCL may incur substantial costs, including fines, damages and criminal or civil sanctions, and experience interruptions in BPCL's operations for actual or alleged violations arising under applicable environmental laws and/or implementing preventive measures. In addition, BPCL's refining and storage facilities require operating permits that are subject to renewal, modification and, in some circumstances, revocation. Violations of operating permit requirements or environmental laws can also result in restrictions to, or prohibitions on, plant operations, substantial fines and civil or criminal sanctions.

BPCL's operations involve the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. Changes in regulations regarding BPCL's operations involving hazardous substances and waste materials could inhibit or interrupt BPCL's operations and have a material adverse effect on BPCL's business. Potentially significant expenditures could be necessary in order to comply with future environmental laws. Such capital expenditures and operating expenses relating to environmental matters will be subject to evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose requirements on BPCL's operations.

BPCL faces competition from other petroleum companies.

To the extent that BPCL seeks to export its products to, or source raw materials (such as crude oil) from, the international markets, it faces competition from petroleum companies elsewhere in the world. In addition, the continued deregulation and liberalisation of industries in India, when combined with any reductions in customs duties and import tariffs, could lead to increased competition from other international or domestic private companies in BPCL's domestic market. In addition, BPCL also faces competition from other OMCs in BPCL's domestic market. This may, in turn, have a material adverse effect on BPCL's business, financial condition and results of operations.

BPCL faces competition due to alternative sources of energy.

BPCL is primarily engaged in the refining and distribution of petroleum products, although it does have a growing portfolio of alternative energy sources. BPCL faces growing competition from companies engaged in the marketing of alternative sources of energy. Increases in the sale of alternative energy sources may have an adverse effect on the sale of BPCL's petroleum products and hence may affect BPCL's business, financial condition and results of operations.

BPCL may be unable to fully execute its business strategy.

BPCL's business strategy contemplates growth through expansion and acquisition in its principal businesses such as refining and upstream and downstream integration of its business. See "*Description of the Issuer — Strategy*". This strategy includes constructing and installing new technologies at its refineries, widening its pipeline distribution network and acquiring new E&P projects, among others. This strategy will require substantial new financing which may not be available to BPCL. In addition, if BPCL's cost of capital is high, BPCL may not be able to finance its planned projects necessary to implement its business strategy. If BPCL cannot raise sufficient funds on terms and at a price reasonably acceptable to BPCL, it may be unable to execute its strategy, which may have a material adverse effect on its business, financial condition and results of operations.

BPCL's expansion plans are subject to a number of risks and uncertainties.

BPCL's expansion plans are subject to a number of factors, including changes in laws and regulations, governmental action, delays in obtaining permits or approvals, movements of global prices of crude oil and products, accidents, natural calamities, and other factors beyond BPCL's control. Oil and gas projects generally have long gestation periods due to the process involved in the commissioning phase. Construction contracts and other activities relating to the projects are awarded at different times during the course of the projects. In addition, BPCL's projects are dependent on external contractors for construction, installation, delivery and commissioning, as well as for supply and testing of key plants and equipments. BPCL may only have a limited control over the timing or quality of services, equipment or supplies provided by these contractors. BPCL is highly dependent on some of the external contractors who supply specialised services and sophisticated and complex machinery. There can be no assurance that the performance of the external contractors will meet the BPCL's specifications or performance parameters or that they will remain financially sound. The failure of the external contractors to perform or delay in performance could result in incremental cost and time overruns, or the termination of a project. There can be no assurance that BPCL would be able to complete its expansion plans in the time expected, or at all, or that their gestation period will not be affected by any or all of these factors.

Further, BPCL's ability to acquire sites for its expansion plans depends on many factors, including whether the land involved is private or state-owned, whether such land is classified in a manner that allows it to be used as planned by BPCL and the willingness of the owners of such land to sell or lease their land, as in most situations a suitable site is owned by numerous small landowners. Acquisition of private land in India can involve many difficulties, including litigation relating to ownership, liens on the land, inaccurate title records, lengthy negotiations with many land owners and obtaining all Government approvals. Acquisition of Government land may also involve providing rehabilitation and resettlement to displaced individuals. There is no assurance that BPCL or the concerned agency will be able to obtain all the necessary approvals or clearances with respect to BPCL's expansion plans. Any of these factors could have a material adverse effect on BPCL's business, financial condition and results of operations.

BPCL may be unable to attract and retain the requisite skilled personnel to successfully implement its business strategy.

BPCL requires personnel with specialised skills to implement and operate many aspects of its business strategy. Competition for such individuals is intense due to the relatively small number of qualified people and the many industrial projects being undertaken locally, regionally and globally. BPCL's success in building a fully capable and multifunctional workforce depends principally on its ability to continue to attract, retain and motivate sufficient qualified personnel. Failure to successfully manage its growth and personnel needs could have a material adverse effect on its business, financial condition and results of operations.

Currency exchange rate fluctuations could have an adverse effect on BPCL's financial results.

In the fiscal years ended 31 March 2012, 2013 and 2014, BPCL generated substantially all of its total income in Indian Rupees whilst incurring a significant portion of its expenses in currencies other than Indian Rupees (comprising mainly costs related to the purchase of crude oil from overseas sources and paid for in foreign currencies). To the extent that it is unable to match income received in Indian Rupees with costs paid in foreign currencies or is unable to completely hedge against its currency exchange risk, exchange rate fluctuations in any such currency could have an adverse effect on BPCL's revenues and financial results. Furthermore, hedging transactions are intended to limit the negative effect of further price decline, but it may also prevent BPCL from realising the benefits of price increases above the levels reflected in any hedging transactions entered into by BPCL.

BPCL's exploration and production activities may be subject to unforeseen risks.

BPCL, through participating interests (PI) in exploration blocks held by its wholly owned subsidiary, BPRL, has expanded its investment base to focus on oil and gas E&P activities in countries such as Brazil, Mozambique, Indonesia, East Timor, Australia and India. These operations are subject to special risks that can materially affect BPCL's business, financial condition and results of operations.

These risks include:

- unsettled political conditions, war, civil unrest, and hostilities in some gas or petroleum producing countries;
- undeveloped legal systems;
- underdeveloped infrastructure facilities;
- economic instability in the markets in which BPRL operates;
- the impact of inflation;
- fluctuations and changes in currency exchange rates;
- governmental action such as expropriation of assets, general legislative and regulatory environment, exchange controls, changes in global trade policies; and
- increased reliance on oil and gas revenues and potential exposure to increased price volatility.

To date, BPCL believes that instability in the political and economic environments in which BPRL operates has not had a material adverse effect on BPCL's business, financial condition or results of operations. BPCL cannot predict, however, the effect that the current conditions affecting various economies or future changes in economic or political conditions in the countries in which BPRL operates could have on the economics of conducting E&P activities in such countries. Any of the foregoing factors may have a material adverse effect on BPCL's operations and, therefore, its business, financial condition and results of operations.

Crude oil and natural gas reserve estimates involve some degree of uncertainty and may prove to be incorrect over time or may not accurately reflect actual growth levels, or even if accurate, technical limitations may prevent the retrieval of such reserves. In addition, the actual size of deposits may differ materially from such estimates.

BPCL, through its wholly owned subsidiary Bharat PetroResources Limited (BPRL), is engaged in E&P activities. Crude oil and natural gas E&P activities are subject to various uncertainties, including those relating to the physical characteristics of crude oil and natural gas fields. These physical characteristics, including the proportion of reserves that can ultimately be produced, the rate of production and the costs of developing the fields, are difficult to estimate and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting the reserve estimates include, but are not limited to, the following: new production or drilling activities; assumptions regarding future performance of wells and surface facilities; field reviews; the addition of new reserves from discoveries or extensions of existing fields; the application of improved recovery techniques; and changed economic conditions.

The reliability of reserve estimates depends on the quality and quantity of technical and economic data, the production performance of the fields, and consistency in oil and gas policies of the Government, as well as the governments of other countries where BPRL has operations. In addition, changes in the price of crude oil and natural gas may also materially adversely affect the estimates of BPRL's proved plus probable reserves because the reserves are evaluated based on prices and costs as of the appraisal date. The quantities of crude oil and natural gas that are ultimately recovered could be materially different from the reserve estimates, and downward revisions of such estimates could affect BPRL's, and therefore BPCL's, results of operations and business plan.

BPCL cannot give any assurance that the reserves estimates upon which BPRL has made investment decisions accurately reflect actual reserve levels, or even if accurate, that technical limitations will not prevent them from retrieving these reserves.

Hydrocarbon exploration is risky, capital intensive and may involve cost overruns that may adversely impact BPRL's, and therefore BPCL's, business, financial condition and results of operations.

Finding oil and gas is an uncertainty in any exploration venture. Generally, only a few of the properties that are explored are ultimately developed into hydrocarbon producing fields. There is no certainty of finding commercial hydrocarbon deposits below the surface of the earth. Commercial deposits of hydrocarbon lie deep in the bowels of the earth whose exact location and depth below the surface is the ultimate objective of exploration work. Unfortunately, no instrument or methodology has yet been invented that would directly point to the existence of a commercially viable deposit. Present methods used in exploration are indirect probes whose data are subject to interpretation or "best judgement".

In addition, the business of hydrocarbon exploration involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to prevent. These risks include, but are not limited to, encountering unusual or unexpected geological formations or pressures, seismic shifts, unexpected reservoir behaviours, unexpected or different fluids or fluid properties, premature decline of reservoir, uncontrollable flow of oil, natural gas or well fluids, equipment failures, extended interruptions due to, among others, inclement or adverse weather conditions, environmental hazards, industrial accidents, occupational and health hazards, mechanical and technical failures, explosions, pollution, oil seepage, industrial action and shortages of manpower necessary to implement BPCL's or BPRL's development plans. These risks and hazards could also result in damage to, or in the destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses, and possible legal liabilities as well as delays in other construction, fabrication, installation or commissioning activities.

Hydrocarbon exploration is also capital intensive. Exploration and development of the existing assets and acquisition of new assets may be dependent upon BPCL's and/or BPRL's ability to obtain suitable financing or ability to generate sufficient cash from operations. There can be no assurance that such funding will be available and, if such funding is made available, that it will be offered on economical terms suitable to BPCL and/or BPRL. Any of the foregoing may have an adverse effect on BPRL's, and therefore BPCL's, business, financial condition and results of operations.

BPCL and BPRL have limited experience in developing oil and gas reserves which may affect their ability to successfully develop their reserves.

BPCL, through BPRL, is engaged in E&P activity. BPRL's management team has relatively limited experience in developing oil and gas reserves. If BPRL is unable to develop its reserves economically or in a timely manner, or at all, BPRL's, and therefore BPCL's, business, financial condition and results of operations may be adversely affected to the extent of their joint stake in the reserves.

Changes to, or termination of, BPRL's arrangements with its exploration partners could have an adverse impact on BPCL's business operations.

To reduce exploration risks, BPRL participates in joint operating or consortium agreements for exploration projects. The agreements include sharing of revenues, costs and technical expertise for the projects. Changes to, or termination of, such arrangements may impede the success of the projects.

In order to mitigate the risk, BPRL attempts to ensure that its partners for any of its business ventures are credible and reliable. BPRL also ascertains that every agreement it enters into contains remedy provisions that the defaulting or terminating party shall remain liable for its proportionate share in accordance with its PI at the time of default of all costs, expenses and all liabilities. If BPRL were to experience difficulties with the agreements with its exploration partners, it could have a material adverse effect on BPRL's, and therefore BPCL's, business, financial condition and results of operations.

BPCL has, in the past, had certain oil purchase agreements and other business dealings with entities in Iran, and may engage in transactions with countries or entities that are or could be subject to U.S. and international trade restrictions, economic embargoes and sanctions.

In the past, BPCL had oil purchase agreements with the National Iranian Oil Company (NIOC) and has had previous business dealings with certain other Iranian entities for tanker services and the purchase of crude oil. Iran is a country which is currently subject to U.S. and international trade restrictions, economic embargoes and sanctions. There have been no purchases from NIOC during fiscal 2014 and fiscal 2013 and there is currently no ongoing obligation on BPCL to make any purchases from NIOC (the previous crude oil purchase agreements were annual contracts which terminated in fiscal 2012). BPCL's crude imports from NIOC represented less than 5 per cent. of its total crude oil imports for the fiscal year ended 31 March 2012. The U.S. Department of Treasury's Office of Foreign Asset Control (OFAC) administers a number of sanctions programmes and maintains a list of persons and entities which are subject to trade restrictions and economic embargoes that prohibit U.S. incorporated entities, U.S. citizens and permanent residents, and persons in the U.S. from engaging in, either directly or indirectly, commercial, financial, or trade transactions with such entities, unless authorised by OFAC or exempt by statute. BPCL intends to set up a segregated account so that funds raised from persons investing in this Offering are not commingled with funds for the purchase of oil from any country subject to OFAC or other U.S. or international sanctions, including Iran. Nevertheless, investors in the Notes may incur reputational or other risks as a result of BPCL's dealings with sanctioned persons or countries.

BPCL engages in transactions including the procurement of crude oil, with various entities in multiple countries, including Saudi Arabia, Iraq, Kuwait, UAE, Malaysia, Brunei and Azerbaijan. There can be no assurance that other persons and entities with whom BPCL now, or in the future may,

engage in transactions and employ will not be subject to U.S. and international sanctions. There can be no assurance that the countries in which BPCL currently operates will not be subject to further and more restrictive sanctions in the future. There can be no assurance that OFAC or other U.S. and international government agencies will not impose sanctions on other countries or entities with which BPCL currently operates or may in the future operate. There can be no assurance that BPCL will not make future investments in countries subject to OFAC or other U.S. and international sanctions, or itself become subject to such sanctions.

BPCL may be involved in litigation which, if determined adversely, could subject BPCL to significant liabilities.

BPCL is currently, and may in the future be, implicated in lawsuits in the ordinary course of its business, including lawsuits involving allegations of improper delivery of goods or services, product liability, product defects, quality problems and intellectual property infringements. Litigation could result in substantial costs to, and a diversion of effort by, BPCL and/or subject BPCL to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm BPCL's business, reputation or standing in the marketplace or that BPCL will be able to recover any losses incurred from third parties, regardless of whether BPCL is at fault. BPCL maintains insurance to cover fire, property damage, business interruption and third party liability, among others. However, there can be no assurance that (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of such insurance or that any such losses would not have a material adverse effect on the results of BPCL's operations or financial condition or (ii) provisions made for litigation related losses will be sufficient to cover BPCL's ultimate loss or expenditure.

BPCL's insurance may not be adequate to protect it against all potential losses to which it may be subject.

BPCL intends to maintain comprehensive insurance coverage for a significant range of onshore and offshore risks, including business interruption, fire, and accidents at BPCL's premises, which it believes are in accordance with relevant regulations and customary industry practices in India. However, the amount of BPCL's insurance coverage may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses that BPCL may suffer, should a risk materialise. Also, BPCL's transportation of crude oil, and other feedstock and refined petroleum products will be exposed to potential vessel accidents and spills. As per customary industry practices BPCL takes an insurance policy for the marine transit of crude oil and petroleum products but this may not be sufficient to cover all financial losses that BPCL may suffer.

Furthermore, there are many events that would expose BPCL to losses or third party liabilities, including war and nuclear events, that could cause significant damages to its operations, for which it is not insured or not fully insured. If BPCL were to incur a significant liability for which it were not fully insured, there could be a material adverse effect on its business, results of operations and financial condition.

In addition, BPCL's policy of covering third-party risks through contractual limitations of liability, indemnities and insurance may not always be effective. BPCL's third party contractors may not have adequate financial resources to meet their indemnity obligations to BPCL. Losses may derive from risks not addressed in BPCL's indemnity agreements or insurance policies. It may not be possible to obtain adequate insurance against some risks on commercially reasonable terms. Failure to effectively cover itself against engineering and design risks for any of these reasons could expose BPCL to substantial costs and potentially lead to material losses.

BPCL's ongoing projects have significant capital expenditure requirements and BPCL's capital expenditure plans are subject to various risks.

BPCL requires significant capital expenditure relating to development of BPCL's business and the implementation of BPCL's business strategy, including investments in BPCL's subsidiaries and joint ventures. BPCL's ability to maintain and increase BPCL's sales turnover, net income and cash flows may depend upon continued capital spending. BPCL's capital expenditure plans are subject to a number of risks, contingencies and other factors, some of which are beyond BPCL's control, including:

- BPCL's ability to generate sufficient cash flows from operations and financings to fund its capital expenditure, investments and other requirements or to provide debt and/or equity contributions to its subsidiaries;
- the availability and terms of external financing;
- the Government's policies relating to foreign currency borrowings;
- the amount of capital other Indian entities and foreign oil and gas companies may seek to raise in the international capital markets;
- the cost of financing and the condition of financial markets; and
- cost overruns and/or delays in the commencement of commercial production from a new project.

Therefore, BPCL's actual future capital expenditures and investments may be different from BPCL's current planned amounts and such differences may be significant.

BPCL may encounter problems relating to the operations of its joint ventures.

As of the date of this Offering Circular, BPCL has formed 15 operating joint venture companies with various third parties for undertaking specific business activities. Additionally, there is another joint venture, Bharat Renewable Energy Limited (in which BPCL held a 33.3 per cent. interest), against which winding up proceedings have been initiated. Amongst others, BPCL may encounter problems with its joint venture partners such as the joint venture partners (a) being unable or unwilling to fulfil either its financial or other obligations, (b) having economic or business interests or goals that are inconsistent with BPCL's interests and goals, (c) taking actions contrary to BPCL's instructions, policies and objectives (d) taking actions that are not acceptable to regulatory authorities, (e) becoming involved in litigation, and (f) having financial difficulties or disputes with BPCL.

Any of the foregoing may have an adverse effect on the business, prospects, financial condition and results of operations of BPCL.

BPCL has incurred significant indebtedness, and BPCL must service this debt and comply with its covenants to avoid default risk.

BPCL has incurred significant indebtedness in connection with BPCL's operations and investments. As of 30 September 2014, BPCL's long term indebtedness was Rs.128.39 billion (U.S.\$2.08 billion) and its debt-to-equity ratio was approximately 0.67. In addition, BPCL may incur additional indebtedness in the future, including indebtedness incurred to fund capital contributions to its subsidiaries and joint ventures, subject to certain limitations imposed by BPCL's existing financing arrangements. Although BPCL believes that its current levels of cash flows from operations and working capital borrowings are sufficient to service its existing debt, there can be no assurance that its level of cash flows will not decrease or will remain sufficient to service its debt.

BPCL's failure to comply with any of the covenants contained in its financing arrangements could result in a default which would permit the acceleration of the maturity of the indebtedness under such agreements and, if BPCL is unable to refinance such indebtedness in a timely fashion or on acceptable terms, would have a material adverse effect on BPCL's business, financial condition and results of operations.

BPCL may not be able to collect all of its receivables.

BPCL carries collection risk when it does not demand up-front cash payment for delivered products. BPCL must be able to collect promptly from its customers to be able to pay its obligations and finance its operations.

In order to manage its collection risk, BPCL assesses the financial health of its customers, and whether to extend credit accordingly. In certain cases, a credit line may also be backed by a bank guarantee. To ensure prompt payment, BPCL grants a discount if the customer pays within a specified period. Obligations not paid to BPCL on the due date shall bear interest computed from the first day after it becomes due and payable, equivalent to the prevailing interest rate or the specified rate in the agreement. Overdue accounts are charged with interest.

BPCL believes that its customers have good credit standing. In case a customer encounters financial difficulty, however, BPCL may reduce its product supply, invoke the bank guarantee, cut off credit entirely or demand payment in advance to reduce exposure to collection risk and subsequent payment defaults. Any failure on the part of BPCL to effectively manage its collection risk could have an adverse impact on its business, financial condition and results of operations.

Inability to obtain adequate financing to meet BPCL's liquidity and capital resource requirements may have an adverse effect on its results of operations.

BPCL has had, and expects to continue to have, substantial liquidity and capital resource requirements for meeting its working capital requirements as well as capital expenditures. BPCL will be required to supplement its cash flow from operations with external sources of financing to meet these requirements. The inability of BPCL to obtain such financing may impair its business, results of operations, financial condition or prospects. There can be no assurance that financing from external sources will be available at the time or in the amounts necessary or at competitive rates to meet BPCL's requirements.

BPCL's auditors have issued a qualified audit report for the consolidated financial statements of BPCL for the financial year ended 31 March 2014, and a qualified review report for the unaudited financial results of BPCL for the six months ended 30 September 2014.

The audit report issued for the consolidated financial statements of BPCL for the financial year ended 31 March 2014 has been qualified due to the fact that a joint venture company of BPCL called Bharat Oman Refineries Limited (the **JV**) had, during that financial year, recalculated the depreciation on plant and equipment, storage tanks and other assets related to its refinery, based on a "useful life" period of 25 years as determined by the JV effective from the date of capitalisation of such assets. This recalculation is subject to the approval of the Ministry of Corporate Affairs. The recalculation has resulted in a decrease in the charge of depreciation of Rs.809.30 million for the year and a reversal of depreciation recorded in the previous years of Rs.1.51 billion. Consequently, the accumulated depreciation is understated and consolidated profit is overstated to the extent of Rs.2.32 billion in the published financial results of BPCL for the year ended 31 March 2014 which are also attached elsewhere in this Offering Circular.

The review report issued for the unaudited financial results of BPCL for the six months ended 30 September 2014 has been qualified due to the fact that the depreciation of tangible fixed assets with

effect from 1 April 2014 has not been provided for in accordance with Schedule II of the Companies Act, 2013 (the **New Companies Act**) and has instead continued to be provided for in accordance with Schedule XIV of the Companies Act, 1956 (the **Companies Act**). The impact of this on the profit for the six months ended 30 September 2014 has not been quantified by BPCL's management.

For further information, please see note 45(g) of the consolidated financial statements of BPCL for the financial year ended 31 March 2014 and note 6 of the qualified review report for the unaudited financial results of BPCL for the six months ended 30 September 2014 as set out on pages F-38 and F-6, respectively.

Investors must review the financial statements provided elsewhere in the Offering Circular and determine on their own how such qualifications and other matters raised by the auditors in their audit and review reports, might affect the financial information in the Offering Circular and the perceived risk associated with an investment in the Notes.

Risks Relating to India

A significant change in the Government's economic liberalisation and deregulation policies could adversely affect general business and economic conditions in India and BPCL's business.

All of BPCL's refining facilities are located in India and approximately 92 per cent. of its sales turnover for the year ended 31 March 2014 were in the Indian domestic market. As a result, BPCL is heavily influenced by the prevailing economic conditions in India.

The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the Indian economy. India has a mixed economy with a large public sector and an extensively regulated private sector. The role of the Government and the state governments in the Indian economy and the effect on producers, consumers, service providers and regulators has remained significant over the years. The governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, successive governments have pursued policies of economic liberalisation, including significantly relaxing restrictions in the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers, service providers and regulators has remained significant, which can directly or indirectly affect BPCL's operations. For example, the Government places price caps on sales of selected fuels by Government-owned entities, including BPCL, which directly impacts the sales turnover of BPCL given the volatility of commodity prices experienced in recent years.

Although the current Government has continued India's economic liberalisation and deregulation programmes, there can be no assurances that these liberalisation policies will continue in the future. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India in general as well as BPCL's business and BPCL's future financial performance.

Financial instability in other countries may cause increased volatility in Indian financial markets.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging markets in Asia. Financial turmoil in Asia, Russia and elsewhere in the world in recent years has affected the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm BPCL's business, its future financial performance and the prices of the Notes.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections in recent years. In particular, sub-prime mortgage loans in the United States have experienced increased rates of delinquency, foreclosure and loss. Since September 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. and European financial institutions. Recent developments in the Eurozone have exacerbated the ongoing global economic crisis. Financial markets and the supply of credit are therefore likely to continue to be negatively impacted by ongoing concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain), the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States, Europe and global credit and financial markets.

In response to such developments, legislators and financial regulators in the United States, Europe and other jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. In the event that the current difficult conditions in the global credit markets continue or if there are any significant financial disruptions, this could have an adverse effect on BPCL's business, future financial performance and the trading price of the Notes.

A slowdown in economic growth or increased volatility of commodity prices in India could have an adverse effect on BPCL's business.

The growth of the Indian oil industry and BPCL's performance are dependent on the health of the overall Indian economy. The Indian economy has shown sustained growth over recent years with real gross domestic product (**GDP**) (that is, GDP adjusted for inflation) growing at 4.7 per cent. in the year ended 31 March 2014, 4.5 per cent. in the year ended 31 March 2013, 6.7 per cent. in the year ended 31 March 2012 and 8.9 per cent. in the year ended 31 March 2011. However, the growth in industrial production in India has been variable. Any slowdown in the Indian economy or future volatility of global commodity prices could adversely affect BPCL's business, including its expansion plans, its financial performance and the trading price of the Notes.

Notwithstanding the RBI's policy initiatives, the course of market interest rates continues to be uncertain owing to the increase in the fiscal deficit and the Government borrowing programme. Currently inflation has been contained considerably; any increase in inflation in the future, because of increases in prices of commodities such as crude oil or otherwise, may result in a tightening of monetary policy. The uncertainty regarding liquidity and interest rates and any increase in interest rates or reduction in liquidity could adversely impact BPCL's business, financial condition and results of operations.

Natural calamities and health epidemics could have a negative impact on the Indian economy and harm BPCL's business.

India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years, including the tsunami that struck the southern coast of India and other Asian countries in December 2004, the severe flooding in Mumbai in July 2005 and the earthquake that struck India and other Asian countries in October 2005. In June 2013 heavy rainfall and flash floods in rivers Dhauliganga and Alaknanda in Uttarakhand, led to substantial disruption of work and landslides that damaged various national highways at several locations causing disruption in transportation of goods

and movement of persons for several weeks. Most recently in September 2014 the states of, Jammu and Kashmir and certain adjoining areas received heavy rainfall. This triggered flooding and landslides causing heavy casualties and loss of property. In October 2014, cyclonic storm ‘Hudhud’ caused extensive damage and loss of life in eastern India particularly in Vizag, Andhra Pradesh.

Natural calamities could have an adverse impact on the Indian economy which could adversely affect BPCL’s business, financial condition, results of operations and the price of the Notes.

An outbreak of avian or swine influenza or other contagious diseases may adversely affect the Indian economy and the BPCL’s business.

Since April 2009, there have been outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world, including India and several other countries in which BPCL operates. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may, in turn, adversely affect BPCL’s business, financial condition and results of operations.

Trade deficits could have a negative effect on BPCL’s business and the trading price of the Notes.

India’s trade relationships with other countries can influence Indian economic conditions. In fiscal year 2014, the merchandise trade deficit was U.S.\$137.5 billion compared to U.S.\$190.3 billion in fiscal year 2013 and U.S.\$185.0 billion in fiscal year 2012. This large merchandise trade deficit neutralises the surpluses in India’s invisibles, which are comprised primarily of international trade in services, income from financial assets, labour and property and cross border transfers of mainly workers’ remittances in the current account, resulting in a current account deficit. If India’s trade deficits increase or become unmanageable, the Indian economy, and therefore BPCL’s business, future financial performance and the trading price of the Notes could be adversely affected.

Any downgrading of India’s debt rating by an international rating agency could have a negative impact on BPCL’s business and the trading price of the Notes.

As BPCL is a majority owned Government entity and most of its business is in India, any adverse revision to India’s sovereign credit rating for international debt may have an effect on BPCL’s ratings. In April and June 2012, Standard & Poor’s Ratings Services (**S&P**) and Fitch Ratings Ltd. (**Fitch**) respectively revised the outlook on India’s long term ratings from “stable” to “negative”, citing factors such as the slow-down in India’s investment and economic growth and the widened current account deficit, resulting in weaker medium term credit and due to such other reasons as corruption, inadequate economic reforms and elevated inflation.

On 8 June 2012 and 8 January 2013, S&P and Fitch, respectively, announced that they might lower India’s credit rating below investment-grade, citing slowing GDP growth, setbacks or reversals in India’s economic policy and widening fiscal deficit. On 10 October 2012, S&P stated that a downgrade would be likely if the India’s economic growth prospects weakens, its external position deteriorates, its political climate worsens or its fiscal reforms slow down. However, these rating agencies also indicated that they might revise their outlook to “stable” if the Government implements initiatives to reduce structural fiscal deficits, improves its investment climate and increases growth prospects. S&P reiterated on 17 May 2013 that although there has been some easing of pressure towards a downgrade of the rating, there is still a more than one-in-three likelihood of such a downgrade unless significant improvements in factors such as a high fiscal deficit and levels of Government borrowing are implemented. On 15 June 2013, Fitch upgraded the outlook on India’s long term foreign and local-currency issuer default ratings from “negative” to “stable”.

On 16 May 2014, after the results of the parliamentary elections were announced, S&P noted that the Government’s reform initiatives in its economic and fiscal policies may have significant implications on S&P’s review of India’s sovereign credit rating. On 26 September 2014 S&P revised the outlook on India’s long term ratings from “negative” to “stable”, citing factors such as improved political setting which may result in a more conducive reform environment.

As of December 2014, BPCL's credit rating was "stable" as per Moody's and Fitch. These credit ratings of the company are at par with India's sovereign rating.

There can be no assurance that these ratings will not be further revised, suspended or withdrawn by Moody's or Fitch or that any other global rating agency will also not downgrade India's credit ratings.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect the terms on which BPCL is able to finance future capital expenditure or refinance any existing indebtedness business, its future financial performance and the trading price of the Notes.

Investors may have difficulty enforcing foreign judgments in India against BPCL or its management.

BPCL is a limited liability public company incorporated under the laws of India. All of BPCL's directors and executive officers are residents of India and a substantial portion of the assets of BPCL and such persons are located in India. As a result, it may not be possible for investors to effect service of process on BPCL or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of BPCL or such directors and executive officers under laws other than Indian Law.

In addition, India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Code of Civil Procedure, 1908 (the **Civil Code**). Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

The United States has not been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Code. However, the United Kingdom has been declared by the Government to be a reciprocating territory and the High Courts in England as the relevant superior courts. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the judgment and not by proceedings in execution. Accordingly, a judgment of a court in the United States may be enforced only by a new suit upon the judgment and not by proceedings in execution. Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of the payment. BPCL cannot predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to considerable delays.

Depreciation of the Rupee against foreign currencies may have an adverse effect on BPCL's business, financial condition and results of operations.

As of 30 September 2014, BPCL's non-consolidated borrowings in foreign currency were approximately Rs.119.23 billion (U.S.\$1.94 billion), while substantially all of BPCL's revenues are denominated in Rupees. Accordingly, depreciation of the Rupee against these currencies will increase the Rupee cost to BPCL of servicing and repaying BPCL's foreign currency borrowings. A depreciation of the Rupee would also increase the costs of imports by BPCL and may have an adverse impact on BPCL's business, financial condition and results of operations.

Terrorist attacks, civil disturbances and regional conflicts in South Asia and elsewhere may have a material adverse effect on BPCL's business and on the market for securities in India.

India has from time to time experienced instances of social, religious and civil unrest and hostilities between neighbouring countries. Present relations between India and Pakistan continue to be fragile on the issues of terrorism, armament and Kashmir. In November 2008, coordinated shooting and bombing attacks occurred across Mumbai, India's financial capital, which resulted in loss of life, property and business. Further, India has also experienced social unrest in some parts of the country. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including the Notes.

There may be less company information available in Indian securities markets than in securities market in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities market and the activities of investors, brokers and other participants and that of markets in the United States and other more developed economies. The Securities and Exchange Board of India (SEBI) is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result, investors may have access to less information about the business, results of operations and financial condition, and those of the competitors that are listed on the Bombay Stock Exchange and the National Stock Exchange of India and other stock exchanges in India on an on-going basis than you may find in the case of companies subject to reporting requirements of other more developed countries.

There is a lower level of regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants than in certain organisations for economic cooperation and development (OECD) countries. The SEBI received statutory powers in 1992 to assist it in carrying out its responsibilities for improving disclosure and other regulatory standards for the Indian securities market. Subsequently, the SEBI has prescribed certain regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities markets. However, there may still be less publicly available information about Indian companies than is regularly made available by public companies in certain OECD countries.

The effects of the New Companies Act are uncertain and could adversely affect BPCL's business.

BPCL is a public limited company and governed by the Companies Act and the New Companies Act and rules and regulations issued thereunder. The Lok Sabha and the Rajya Sabha have passed and the President of India has given assent to the New Companies Act. The provisions of the New Companies Act are effective on dates notified by the Government in the official gazette. As of the date

of this Offering Circular, most of the sections of the New Companies Act have been notified and made effective and rules for implementation of most of the chapters of the New Companies Act have been notified. There is no clarity in relation to the date of implementation of the other provisions of the New Companies Act or notification of any rules thereunder.

The consequential effects of implementation of the provisions of the New Companies Act on BPCL may affect BPCL's business, growth, financial performance, results of operations, prospects and the trading price of the Notes.

BPCL is subject to Indian accounting standards that may make evaluating BPCL's financial performance difficult.

As stated in the report of BPCL's independent auditors included in this Offering Circular, BPCL's financial statements are in conformity with Indian GAAP, consistently applied during the periods stated, except as provided in such report, and no attempt has been made to reconcile any of the information given in this Offering Circular to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, including the United States and the United Kingdom. In addition, there may be less publicly available information about Indian public companies, such as BPCL, than is regularly made available by public companies in such other countries. See "*Summary of Significant Differences Between Indian GAAP and IFRS*".

The effects of the planned convergence with IFRS and the adoption of "Indian Accounting standards converged with IFRS" (IND-AS) are uncertain.

The Ministry of Corporate Affairs (MCA) issued a press release on 25 February 2011 notifying 35 Indian accounting standards converged with IFRS (referred to as IND-AS). However the IND-AS were not notified, primarily due to tax implications.

The Institute of Chartered Accountants of India (ICAI), the accounting body that regulates the accounting firms in India, announced a road map for the adoption of, and convergence with IFRS. The revised roadmap issued by the ICAI on 24 March 2014 recommends that IND-AS be implemented for the preparation of consolidated financial statements of listed companies and unlisted companies having net worth in excess of Rs.5,000 million from the accounting year beginning on or after 1 April 2016, with previous year's comparatives in IND-AS. The stand-alone financial statements will continue to be prepared as per the existing notified accounting standards which would be upgraded over a period of time.

The above roadmap has been submitted to the Ministry of Corporate Affairs (MCA) for its consideration, which is soon expected to take decision in the matter shortly.

As there is a significant lack of clarity on the implementation of IND-AS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, BPCL has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. Therefore, there can be no assurance that BPCL's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND-AS than under current Indian GAAP. In BPCL's transition to IND-AS reporting, BPCL may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of experienced accounting personnel familiar with IFRS accounting standards as more Indian companies begin to prepare IND-AS financial statements.

The proposed new taxation system could adversely affect BPCL's business and the trading price of the Notes.

The Government has proposed three major reforms in Indian tax laws, namely the goods and services tax, the direct taxes code and provisions relating to general anti-avoidance rules (GAAR).

As regards the implementation of the goods and service tax (GST) and the direct taxes code (DTC), the Government has not specified any timeline for their implementation. In the Budget for fiscal 2015, the Government has proposed to give importance to the introduction of GST and review the DTC in its present form.

However implementation of GAAR may stand deferred to 1 April 2017. As per the new proposal, investments made after March 2013 will be covered under GAAR with effect from assessment year 2017-18. The benefits of grandfathering, or exemptions, would be made for business arrangements entered into up to March 2013, instead of August 2010.

The goods and services tax would replace the indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state value added tax, surcharge and excise currently being collected by the central and state governments. The direct taxes code aims to reduce distortions in tax structure, introduce moderate levels of taxation, expand the tax base and facilitate voluntary compliance and to provide greater tax clarity and stability to investors who invest in Indian projects and companies, as well as clarify the taxation provisions for international transactions. In addition, the direct taxes code aims to consolidate and amend laws relating to all direct taxes such as income tax, dividend distribution tax and wealth tax in order to facilitate voluntary compliance.

As per the notification dated 23 September 2013 issued by the Central Board of Direct Taxes, provisions for GAAR have been introduced by the Finance Act, 2012, which is scheduled to come into effect from 1 April 2016. The GAAR provisions are intended to catch arrangements declared as “impermissible avoidance arrangements”, which is defined in the Finance Act, 2012 as any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests: (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm’s length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for *bona fide* purposes. The onus to prove that the transaction is an “impermissible avoidance agreement” is on the tax authorities. If GAAR provisions are invoked, then the tax authorities have wide powers, including the denial of tax benefit or the denial of a benefit under a tax treaty. As the taxation system is intended to undergo a significant overhaul, the consequential effects on BPCL cannot be determined as of the date of this Offering Circular and there can be no assurance that such effects would not adversely affect BPCL’s business, future financial performance or the trading price of the Notes.

The risks to financial stability have worsened and could adversely affect BPCL’s business.

As reported by the RBI in its financial stability report for June 2014, domestic policy measures have helped in moderation of consumer price inflation (CPI) and reduction in twin deficits. Consequently, external sector risks have been considerably reduced and the effect of the tapering on the economy is expected to be limited and short lived. The objective is to be working towards a balanced approach in the future, which would mean capital expenditure specifically in infrastructure space for growth and fiscal consolidation. It was also observed that the risks to the banking sector have further increased since December 2013, mainly on account of liquidity and profitability pressures, although asset quality and capital adequacy witnessed marginal improvement. All major risk dimensions captured in the banking stability indicator show increase in vulnerabilities in the banking sector. Failure of a major corporate or a major corporate group could trigger a contagion in the banking system due to exposures of a large number of banks to such corporates. While the Issuer may make use of such bank financings from time to time, it has little or no control over any of these risks or trends and may be unable to anticipate changes in economic conditions. Adverse effects on the Indian banking system could impact the Issuer’s funding and adversely affect the Issuer’s business, operations and financial condition and the market price of the Notes.

Risks Relating to the Notes

There is no public market for the Notes.

The Notes will be a new issue of securities with no existing trading market. BPCL has, through its listing agent, filed an application to list the Notes on the official list of the SGX-ST. However, BPCL cannot make any assurances that the Notes will qualify for listing on the exchange or that a liquid trading market will develop for the Notes. Though the Notes may be listed on an exchange, BPCL cannot make any assurances that an active market will develop for the Notes or as to the liquidity of, or the trading market for, the Notes. If an active market does develop, future trading prices of the Notes will depend on many factors, including, among others, prevailing interest rates; BPCL's results of operations and financial condition, performance and prospects, political and economic developments in India; and the market for securities similar to the Notes and the financial condition and stability of the oil and gas sector. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The price of the Notes following the Offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in BPCL's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in prices for comparable companies and the Government's policy with respect to subsidy and/or compensation to OMCs could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- i. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- ii. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- iii. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- iv. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- v. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are not guaranteed by the Republic of India.

The Notes are not the obligations of, or guaranteed by, the Republic of India. Although the Government owned 54.93 per cent. of BPCL's issued and paid up share capital as of the date of this Offering Circular, the Government is not providing a guarantee in respect of the Notes. In addition, the Government is under no obligation to maintain the solvency of BPCL. Therefore, investors should not rely on the Government to ensure that BPCL fulfils its obligations under the Notes.

Notes where denominations involve integral multiples: definitive Notes.

In relation to these Notes which have denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount, it is possible that these Notes may be traded in amounts that are not integral multiples of such minimum specified denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a specified denomination.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

The Notes will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, BPCL will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. BPCL has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note. Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies. If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Interest on the Notes may be subject to the EU Savings Directive.

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual

resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Payments under the Notes are subject to RBI guidelines regarding the remittance of funds outside of India.

Payments with respect to the Notes (save and except where such Notes are issued by a New Issuer that is not incorporated in India) are subject to the ECB Guidelines governing the remittance of funds outside of India. Any approval, if and when required, for the remittance of funds outside of India is at the discretion of the RBI and BPCL can give no assurance that it will be able to obtain such approvals.

The Conditions of the Notes are subject to the risk of change of law.

The conditions of the Notes are based on English law in effect as of the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Indian securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including India. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The "Terms and Conditions of the Notes" contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and

Noteholders who voted in a manner contrary to the majority. The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, and without regard to the interests of particular Noteholders, Couponholders or Receiptholders agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in the “*Terms and Conditions of the Notes*”.

Noteholders’ right to receive payments is junior to certain tax and other liabilities preferred by law.

The Notes are unsecured obligations of BPCL and will rank subordinated to certain liabilities preferred by law such as to claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of BPCL’s business. In particular, in the event of bankruptcy, liquidation or winding-up, BPCL’s assets will be available to pay obligations on the Notes only after all of the above liabilities that rank senior to these Notes have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

Risks Relating to the Market Generally

Payments of principal and interest are subject to exchange rate risks and exchange controls.

BPCL will pay principal and interest on the Notes in the relevant currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in currency or currency unit (the **Investor’s Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to U.S. dollars would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency-equivalent value of the principal payable on the Notes and (3) the Investor’s Currency-equivalent market value of the Notes.

Investment in the Notes is subject to interest rate risks.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Credit ratings may not reflect all risks.

Moody’s and Fitch have assigned credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Foreign Account Tax Compliance Act withholding may affect payments on the Notes

Whilst the Notes are held within Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the **ICSDs**), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the ICSDs and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Prospective investors should refer to the section "*Taxation —Foreign Account Tax Compliance Act*".

Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes

The U.S. Hiring Incentives to Restore Employment Act (the **HIRE Act**) imposes a 30% withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met. While significant aspects of the application of the relevant provisions of the HIRE Act to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation —Hiring Incentives to Restore Employment Act*".

DESCRIPTION OF THE ISSUER

BPCL is an Indian energy company primarily operating in downstream petroleum segment, which involves the refining, distribution and marketing of petroleum products. Through its wholly owned subsidiary BPRL, BPCL also carries out upstream operations, which involves exploration and production (**E&P**) of hydrocarbons. BPCL's principal products include petroleum products motor spirit (gasoline), diesel (gas oil), superior kerosene oil (**SKO**), aviation turbine fuel, liquefied petroleum gas (**LPG**), lubricants, fuel oil, naphtha, bitumen and solvents. BPCL's distribution infrastructure includes installations, pipelines, depots, retail outlets, aviation fuelling stations, LPG bottling plants and lube blending plants.

BPCL directly operates two refineries located in the western city of Mumbai and the southern city of Kochi, with refining capacities of 12 MMTPA and 9.5 MMTPA, respectively. Through its subsidiary, Numaligarh Refinery Limited (**NRL**), BPCL also operates a refinery located in northeast India at Numaligarh, with a refining capacity of 3 MMTPA. BPCL's joint venture company, Bharat Oman Refineries Limited (**BORL**), also operates a refinery at Bina in central India. The refinery at Bina, which became operational in June 2011, has a capacity of 6 MMTPA. With a combined total refining capacity of 30.5 MMTPA from strategically located facilities, BPCL believes it is well positioned to meet market demand across India.

In 2006, BPCL diversified its business model by venturing into the upstream business of E&P through its wholly owned subsidiary, BPRL. BPCL believes it has achieved significant vertical integration through its operations and those of its two subsidiaries namely NRL and BPRL and 15 joint venture companies namely BORL, Petronet LNG Limited (**PLL**), Indraprastha Gas Limited (**IGL**), Central UP Gas Limited (**CUGL**), Maharashtra Natural Gas Limited (**MNGL**), Sabarmati Gas Limited (**SGL**), Bharat Stars Services Private Limited (**BSSPL**), Petronet India Limited (**PIL**), Petronet CCK Limited (**PCCKL**), Matrix Bharat Pte Limited (**MBPL**), Delhi Aviation Fuel Facility Private Limited (**DAFFPL**), GSPL India Gasnet Limited (**GIGL**), Kannur International Airport Limited (**KIAL**), GSPL India Transco Limited (**GITL**) and Mumbai Aviation Fuel Farm Facility Private Limited (**MAFFFL**) in refining, marketing and distribution of petroleum products, E&P, sourcing, regasification, marketing and transmission of gas.

In fiscal 2014, BPCL's consolidated sales turnover was Rs.2,760.05 billion and its consolidated net profit after tax was Rs.40.53 billion. For the six-month period ended 30 September 2014, BPCL's non-consolidated sales turnover was Rs.1,345.53 billion and the non-consolidated net profit after tax was Rs.16.80 billion. BPCL's results of operations are highly dependent on Government subsidies, which are typically received before the end of the next quarter of a fiscal year. As of 31 March 2014, BPCL's consolidated total assets were Rs.887.60 billion. BPCL's aggregate refinery throughput in fiscal 2014 was 28.69 MMT and 14.31 MMT for the six-month period ended 30 September 2014. These figures include output from BPCL's refineries in Mumbai and Kochi as well as that of NRL and its proportionate 50 per cent. share of output from its joint venture company, BORL. After an initial period of operational stabilisation, BORL's throughput was 5.45 MMT in fiscal 2014.

As of the date of this Offering Circular, the Government owned 54.93 per cent. of BPCL's issued share capital. BPCL's shares have been listed on the Bombay Stock Exchange since September 1992 and the National Stock Exchange of India since September 1995. Consequent to the merger of Kochi Refinery Limited (**KRL**) into BPCL in 2006, BPCL's shareholding in KRL was transferred to a trust and constitutes 9.33 per cent. of BPCL's issued share capital.

History

BPCL traces its history to 1928, when the Burmah Shell Oil Storage & Distribution Company of India was incorporated in England to produce petroleum products in India. In 1952, Burmah Shell Refineries Limited was incorporated as a private limited company under the Companies Act to install a refinery in Trombay. The refinery in Trombay was built on 454 acres of land in the village of Mahul in Maharashtra and became operational on 30 January 1955, which allowed BPCL to become the first Indian refiner to process newly found indigenous crude oil known as “Bombay High”. In January 1976, the Burmah Shell Group of Companies was acquired by the Government to form Bharat Refineries Limited. In August 1977, Bharat Refineries Limited was renamed Bharat Petroleum Corporation Limited.

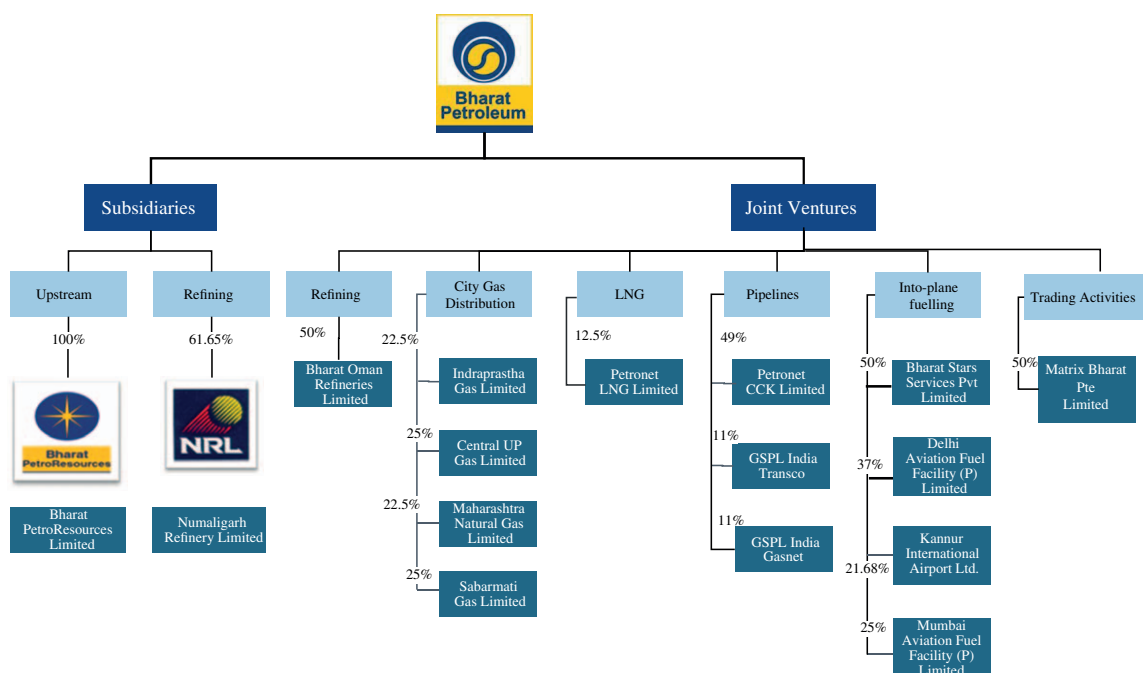
Until 1998, the majority of petroleum products were covered under the “administered price mechanism” (APM). Under the APM, pricing of petroleum products was based on the concept of retention price, by which refiners were allowed to retain out of their sale proceeds the cost of crude, refining cost and a reasonable return on investment. The same mechanism was extended to marketing and distribution companies, which were compensated for operating costs along with an assured return. In addition, the price at which the finished products were finally sold was set by the Government and was completely unrelated to the returns of oil companies. In 1998, the APM was dismantled by the Government in several phases, beginning with refining and other products soon thereafter. However, the Government continued to control the prices of superior kerosene oil distributed by way of the public distribution system (PDS), domestic LPG, motor spirit (MS) (until June 2010) and high speed diesel (HSD) (until October 2014).

In 1998, in order to face the competition and meet the challenges resulting from this dismantling, BPCL replaced its functional-based structure with a process-based structure. BPCL restructured its business into a corporate centre, strategic business units (SBUs) and shared services and entities. The organisational design, comprising six customer-facing SBUs, including aviation, industrial and commercial, gas, LPG, lubricants and retail, and one asset-focused SBU refinery, is based on the philosophy of greater customer focus and greater autonomy to the business, thereby enabling faster decision making.

BPCL’s strategic plan of becoming an integrated player was initiated in 2004 when it made its entry into the upstream E&P sector. In 2006, a wholly owned subsidiary company, BPRL, was formed with the primary objective of implementing BPCL’s plans for the upstream sector through participation in exploration and development of oil blocks in India and other parts of the world in collaboration with other government owned and private oil exploration companies. BPRL, in cooperation with various partners, currently has interests in 19 oil and gas blocks. Of this, 8 blocks are in India and 11 are abroad. Besides India, BPRL has Participating Interest (PI) in blocks in Australia, Brazil, East Timor, Indonesia and Mozambique.

Group Structure

BPCL's organisational structure (including its Group) is reflected in the diagram below:



Strategy

BPCL's strategy is to maintain its strong position in the Indian oil and gas sector in terms of market share by leveraging on the growth in the Indian economy. BPCL's business plan is under continuous review and adjustments are made in accordance with prevailing market conditions. To achieve its business plan, BPCL has adopted the following key strategies:

- *Strategically expanding its upstream activities.* BPCL believes it is making a strong foothold in the E&P of oil and natural gas and has also entered into the business of shale gas exploration in Australia. BPCL intends to continue evaluating strategic organic and inorganic expansion opportunities in the oil, natural gas and shale gas sectors and will continue to cautiously explore opportunities after in-depth studies have been undertaken.
- *Investments in refining and distribution capacity to bridge the gap between sales volumes and production.* BPCL continuously strives to meet the growing demand in the central and northern parts of India by bringing its own product to those areas through pipelines. To meet growing demand, BPCL has entered into a joint venture company in central India at Bina with a refining capacity of 6 MMTPA. BPCL is transporting the majority of its finished products, thereby helping it to meet demand in central and north India and reduce the need to make purchases from other oil companies, including private companies and importers. Since its commissioning in 2011, BPCL's 259 km cross-country pipeline from Bina to Kota in Rajasthan helped facilitate the swift transportation of petroleum products from its new refinery at Bina to the markets of northern India. BPCL also believes that the project to increase capacity of the Kota-Piyala section of its Mumbai-Manmad-Manglia-Piyala-Bijwasan pipeline from 2.8 MMTPA to 4.4 MMTPA, which was completed in June 2013, will facilitate evacuation of products from the Bina refinery. Furthermore, to economise transportation of MS/SKO/HSD from BPCL's Mumbai refinery as well as BORL's refinery at Bina, BPCL has commenced work on laying a 210 km long and 14" (35.6 cm) in diameter cross-country pipeline from Kota to Jobner, in Rajasthan. The project is expected to be complete by March 2015.

BPCL has also commenced the Integrated Refinery Expansion Project at the Kochi refinery, with the aim of increasing its refining throughput to 15.5 MMTPA from current levels of 9.5 MMTPA. The project will also modernise the Kochi refinery's processing facilities to allow the production of auto-fuels conforming to Euro-IV/V specifications. The project involves a capital outlay of Rs.165,040.0 million and is expected to be complete in May 2016.

- *Expand distillation capacities, make quality improvements and seek out strategic acquisitions.* BPCL continuously strives to increase its production capabilities through organic growth, improved efficiencies and strategic acquisitions. BPCL intends to achieve this increase through several means, including (i) the removal of limitations within sections of each refinery that are currently not designed for additional refining capacity, (ii) the improvement of the refining capacity, quality, yield and margins for its petroleum products through targeted capital expenditures and (iii) the improvement of refining capacity utilisation to achieve improved economies of scale by eliminating the current bottlenecks at its refining facilities. BPCL's primary focus is operating its oil refineries at high capacities and continuing to improve efficiencies.
- *Create opportunities with niche petrochemicals.* As part of the expansion of the Kochi refinery, BPCL is in the process of setting up a petrochemical fluid catalytic cracking unit with a capacity to produce 0.5 MMTPA of propylene which is primarily used in the chemicals and plastics industries. BPCL intends to use a portion of this feedstock to manufacture niche petrochemicals.
- *Value enhancement through facility upgrades.* BPCL has established several initiatives to install improved technologies at its refineries to help enable it to generate a larger proportion of higher-margin distillates. In an effort to continue increasing this proportion, BPCL intends to modernise its existing refining facilities to enable the refineries to produce auto fuels conforming to Euro IV/V specifications. In March 2014, BPCL has commissioned a 1.2 MMTPA continuous catalytic reformer (CCR) plant at its Mumbai refinery, which led to an increase in the production of MS at the refinery by converting a portion of the naphtha produced there, which was earlier being exported.

BPCL is currently implementing the installation of a new integrated crude and vacuum distillation unit (CDU-4) of 6 MMTPA capacity to improve mechanical integrity and enhance safety and environmental compliance with relevant rules and regulations. The completion of the project is scheduled in March 2015 after which the pre-commissioning activities of the plant would start.

Refining

Refining of crude oil is a core activity of BPCL. BPCL, together with its subsidiary, NRL, and joint venture companies, operate four refineries, each employing state-of-the-art technology. Strategically located to cover India's large geographic presence, BPCL's Mumbai refinery in western India and the Kochi refinery in southern India have refining capacities of 12 MMTPA and 9.5 MMTPA, respectively. BORL's refinery at Bina in central India and NRL's facility at Numaligarh in northeast India have capacities of 6 MMTPA and 3 MMTPA, respectively. BPCL believes that the strategic locations of its refineries, coupled with an extensive pipeline infrastructure, allow it to effectively service the needs of its customers across the large geographic expanse of India. In fiscal 2014, the total throughput achieved by BPCL's four refineries was 28.69 MMT.

The table and map below shows the location of the refineries and the pipeline network owned and operated by BPCL, BORL and NRL.

Name of Refinery	State of Location	Area	Date of Commissioning
Mumbai	Maharashtra	1,852,300 sq m	1955
Kochi	Kerala	5,121,421 sq m	1966
Numaligarh	Assam	4,107,559 sq m	1993
Bina	Madhya Pradesh	7,740,000 sq m	2011



BPCL believes the modern process units at all four refineries help to provide operational flexibility and enables it to maximise value from processing several different varieties of crude oil. The refineries have various units through which products of various distillates are manufactured. In addition to the crude distillation unit (CDU), the refineries’ infrastructure includes the vacuum distillation unit (VDU), fluid catalytic cracker unit, hydrocracker unit, aromatic recovery unit (ARU), lube oil base stock unit and MS block. In addition, the facilities include diesel hydro de-sulphurisation units and reverse osmosis mineralisation units, which ensure that the fuels produced are environmentally-friendly and conform to BPCL’s high quality standards.

BPCL's refinery infrastructure also helps facilitate safe and efficient operations. Initiatives such as the substitution of naphtha as feed and fuel by re-gasified LNG (RLNG), recovery of hydrogen from a catalytic reformer unit off-gas, and production of light lube fractions also enhance efficiencies at the refineries. Information technology applications are used to help streamline processes and improve decision making. These applications include manufacturing execution systems which consist of software solutions for planning, scheduling, blending, production and laboratory information management systems.

Over the last three fiscals, the operational efficiencies at BPCL's refineries have steadily improved. The crude oil throughput at BPCL's refineries (excluding BORL and NRL) has increased from 22.91 MMT in fiscal 2012 to 23.35 MMT in fiscal 2014.

The table below shows certain key operating data of BPCL's refineries (excluding BORL and NRL).

Refinery	2012			2013			2014		
	Pro-Rated Refining Capacity	Crude Oil Throughput	Utilisation Rate	Pro-Rated Refining Capacity	Crude Oil Throughput	Utilisation Rate	Pro-Rated Refining Capacity	Crude Oil Throughput	Utilisation Rate
	(MMT)	(MMT)	(%)	(MMT)	(MMT)	(%)	(MMT)	(MMT)	(%)
Mumbai . . .	12	13.4	111.0	12	13.1	109.2	12	13.0	108.6
Kochi	9.5	9.6	100.6	9.5	10.1	106.3	9.5	10.3	108.6

BPCL strives to continuously upgrade its refineries to increase refining capacity, identify and improve bottlenecks, implement bottom upgrades, and improve the overall quality of its end products.

Mumbai Refinery

Commissioned in 1955, BPCL's refinery in Mumbai has been modernised and expanded over the years from its initial capacity of 2.2 MMTPA to its current 12 MMTPA capacity. During fiscal 2014, the Mumbai refinery achieved a throughput of 13.03 MMT of feedstock (crude oil and other feedstock) as compared to 13.10 MMT in fiscal 2013. The throughput in fiscal 2014 represented a capacity utilisation of 108.6 per cent., as compared to 109.2 per cent. in fiscal 2013.

BPCL believes its refinery in Mumbai is among the most versatile refineries in India as the refinery is capable of processing 76 different types of crude oil. The Mumbai refinery's product offering includes light (MS, LPG and others) middle (SKO, HSD, ATF, etc.) and heavy distillates (furnace oil (FO), bitumen, lube oil base stock, etc.) as well as petrochemicals such as benzene, toluene and polypropylene feed stock. BPCL also markets sulphur derived from the refinery as an operational by-product.

In March 2014 and February 2014 the refinery has successfully commissioned the 1.2 MMTPA CCR and NHT units respectively, which led to an increase in the production of MS by converting a portion of the naphtha produced at the refinery to MS, which was earlier being exported.

The refinery is currently implementing a project for the installation of a new state-of-the-art integrated crude and vacuum distillation unit (CDU-4) of 6 MMTPA capacity to improve mechanical integrity and enhance safety and environmental compliance with relevant rules and regulations in place of the existing old standalone crude and vacuum units. The mechanical completion of the project is scheduled in March 2015.

Kochi Refinery

Kochi Refineries Limited (**KRL**) was commissioned in 1966 as a standalone refinery (without its own marketing network) with stakes held by the Government, Phillips Petroleum Company of the United States of America and Duncan Brothers of Kolkata. The facility had an initial capacity of 2.5 MMTPA which was subsequently increased to 7.5 MMTPA in 1994. KRL, which was a subsidiary of BPCL, was merged with BPCL with effect from 1 April 2005, and the capacity was subsequently enhanced to 9.5 MMTPA in fiscal 2010.

The Kochi refinery achieved a crude throughput of 10.32 MMT in fiscal 2014, as compared to 10.10 MMT in fiscal 2013. This was the highest throughput ever achieved by the refinery in a single fiscal. During fiscal 2014, the refinery also achieved its highest ever production of LPG, MS, HSD and ATF. The refinery has a single point mooring (**SPM**) that allows very large crude carriers to berth in the high sea and unload crude oil through an underground pipeline to the refinery.

The refinery's product portfolio includes petrochemical feedstocks and speciality products in addition to its range of quality fuels such as LPG, naphtha, MS, SKO, ATF, HSD, fuel oils and bitumen. Speciality products for the domestic market include benzene, toluene, propylene, special boiling point spirit, natural rubber modified bitumen and sulphur.

BPCL is in the process of implementing further capacity expansion at the Kochi refinery, which will help BPCL to meet the growing demand for petroleum products in India. BPCL expects to incur a capital expenditure of approximately Rs.165.04 billion for the integrated refinery expansion project (**IREP**), which is expected to increase the refining capacity of the Kochi refinery to 15.5 MMTPA. The project is also expected to modernise the refining facilities which will enable the refinery to produce auto fuels conforming to Euro IV/V specifications and the upgrade of the residue streams to produce distillates and petcoke. BPCL is also in the process of setting up a petrochemical complex at the Kochi refinery to produce niche petrochemicals such as acrylic acid, acrylates and oxo alcohols, which are predominantly being imported into the country using the polymer grade propylene that will be available after the ongoing IREP is completed.

Numaligarh Refinery

NRL was set up at Numaligarh in the district of Golaghat (Assam) as a conduit for speedy industrial and economic development of the northeast region of India. The 3 MMTPA Numaligarh refinery, owned and operated by NRL, began commercial production in October 2000. The refinery was awarded the status of "Category-I" Miniratna PSU in the year 2003. The present authorised capital of NRL is Rs.10 billion and its paid up equity share capital is Rs.7,356.31 million. The shareholder composition as of 31 March 2014 is given below:

Shareholder	% Holding
BPCL	61.65
Oil India Limited	26
Government of Assam	12.35

The range of products processed at NRL includes LPG, naphtha, MS, ATF, SKO, HSD, raw petroleum coke (**RPC**), calcined petroleum coke and sulphur.

Bharat Oman Refineries

BORL, a 50-50 joint venture company promoted by BPCL and Oman Oil Company Limited, owns and operates a 6 MMTPA refinery at Bina in the district of Sagar, Madhya Pradesh. This facility is connected to a crude supply system consisting of a SPM, crude oil storage terminal at Vadinar in the district of Jamnagar, Gujarat and a 935 km cross-country crude oil pipeline from Vadinar to Bina. The refinery began commercial production in May 2011.

The range of products processed at BORL includes LPG, naphtha, Euro III MS and Euro IV MS, ATF, SKO, HSD, RPC, CPC and sulphur.

Maintenance

Each of the units at BPCL's refineries requires regular maintenance, repair and upgrade shutdowns (referred to as turnarounds), during which times these units are not operational. BPCL's Mumbai and Kochi refineries have multiple trains of units. Therefore maintenance does not require shutdown of the entire refinery and turnarounds are taken in a staggered manner so as to minimise production disruptions. Regular maintenance and inspection turnaround for a process unit is performed once every four years. A five-year turnaround schedule is prepared for all units, utilities and offsites. During each turnaround, the remaining trains are in operation and the affected product(s) are adequately stocked prior to each scheduled turnaround to help ensure that customers are not affected. The turnaround plan of NRL and BORL refineries is generally synchronised with the operations of the Mumbai and Kochi refineries and the affected products are adequately stocked prior to each scheduled turnaround to ensure continuous product availability.

Turnarounds are planned more than a year in advance based upon the recommendation and requirements of the maintenance, inspection, technology and operations group. BPCL's refineries employ a systematic approach to turnaround management. BPCL has also adopted the latest turnaround techniques and best practices such as chemical decontamination of the unit, mechanical decoking of heater coils, rope access technology for high rise structure painting, dedicated safety organisation of contractor and comprehensive contract including project jobs. Turnaround work is executed on a 24-hour basis without any breaks to minimise unit down time.

For the last three years, most of the critical units have been operating at more than 98 per cent. capacity. Minor unscheduled interruptions did not result in any delay in product supply to BPCL's customers.

Products

BPCL produces a wide range of refined petroleum products, including LPG, MS (gasoline), jet fuel/SKO, HSD (gas oil), bitumen, fuel oil, naphtha and other products, including lubricants and greases, and special products.

Petroleum Products

HSD — HSD is a middle-distillate and is commonly referred to as gas oil. HSD constitutes more than 50 per cent. of the total sales volume and is mainly used as an automotive fuel.

Jet fuel/SKO — Jet fuel is a colourless, combustible, straight-run petroleum distillate liquid with a principal use as jet engine fuel. BPCL's jet fuel serves the fuel requirements of the Indian defence services and several major airports in India. SKO is used as domestic fuel.

LPG — LPG is a mixture of hydrocarbon gases liquefied under pressure and is used as fuel for heating, cooking and lighting. BPCL's LPG is marketed under the brand name "Bharat Gas" for domestic, commercial and industrial use.

MS — MS, or gasoline, is the most well-known product derived from the refining of crude oil. It is used primarily as fuel for motor vehicle engines and sold at retail outlets for direct delivery to automobiles. BPCL produces different grades of gasoline for supply to the domestic markets. BPCL's higher grade MS is marketed under the brand name "SPEED", which contains proprietary components including a detergent dispersant, a friction modifier and a corrosion inhibitor.

Bitumen — Bitumen is a common binder for bituminous road constructions. It is a residual product in petroleum refineries after higher fractions such as gas, petrol, kerosene and diesel are removed by distillation from crude oil.

Heavy fuel oil — Fuel oil is the least valuable product obtained from the refining of crude oil. It is used mainly as fuel for furnaces and bunkers for ships. BPCL produces fuel oil of various specifications depending on its end use.

Naphtha — Naphtha is a colourless flammable distillate used primarily as feedstock by the petrochemical industry for producing olefins in steam crackers and in the chemical industry generally. It is also used as fuel for gas turbines.

Other Products

Lubricants and greases — Lubricants and greases are used to reduce friction between rubbing or rolling surfaces. BPCL produces a range of lubricants and greases for use in the retail market under the brand name “MAK” as well as a range of lubricants used as bunker supplies at ports, jetties and inner anchorages.

Special products — BPCL also manufactures several petroleum products for specific applications that could be used as feedstock for the chemical industry, raw materials in certain industries and solid fuels. These products include propylene, benzene, toluene, mineral turpentine oil and LABFS.

The following table shows BPCL’s annual production (excluding subsidiaries and joint ventures) for the fiscals 2012, 2013 and 2014.

	For Fiscal 31 March					
	2012		2013		2014	
	'000 MT	% of Total	'000 MT	% of Total	'000 MT	% of Total
Light Distillates						
Naphtha	2,354	10.9	2,262	10.4	2,184	9.9
LPG	977	4.5	924	4.2	931	4.2
Motor Spirit	2,516	11.7	2,666	12.2	2,966	13.5
Special Boiling Point Spirit/ Hexane	38	0.2	35	0.2	36	0.2
Benzene	47	0.2	50	0.2	37	0.2
Toluene	29	0.1	21	0.1	16	0.1
Polypropylene Feedstock/ Propylene	94	0.4	100	0.5	103	0.5
Industrial Reformate	164	0.8	171	0.8	164	0.7
Others	2	0.01	0	0	0	0
<i>Sub Total</i>	<u>6,221</u>	<u>28.9</u>	<u>6,229</u>	<u>28.5</u>	<u>6,437</u>	<u>29.2</u>
Middle Distillates						
Aviation Turbine Fuel	1,193	5.5	1,165	5.3	1,226	5.6
Superior Kerosene Oil	961	4.5	787	3.6	534	2.4
High Speed Diesel	9,391	43.6	9,953	45.6	10,397	47.1
Light Diesel Oil	53	0.2	70	0.3	62	0.3
Mineral Turpentine Oil	123	0.6	100	0.5	97	0.4
Lube Oil Base Stock	206	1.0	215	1	239	1.1
Others	0	0	0	0	20	0.1
<i>Sub Total</i>	<u>11,927</u>	<u>55.4</u>	<u>12,290</u>	<u>56.3</u>	<u>12,575</u>	<u>57.0</u>

	For Fiscal 31 March					
	2012		2013		2014	
	'000 MT	% of Total	'000 MT	% of Total	'000 MT	% of Total
Heavy Ends						
Furnace Oil	2,175	10.1	2,083	9.5	1,912	8.7
Low Sulphur Heavy Stock	261	1.2	322	1.5	191	0.9
Sulphur	87	0.4	92	0.4	92	0.4
Bitumen	851	4.0	827	3.8	845	3.8
Others	—	—	—	—	—	—
<i>Sub Total</i>	<u>3,374</u>	<u>15.7</u>	<u>3,324</u>	<u>15.2</u>	<u>3,040</u>	<u>13.8</u>
TOTAL	<u>21,522</u>	<u>100.0</u>	<u>21,843</u>	<u>100.0</u>	<u>22,052</u>	<u>100.0</u>

The table below shows the lubricant blending and LPG bottling activities at BPCL's plants across India.

	For Fiscal March		
	2012	2013	2014
		(MT)	
Lubricants production (MT)	217,851	258,586	258,112
Quantity of LPG filled in cylinders (MT)	3,515,549	3,577,335	3,832,309

Crude Oil Procurement

The total crude oil requirement for BPCL and its group companies is approximately 32.75 MMTPA. Approximately 25 per cent. of this requirement is met through indigenous crude production by the Oil and Natural Gas Corporation (ONGC) and Oil India Ltd. (OIL). The balance of BPCL's crude oil requirement is met through imports on both term and spot basis.

Currently, approximately 74 per cent. of BPCL's imported crude oil feedstock is secured from the national oil companies of Saudi Arabia, Iraq, Kuwait, United Arab Emirates, Malaysia, Brunei and Azerbaijan under term contracts. The remainder is secured through term contracts with multinational oil companies (approximately 6 per cent.) and balance through competitive tenders. See "Investment Considerations". Currently, public sector companies in India, such as BPCL, are given an annual allotment of domestic crude oil. Since the production of crude oil is limited within India, the amount allocated to each public sector company is decided by the Government on an annual basis based on certain criteria such as their respective refinery capacities and functionality, geographical locations and distribution network.

To help ensure the supply of crude oil to its refineries, BPCL hedges the risk of supply discontinuance by entering into term contracts for physical settlement with the national oil companies of crude oil producing and exporting countries, where the quantity of crude oil purchased is pre-determined and deliverable against a price to be set at the prevailing market prices of a later date. BPCL believes the combination of term and spot contracts gives it both security of supplies and the flexibility to respond to changes in crude requirements due to unforeseen problems.

BPCL has a commodity risk management policy in place to minimise the risks associated with crude and product prices. This is done through hedging of cracks in the over the counter (OTC) swap market. BPCL hedges its refinery margins in the OTC swap market. BPCL believes it has adopted strong risk management principles in its day to day operations. The Trading and Risk Management Board (TRM) defines the risk appetite of BPCL and the risk management committee oversees the implementation of BPCL's commodity risk management policy.

Pipelines

BPCL owns and operates petroleum product pipelines in India. As of 31 March 2014, BPCL's petroleum product pipeline network covered 1,697 km with a delivery capacity of 12.44 MMTPA, representing approximately 16 per cent. of India's downstream sector pipeline capacity, according to the Ministry of Petroleum and Natural Gas.

Common Carrier

Common carriers include pipelines for the transportation of petroleum, petroleum products and natural gas by more than one entity as the Petroleum and Natural Gas Regulatory Board (**PNGRB**) may declare or authorise from time to time on a non-discriminatory, open access basis. Common carriers do not include pipelines laid to supply (i) petroleum products or natural gas to a specific consumer, or (ii) crude oil. None of BPCL's pipelines have been designated as a common carrier by the PNGRB.

The map below sets out BPCL's pipeline network as of 31 March 2014:



The following table presents BPCL's key pipeline operating data for the fiscals 2012, 2013 and 2014 and for the six months ended 30 September 2014.

Pipelines ⁽³⁾	Date of Commissioning	Length (km)	Size (inch)	Installed Capacity (MMTPA) ⁽³⁾	Year ended 31 March			Six Months ended 30 September
					2012	2013	2014	2014 ⁽²⁾
					utilisation (%) ⁽⁴⁾			
Existing Product Pipelines								
Ex-Mumbai Refinery								
Mumbai Manmad Pipeline	1998	252	18	6	105.6	100.35	100.42	104.56
Manmad Manglya Pipeline	2003	358	14	3.5	79.5	51.91	53.26	57.08
Manglya Piyala Pipeline	2007	722	16	2.2	85.9	103.32	35.45	31.48
Piyala Bijwasan Pipeline	2007	57	8	1	23.2	40.40	51.70	42.50
Mumbai-Santacruz Airport	2012	14	10	1.44	NA	77.9	46.95	50.28
Ex-Bina Refinery								
Bina Kota Pipeline	2011	259	18	2.8/4.4 ⁽¹⁾	14.8	100.35	83.83	52.00
Ex-Kochi Refinery								
Kochi Refinery to Kochi Airport	2013	34	8	0.60	NA	NA	20.22	28.00

Notes

- (1) Pipeline installed capacity augmented from 2.8 MMTPA to 4.4 MMTPA in FY 2013-14 by commissioning of intermediate pumping stations at Malarna and Bharatpur.
- (2) Annualised
- (3) The capacity of each pipeline is calculated on the basis of 8,000 hours of operation per annum which includes any annual scheduled turnaround.
- (4) Utilisation ratio is calculated by dividing the actual utilisation of the relevant pipeline with the corresponding installed capacity.

Recent Developments and Pipeline Projects under Implementation

In the fiscal 2014, BPCL completed the construction and commissioning of 34 km of pipelines.

The details of these pipelines are provided below:

- Pipeline capacity of the Kota Piyala section of the Mumbai-Manmad-Manglia-Piyala-Bijwasan pipeline was augmented from 2.8 MMTPA to 4.4 MMTPA by commissioning intermediate pumping stations at Malarna and Bharatpur which will help in the transport of products from the BORL and Bina refineries, in addition to help meet growing product demands in North India.
- A 34 km pipeline was constructed to transport ATF from BPCL's Kochi refinery to the fuel farm at Kochi Airport in Kerala.

In recent years, BPCL has embarked on various projects to expand its network of crude oil and petroleum product pipelines in India. The following table provides a description of the major projects currently under implementation and the target completion dates:

Pipeline Project	Description	Cost (in Rs. billion)	Capacity	Target Date of Completion
Kota Jobner Pipeline Project	The laying of a 210 km long and 14" (35.6 cm) diameter cross-country pipeline from Kota to Jobner, in Rajasthan for efficient transportation of MS/SKO/HSD from BPCL's Mumbai refinery and BORL's Bina refinery.	2.76	Phase I: 0.883 MMTPA Phase II: 1.700 MMTPA	March 2015
Pipeline for Transfer of LPG from BPCR/HPCR Mumbai to Uran	The laying of a 28 km cross-country pipeline (12 km offshore and 16 km onshore) 10" (25.4 cm) diameter to transfer LPG from the Mumbai refineries of BPCL and Hindustan Petroleum Corporation Limited (HPCL). The facility is expected to reduce traffic in and around Chembur in Mumbai and help improve the ambient air quality in Mumbai as well as provide costs savings on transportation.	2.30 (to be shared equally by BPCL and HPCL)	0.80 MMTPA	October 2015; Pre-commissioning activities in progress
Irugur Devangonhi Pipeline Project	The laying of a 294 km long and 16" (40.64 cm) diameter cross-country pipeline from Irugur to Devangonhi (near Bangalore) for efficient transportation of MS/SKO/HSD from BPCL's Kochi refinery.	6.78	Phase I: 1.88 MMTPA Phase II: 3.50 MMTPA including common carrier capacity	February 2017 as per PNGRB
Kochi Coimbatore Erode Salem LPG Pipeline Project	The laying of a cross-country pipeline 288 km of size 12" (30.48 cm) diameter from PuthuVypeen near Kochi to Coimbatore and 170 km pipeline of size 8" (20.32 cm) from Coimbatore to Salem for efficient transportation of LPG from BPCL's Kochi refinery and IOC's import terminal.	9.98 ⁽¹⁾	1.53 MMTPA including common carrier capacity	February 2017 as per PNGRB

(1) This being the total project cost. However, the project is proposed to be implemented through a joint venture in which BPCL's shareholding is 50 per cent.

Other Joint Venture Pipeline Projects

BPCL formed a consortium in 2010 with Gujarat State Petronet Limited (GSPL), Indian Oil Corporation Limited (IOC) and HPCL. The consortium won bids for three pipelines for which letters of intent have been issued by the PNGRB in May 2011. The three pipelines are the Mallavaram-Bhilwara Pipeline, the Mehasan-Bhatinda Pipeline and the Bhatinda-Jammu-Srinagar Pipeline.

Under this arrangement, BPCL has signed two joint venture agreements in April, 2012 with GSPL, IOC and HPCL for laying the pipelines. GIGL will be executing the project of MBPL and Bhatinda-Jammu-Srinagar (BJSPL) gas pipelines and GITL will be executing the project of Mallavaram-Bhopal-Bhilwara-Vijaipur (MBBVPL) gas pipeline. BPCL's share in both the joint ventures is 11 per cent. each.

Maintenance, Surveillance and Disruptions

BPCL structures periodic maintenance programmes for its pipelines in accordance with regulatory requirements and globally accepted codes and practices for pipeline operators. Maintenance procedures are based on a defined rolling plan. BPCL's entire network is protected against internal and external corrosion and a cathodic protection system is used to monitor the pipelines. In addition, the pipelines are injected regularly with internal corrosion inhibitors and undergo intelligent pigging. Surveys to monitor the health of pipeline coatings are carried out at regular intervals. Depending on the reports generated, maintenance activities are carried out in accordance with pre-determined standards.

BPCL uses a state-of-the-art supervisory control and data acquisition system at master control stations for monitoring and controlling the pipeline system across the country. The computerised system monitors and operates the pipeline in an efficient and safe manner from master control stations and includes a transient model based leak detection system for environmental safety. A centralised monitoring facility at the pipelines head office in Mumbai, facilitates monitoring of operations for BPCL's entire pipeline system on a real time basis. All of BPCL's pipelines are patrolled on a daily basis.

Strategic Business Units

BPCL operates six transactional SBUs aimed at addressing the needs of various customer segments, namely retail, lubricants, LPG, industrial and commercial, aviation and gas. A brief description of each of BPCL's SBUs is set out below.

Retail

BPCL serves the needs of automotive customers for fuels and services through its retail network. It markets petrol, diesel, branded fuels, compressed natural gas (CNG), auto LPG and lubricants through its network of 12,503 retail outlets strategically spread across India. Out of the 12,503 retail outlets, 221 are owned and operated by BPCL, while the remaining 12,282 are owned and operated by franchisees under a dealership agreement. BPCL's average monthly throughput per retail outlet in fiscal 2014 was 185 kilo litres (kls), which BPCL estimates is nearly 18 per cent. higher than the industry average.

BPCL's retail network is backed by a robust storage infrastructure and logistical support. As of 31 March 2014, more than 3.49 million kls of storage tanks are spread across 128 storage depots and installations, while product pipelines and contracted road transport form the backbone of an integrated logistical support system. A vehicle tracking system has been introduced to cover the entire fleet of lorries carrying fuel to the petrol stations so that quality standards are not compromised at any stage of product delivery.

Automation of BPCL's retail outlets through best-in-class technology is expected to give further comfort to customers and ensure that a visit to each of BPCL's outlets is a rewarding experience. Bills for customers are based on data from the fuel nozzle thereby eliminating the likelihood of overcharging. The Pure for Sure (PFS) scheme initiated by BPCL several years ago helps to ensure that the customer receives the correct quality and quantity of fuel. As of March 2014, 4,614 dealers across the country offered PFS services. These outlets are audited by an independent agency. The top performing PFS dealers are being upgraded to PFS platinum status, whereby such outlets provide high-tech facilities and high quality service. All PFS platinum outlets have high-end online automation for all of their transactions, operate 24 hours a day and are covered by live CCTV streaming to BPCL's retail headquarters.

As of 31 March 2014, 251 PFS dealers have been upgraded to PFS platinum status. Another innovative initiative is the introduction of a customised solution called Bharat Petroleum Retail Outlet Automation System & Solution (**BRASS**) to facilitate and monitor bulk receipt, stock management, forecourt sales and overall management information system, thus helping the dealer and BPCL to manage the seamless chain of operations effectively. Moreover, 3,937 outlets have been made “No Automation No Operation” compliant. As a proof of service and to ensure transparency in transactions at the forecourt, BPCL has leveraged technology by intimating the customer through short messaging services (**SMS**) on details like name, rate, date, time, quantity and amount of the product, including name of the outlet where the customer has fuelled his or her vehicle.

Lubricants

The lubricant business is one of the most competitive sectors in the Indian petroleum industry. BPCL’s ‘MAK’ brand of lubricants is a rapidly growing brand and has a wide range of products for automotive and industrial segment of customers. The lubricants SBU also serves core sectors of the Indian economy such as the railways, defence, coal, marine and steel industries. MAK grades of lubricants are made available through a comprehensive network comprising the high street ‘Bazaar’ market, BPCL’s retail outlets, and direct sales to industrial customers. BPCL’s lubricants business recorded sales of 286,000 metric tons in fiscal 2014.

BPCL’s Mumbai refinery produces Group II + category base oil. Blended with high quality additives in three blending plants across the country BPCL is marketing MAK lubricants across the country through its network of 12,000 retail outlets and 597 authorised lubricant distributors including 137 distributors in rural areas. MAK is available at more than 60,000 multi-brand retailers apart from small mechanic shops, authorised service stations, etc. in varying sizes from 20 ml to 210 litres.

Continually innovating new solutions for its customers has been at the core of BPCL’s success in the lubricant business. Innovations, such as MAK steel EP 100, semi synthetic four stroke oil for motor cycle and light liquid paraffin oil (**LLPO**) for the cosmetic sector, have all performed well for BPCL.

MAK has entered into tie-ups with major original equipment manufacturers (**OEMs**) such as TATA, Hero, Honda ELGI, L&T, Kirloskar and others to introduce specialised oils. MAK has also ventured into international markets including Sri Lanka, Bangladesh, Nepal, Afghanistan, South Korea and the Middle East.

Exports of lubricants grew by 9 per cent. during the year ended 31 March 2014 to 3,182 metric tons. All premium grades produced by BPCL like MAK 4T NXT, MAK DZL Zenith and others have been launched internationally. A new product, MAK LLPO, a base product for the cosmetic industry, was also introduced in the Sri Lankan market. Oil developed for a specific global automobile manufacturer is expected to increase BPCL’s market share through co-branding tie-ups. Additionally BPCL has received approval from Honda for marketing of Honda grades of lubricants in Sri Lanka.

During the year 2013-14, BPCL’s product application and development (**P&AD**) team successfully continued rigorous trials of the newly developed “gas engine oil in stationary gas engines” of a leading multinational gas engine manufacturer. MAK has become the only Indian brand and the fifth global brand to be approved by this leading player, giving BPCL an immense competitive advantage. During the year, P&AD has been successful in launching high performance diesel engine oil, specific long drain transmission oil and long drain axle oil for commercial vehicles, synthetic metal working fluid and eco-friendly rubber spray oil used in rubber plantations.

Apart from sales, service assumes great importance as a business model for auto manufacturers and their channel partners. The authorised service stations are trying to enroll their customers, since post warranty lube sales play an important role in their overall business profitability. BPCL continued its focus on the OEM business and entered into two major alliances. To strengthen the existing tie-ups, seven grades were introduced/upgraded in the existing product portfolio of OEMs. These would help in increasing BPCL's market share in this segment significantly.

Liquefied Petroleum Gas

BPCL's LPG business is carried out under the brand name "BharatGas". BharatGas is currently available in 41.2 million homes across India. Customers are serviced through a network of approximately 3,355 LPG distributorships and 50 LPG bottling plants located across the country. BPCL also caters to numerous commercial and industrial establishments. BPCL's innovative spirit can be seen in the cost effective solution of Bharat Metal Cutting Gas (**BMCG**) which can be used to replace conventional acetylene for metal cutting and brazing applications. The product's performance efficiency and environmentally-friendly properties have resulted in significantly increased usage both in India and abroad.

"Beyond LPG", a service innovation, was conceptualised to leverage BPCL's strong consumer base in LPG by retailing home essentials (both white goods and fast-moving consumer goods (**FMCG**)) to BPCL's marketing network of more than 41 million households. This channel provides access to a wide range of products from leading companies that are made available to households through BPCL's LPG distributor network.

A number of web-based initiatives on the "e-bharatgas" site were introduced during fiscal 2013, to bring about greater transparency and better accountability towards customers. A "transparency portal" was launched on the site, wherein the number of refills supplied to customers in a given period and amount of subsidy availed can be viewed by the public. Customers can also view refill delivery pattern (**target delivery time**) of a distributor, can "rate" their distributor and also book refills, lodge complaints, or even choose an alternate distributor in his locality under the "portability scheme". Customers can now also book their refills by SMS and interactive voice response system through a unique number for each state. In fiscal 2014, more than 50 per cent. refill booking was received through the digital mode.

A new product, "Bharatgas Mini" under "Free Trade LPG" (**FTL**) was launched in fiscal 2014, primarily to meet the requirement of customers who frequently change addresses and find it difficult to provide proof of their address and those working odd hours like in the IT Industry. This is a 5 kg LPG cylinder, which can be bought from certain retail outlets in select cities. Also a pilot project for preferred time home delivery of FTL cylinders through the "Dial Bharatgas Mini" was launched by which a customer could place an order for a new FTL connection or refill for "Bharatgas Mini" at a toll free number and FTL connection or refill would be delivered within two hours to the customer's premises at a nominal delivery charge.

The "PAHAL (Direct Benefit Transfer of LPG - DBTL)" scheme was first launched in 291 districts with the aim of passing on subsidy benefits to actual beneficiaries. It required the consumer to mandatorily have an "Aadhaar" number for availing this LPG subsidy benefit which was passed unto them by means of their bank accounts. Subsequently the Government modified the scheme and the modified scheme, in its first phase was re-launched in 54 districts on 15 November 2014 and on 1 January 2015 launched it across other parts of India.

Industrial & Commercial

BPCL caters to the needs of industrial customers that require petroleum products in bulk. Various industrial segments such as steel, cement, power, bunkering, petrochemicals, fertiliser and infrastructure are key consumers of BPCL's industrial products.

Products marketed by BPCL in bulk include fuels (such as petrol, diesel, naphtha, FO, low sulphur heavy stock (LSHS), LDO), special products such as special boiling point spirit, mineral turpentine oil, hexane (food grade), petrochemicals (benzene, toluene, propylene, and others), bitumen, and sulphur. BPCL's sales volume for the year ended 31 March 2014 was 3.72 MMT.

Bunkering, the process of supplying fuels to ships for their own use, has become an important segment for BPCL. BPCL entered into this segment for marketing 380 centistoke fuel oil by commissioning facilities at Mumbai and Kochi. Singapore is the largest port for bunkering and BPCL has formed a joint venture, MBPL, with Matrix Marine Fuels Pte Ltd Singapore to target this market segment.

Aviation

BPCL caters to the needs of some of the world's leading airlines by providing jet fuel to aircraft operators in Indian airports. BPCL strictly follows quality control requirements laid down by the Directorate General of Civil Aviation of India and makes available world class service to all its customers. In fiscal 2014, BPCL recorded its highest ever sales volume of 1,303 TMT. BPCL accounted for 24.5 per cent. of the ATF market in fiscal 2014.

BPCL has started supplying ATF from BORL to Delhi airport through the Bina Kota pipeline which in turn has been connected to MMBPL at Kota. Also BPCL's Mumbai and Kochi refineries have been connected to the fuel farms at the Mumbai and Kochi airports respectively. These measures helped BPCL in reducing the product placement cost and creating revenue generation, by offering this infrastructure to oil marketing companies to bring their products through to them. BPCL expanded its network of aviation fuelling stations to 37, by commissioning facilities at the greenfield airport called the Bengal Aerotropolis, at Durgapur, in West Bengal. BPCL has also been able to secure rights to build storage and refueling facilities on a turnkey basis and thereafter supply and operate the facilities for the next three years, at the new and upcoming airforce base at Thanjavur, in Tamil Nadu. This will be the fifth Indian air force base in BPCL's network.

During fiscal 2014, BPCL renewed various memorandum of understandings (MoUs) with some of the major airlines, like British Airways, Japan Airlines, Silk Air and Kalitta Air. With the enrollment of Spice Jet's business, BPCL now has strong presence in the private domestic airline segment in which BPCL's market share for fiscal 2014 has now increased to 16.78 per cent. in comparison to 11.80 per cent. in the previous year.

Gas

BPCL makes continuous efforts to strengthen its presence in the gas market. It has booked re-gasification capacity of 1 MMTPA at Petronet LNG Limited (PLL), Dahej in addition to capacities currently available at Dahej and Kochi. The capacity booked at Dahej would be available from December 2016 onwards. The liquefied natural gas (LNG) terminal of PLL at Kochi was commissioned in August 2013 with Kochi refinery and the Fertilisers and Chemicals Travancore Limited drawing the first supplies. BPCL is progressing with plans for enhancing its presence in the gas markets in the country by securing access to infrastructure and sourcing of gas. BPCL handled 1,322 TMT of RLNG in fiscal 2014, as compared to 1,228 TMT handled in fiscal 2013, representing an increase of 7.6 per cent. The Mumbai refinery was supplied with 311 TMT and KRL was supplied with 35 TMT of gas during the year to meet its feed and fuel requirements. The balance quantity of 976 TMT of gas was supplied to various customers in fertiliser, power and other sectors. During the year 2013-14, BPCL commissioned the facilities for supply of LNG by trucks to the automobile company, Mahindra and Mahindra Ltd. After commissioning of the first customer, General Motors

India in 2010, several customers have started taking LNG by trucks and currently, BPCL is supplying around 14 TMT of LNG per annum by trucks to various customers. BPCL has also signed a MoU with ONGC and Mitsui of Japan to conduct a feasibility study for setting up a U.S.\$500-750 million LNG import terminal at Mangalore.

BPCL in 2010 also formed a consortium with GSPL, IOC and HPCL for the laying, building and operating of three cross-country gas pipelines namely the 1,585 km Mallavaram-Vijaypur-Bhilwara pipeline, 1,670 km Mehsana-Bhatinda pipeline and 740 km Bhatinda-Jammu-Srinagar pipeline. The completion of these pipelines will fulfill to some extent BPCL's aspirations for an entry into the gas transportation segment which is crucial in the gas business.

The following table sets out the sales volumes of BPCL's gross annual sales for the previous three years.

	2011-12	2012-13	2013-14
	Sales Volume ('000 MT)		
Naphtha	458.97	593.55	640.16
LPG (Bulk & Packed)	3,870.48	3,884.00	4,030.78
Motor Spirit	4,152.18	4,442.90	4,814.14
Special Boiling Point Spirit/Hexane	38.30	35.73	35.65
Benzene	42.90	48.19	20.42
Toluene	29.13	21.05	15.34
Polypropylene Feed Stock	94.65	100.02	102.44
Regasified — LNG	736.21	911.93	975.56
Others	285.96	307.49	323.43
<i>Sub Total</i>	<u>9,708.79</u>	<u>10,344.86</u>	<u>10,957.90</u>
Aviation Turbine Fuel	1,189.00	1,171.51	1,303.11
Superior Kerosene Oil	1,436.99	1,304.47	1,223.41
High Speed Diesel	16,319.51	18,038.98	18,337.02
Light Diesel Oil	63.66	71.61	67.78
Mineral Turpentine Oil	122.19	101.05	94.10
Others	—	—	—
<i>Sub Total</i>	<u>19,131.35</u>	<u>20,687.62</u>	<u>21,025.42</u>
Others:			
Furnace Oil	855.24	747.13	635.59
Low Sulphur Heavy Stock	249.10	323.07	182.62
Bitumen	846.03	817.03	819.45
Lubricants	264.78	282.94	277.47
Others	86.79	94.36	96.68
<i>Sub Total</i>	<u>2,301.94</u>	<u>2,264.53</u>	<u>2,011.82</u>
Grand Total	<u>31,142.08</u>	<u>33,297.01</u>	<u>33,995.14</u>

Impact of Government Control over Prices of Certain Refined Petroleum Products

Since the Government has controlled the prices of certain products including SKO (PDS), LPG (domestic), MS (until June 2010) and HSD (until October 2014) the prices were lower than BPCL's desired prices. As a result, BPCL has incurred gross losses from time to time from the sale of such

“controlled products”. To compensate for the losses that may otherwise be incurred by public sector marketing companies, including BPCL, from the sale of such “controlled products”, the Government provides certain subsidies. See “*Overview of the Oil Industry of India*”. The following table provides certain details relating to the impact of the Government’s control for the periods indicated.

Finalisation of Under Recovery Sharing on an Annual Basis

(In Rs. Bn)	FY 13	FY 14
Gross Under Realisation	389.90	344.63
Cash Compensation	218.97	183.74
Upstream Discount	168.44	155.77
Net Under Realisation	2.49	5.12

For fiscals 2013 and 2014, BPCL sold Rs.12.36 billion and Rs.2.50 billion, respectively, worth of oil bonds.

Marketing

BPCL believes it is a leader in pioneering marketing initiatives in India’s oil sector. Customers’ evolving aspirations are constantly mapped and a sustained effort is made to fulfil them by producing value added initiatives. BPCL believes it pioneered branded fuels in the Indian market and BPCL’s “Speed”, “Speed 97” and “Hi-Speed Diesel” continue to be popular brands. “Pure for Sure” and “Pure for Sure Platinum” were pioneers in the industry and provides high quality products and services to motorists. The first loyalty programme for motorists through “Petro Card” and “SmartFleet” Cards has provided rewards for a multitude of fuelling customers. Large format outlets called “Ghar” provide highway travellers with restrooms and dhabas. The “in and out” stores at outlets offer convenience to consumers, providing other services such as bank automated teller machines and quick service restaurants, money transfer facilities and a basket of services that BPCL believes has transformed customer experience at petrol stations in the country.

BPCL introduced BMCG as a solution to replace conventional acetylene for metal cutting and brazing applications. The product’s performance efficiency and environment-friendly properties have given confidence to industrial users, both in India and abroad.

“Beyond LPG”, a service innovation, was conceptualised to retail home essentials (both white goods and FMCG), through BPCL’s marketing network of more than 41 million households.

Exploration and Production of Crude Oil and Gas

BPCL’s plans for the upstream E&P sector are being undertaken by its wholly owned subsidiary, BPRL. BPRL was incorporated in 2006 and currently has PIs in 19 blocks. Of these blocks, eight are in India and 11 are located overseas in countries such as Australia, East Timor, Indonesia, Mozambique and Brazil. BPRL’s PIs in these blocks range from 10 per cent. to 40 per cent. BPRL’s blocks are in various stages of exploration and appraisal. The PIs in the various blocks are held either directly by BPRL, or through its wholly owned subsidiary companies or its joint venture.

Since 2008, BPRL has announced a total of 21 discoveries in Brazil, Mozambique, Indonesia, Australia and India. In Mozambique, BPRL holds a 10 per cent. interest in the area 1 offshore block through its step down subsidiary. In this block, where Anadarko is the operator, exploration and appraisal activities continued during fiscal 2014 with the drilling of two more exploration wells and three appraisal wells. The exploration of the block ends in January 2015. In addition, the operator of the block is in discussions with the operator of the adjoining block for unitisation of the reservoir which spans across both the blocks.

The consortium is planning an initial development of approximately 10 MMTPA (2x5 MMTPA) of onshore liquefaction capacity and a site plan that will facilitate future expansions of more than 50 MMTPA. In order to profit from these discoveries, the consortium has made significant advances on a world class LNG liquefaction facility in northern Mozambique. The consortium already has independently certified proven reserves in the block sufficient to support initial development. The consortium already has the land for setting up the LNG processing facility. The environmental impact assessment has been completed and approved by the government of Mozambique. The competitive front end engineering and design for both the offshore gathering system and onshore liquefaction processing is complete and evaluation of bids for the engineering procurement and construction proposals is underway. The consortium continues to make steady progress towards selling LNG on a long term basis into the Asian market and has non-binding agreements with multiple Asian customers. From a construction and marketing perspective, the consortium is on-track to deliver cargoes in the calendar year 2019. In order to provide a legal and regulatory foundation framework for the project, the government of Mozambique promulgated relevant laws in December 2014.

In Brazil, BPRL and Videocon Industries Ltd. through their respective overseas subsidiaries, own equal shares in the joint venture company IBV Brasil Petroleo Ltda (**IBV Brasil**). As of the date of this Offering Circular, IBV Brasil has PIs in seven deepwater blocks. During the exploration period, six discoveries of oil and gas were made, namely in the licensed areas at 'Wahoo', 'Barra', 'Farfan', 'Cumbe', 'Barra no.1' and 'Farfan ADR'. Five appraisal plans have already been approved by the Brazilian regulator in these licensed areas and presently, various appraisal activities are in progress. Furthermore, operators have already initiated pre-development activities for licensed areas at Wahoo, Barra and Farfan.

In Australia, BPRL has a PI of 27.80 per cent. in the on land block EP-413 in the Perth basin which may be a source for shale gas. The final phase of testing a well that was drilled in the block was completed and the results of the same are being studied. The permit for this block has been renewed until August 2018. Environmental and other regulatory approvals for undertaking seismic acquisition, processing and interpretation activities are also in progress.

BPRL continues to focus on value enhancement through early monetisation, moving up the hydrocarbon value chain and skill based expansion through operatorship. New long term assets and opportunities are regularly being studied.

Non-conventional Energy Initiatives

BPCL has been undertaking initiatives which are aimed at promoting green fuels, with a view to protecting the environment, preventing pollution and reducing dependency on imported fuels. BPCL has initiated various steps to develop renewable sources of energy.

BPCL has installed 5 MW capacity windmills in the hilly range of Kappatguda in Chitradurga District, Karnataka. The windmills are currently in operation and the power produced is sold to the Karnataka State Electricity grid. This project is qualified for the "clean development mechanism benefit" which is one of the flexibility mechanisms defined in the Kyoto Protocol that provides for emissions reduction projects which generate certified emission reduction units which may be traded in emissions trading schemes.

BPCL is currently evaluating a proposal for setting up of wind farms in Maharashtra, Gujarat, Madhya Pradesh and Tamil Nadu to set off the electricity consumed in the state. BPCL is also evaluating proposals to set up a solar farm of 5 MW capacity, either on its own or through joint ventures at select locations.

Competition

BPCL faces different competitors in each segment of its business. Domestically, BPCL believes that its integrated infrastructure consisting of pipelines, refineries and its sales and marketing network provide it with a competitive advantage over its domestic competitors in the downstream sector.

Refining

BPCL controls four out of India's 22 refineries. BPCL competes with a number of public and private sector companies in the domestic refining market, namely IOC, HPCL, Reliance Industries Limited and Essar Oil. Due to the pricing control of certain petroleum products, private sector companies have experienced difficulty in establishing a large presence in the refining industry. This however, may change with the alignment of cost and market price of these products.

BPCL intends to strengthen its refining business through the implementation of its planned expansion projects. The principal competitive factors that may affect BPCL's refining operations are the price of crude oil, refinery efficiency, refined product mix, product distribution and high transportation costs.

Pipelines

As of 31 March 2014, BPCL enjoyed a 16 per cent. domestic market share in terms of downstream sector pipeline installed capacity according to the Ministry of Petroleum and Natural Gas. BPCL's competitive advantage stems from the length and reach of its pipeline network. This, however, may change with the implementation of the common-carrier system.

Sales and Distribution

According to the Ministry of Petroleum statistics, BPCL as of 31 March 2014 had a market share of 23.9 per cent. of all service stations in India. BPCL competes primarily with IOC and HPCL for the sale of refined petroleum products. BPCL has set up refinery and distribution networks in the western, southern and eastern parts and its BORL's refinery in Bina, Madhya Pradesh located in central India caters to the northern part of India. All of BPCL's refineries are well connected to its distribution network to ensure reliable supplies to customers across the country.

Competition is primarily based on price, brand name, services offered, efficiency and proximity to customers. BPCL has ongoing plans to expand its retail network, enhance the customer service at existing outlets and improve customer loyalty through carefully designed branding and customer loyalty programmes such as "Pure for Sure" and through "Petro Card" and "SmartFleet" Cards. As margins on the sale of gasoline and diesel are limited in the domestic market, competition has developed for higher margin products that can be sold at service stations, including high margin petroleum products, such as lubricants and gasoline additives, and non-oil goods and service facilities. BPCL is currently in the process of expanding its market for such higher margin products through the development and marketing of 'in and out' stores and other high margin products and facilities under BPCL's brand names.

Research & Development

The research and development (R&D) centres are actively involved in following global trends of technology for improving lives and supporting BPCL's businesses through constant advanced technical support, novel products and process technology development in niche areas leading to new

business development. The core research areas are broadly divided into four categories, namely refinery processes upgradation and optimisation, development of novel energy efficient technologies, product development and alternative fuels and energy. BPCL's R&D centres consistently follow the current international trends for technological advancement. R&D capabilities at corporate R&D centres at Greater Noida, Uttar Pradesh, product and application development centres at Sewree, Mumbai and the R&D centre at the Kochi refinery are constantly focused to bring about business growth.

The R&D centres focus their efforts on (a) developing new cost effective products based on market needs, (b) deploying new technology for enhanced profitability, (c) developing new products around current technological expertise, (d) exploring environment friendly solutions for waste disposal, (e) exploiting renewable and alternate energy portfolio and (f) adopting measures for process intensification and for gross refining margin improvement.

For fiscals 2013 and 2014, BPCL's R&D expenses (including operating expenditure in the area) amounted to Rs.0.35 billion and Rs.0.37 billion, respectively.

During fiscal 2014, R&D programmes continued to provide a competitive advantage to business operations through development and commercialisation of cost effective and competitive products and processes including amongst others, (a) new neutralising amine, (b) flash point improvers, (c) de-aromatised speciality solvents having greater than 0.5 per cent. aromatics content, (d) cost effective fluid catalytic cracking gasoline sulphur reduction additive, (e) cost effective hydro treating catalyst for production of Euro-V diesel, (f) catalyst development for the production of green diesel, (g) new grades of bitumen, (h) corrosion inhibitor for ethanol blended gasoline and (i) process for production of bio-butanol from rice straw. The cost effective process for the production of bio-degradable synthetic lube base oil developed earlier, is being scaled up for commercial exploitation. Substantial progress has been achieved on major research projects initiated earlier in the emerging areas of coal to clean liquid fuels, bio-fuels and hydrogen storage.

During fiscal 2014, the R&D centre at Sewree developed new products including (a) high performance diesel engine oil, (b) original equipment specific long drain transmission oil and axle oil for commercial vehicles, (c) water based synthetic metal working fluid, (d) eco-friendly rubber spray oil and (e) defence specific engine oil. The alternate formulations developed have helped in improving operational flexibility, besides reducing input and operating costs. During the year, a number of critical approvals for various products were obtained from major original equipment manufacturers, customers, end users and international approving bodies which helped in furthering BPCL's business.

BPCL also maintains well-established collaborations with a number of leading research institutes, including the Indian Institute of Petroleum Dehradun, Engineers India Limited Delhi, Indian Institute of Technology Delhi, Indian Institute of Technology Madras, Indian Institute of Chemical Technology Mumbai, Central Salt and Marine Chemicals Research Institute at Bhavnagar, in Gujarat and Birla Institute of Technology, in Goa. These collaborative efforts are aimed at developing a new generation of catalysts, coal to gas technology, improved de-salter design for crude treatment, synthesis of nanomaterials for gas storage and nano lubrication, new varieties of bitumen products, waste water treatments, bio-fuels, coke mitigation in refinery streams, development of rigorous mathematical models for gasifiers and gasification of residues. Substantial progress has been made in several of these research areas.

Capital Expenditure

BPCL's capital expenditure, including investments made in its subsidiaries as well as investments in joint ventures, for the three fiscals 2012, 2013 and 2014 amounted to Rs.27.62 billion, Rs.35.44 billion and Rs.55.60 billion, respectively. The budgeted capital expenditure for the year ending 31 March 2015 is Rs.75.36 billion.

The following table sets out the planned capital expenditure and expected completion of the key projects:

Project	Estimated Cost	Anticipated Time of Completion
	Rs. million	
Integrated Refinery Expansion Project at Kochi	165,040.0	May-2016
Replacement of CDU/VDU at Mumbai Refinery.	14,190.0	Mar-2015
Pipeline from Kota to Jobner	2,762.7	Mar-2015
Pipeline from Irugur to Devangonhi	6,780.0	Feb-2017
Pipeline from Kochi to Salem	9,980.0 ⁽¹⁾	Feb-2017

(1) This being the total project cost. However, the project is proposed to be implemented through a joint venture in which BPCL's shareholding is 50 per cent.

Legal Proceedings

From time to time, BPCL may be involved in various disputes and proceedings. BPCL is currently a party to certain proceedings brought by various government authorities and private parties. BPCL and its subsidiaries are not involved in any litigation that may (individually or in aggregate) have a material effect on the financial position of BPCL.

As of 31 March 2014, the total amount involved in legal actions (including demands and claims by tax authorities and private parties and legal and arbitration proceedings) in connection with such claims against BPCL and its subsidiaries was approximately Rs.56.18 billion. Since most of these cases are in trial or in processing, it is difficult to estimate a precise figure of the amounts of any losses that BPCL is likely to sustain as a result of such actions being decided against BPCL. Even if any judgment or award of such current pending litigation against BPCL is decided adversely to BPCL, it does not anticipate that such cases (individually or in aggregate) would have a material adverse impact on its business, financial condition or results of operations.

Insurance

Generally, BPCL maintains insurance to cover fire, property damage, business interruption, third party liability (including employee liability), personal accident, mandatory public liability and director's liability associated with its businesses. Specifically, BPCL is insured against coastal, tanker movements and transportation of petroleum products including LPG under a marine insurance policy. Inventories and factory buildings are covered under a comprehensive insurance policy against fire, earthquake and natural calamities.

The need for insurance coverage is reviewed on an annual basis and, where necessary, BPCL obtains insurance policies from both public and private insurance companies. BPCL considers its insurance coverage to be in accordance with industry standards.

Subsidiary Companies

Numaligarh Refinery Limited

NRL was incorporated in 1993. As of 31 March 2014, NRL's authorised capital was Rs.10,000 million. It is a "mini ratna" company (category I) and has a 3 MMTPA refinery at Numaligarh, in Assam. As of 31 March 2014, BPCL held 61.65 per cent. of the paid up equity of NRL. The refinery processed 2.61 MMT of crude oil in fiscal 2014 as compared to 2.48 MMT processed in the previous year.

The refinery achieved the highest ever distillate yield of 92.16 per cent. against the previous year's 91.11 per cent. and specific energy consumption of 53.6 MBN against the previous year's 53.2 MBN. NRL's distillate yield continues to be the highest amongst the public sector refineries in the country. As of 31 March 2014, the refinery completed 22.5 million man-hours of lost time accident (LTA) free operations, equivalent to 12 years one month, since the date of the last LTA. NRL's gross refining margin (GRM) in fiscal 2014 stood at U.S.\$12.09 per barrel, compared to fiscal 2013 which stood at U.S.\$10.52 per barrel. The overall gross margin for the refinery in fiscal 2014 amounted to Rs.14,007.7 million as against Rs.10,400.9 million in fiscal 2013. NRL from its operations achieved a gross revenue of Rs.98,767.60 million in fiscal 2014 as compared to Rs.87,570.10 million in fiscal 2013. NRL's profit after tax for fiscal 2014 stood at Rs.3,710.90 million as against a profit of Rs.1,442.60 million in the previous year. Earnings per share (EPS) in fiscal 2014 was Rs.5.04 compared to Rs.1.96 in fiscal 2013.

Bharat PetroResources Limited

BPRL was incorporated in 2006 as a wholly owned subsidiary company of BPCL to implement BPCL's plans to expand into the upstream E&P sector. As of 31 March 2014, the authorised capital of BPRL was Rs.30,000 million and its subscribed and paid up share capital was Rs.26,200 million. The E&P activities of BPRL and its subsidiary companies comprise of 19 blocks where they hold PIs. Of these, eight blocks are in India and 11 are in various overseas countries, including Australia, Brazil, East Timor, Indonesia and Mozambique. These blocks are currently in various stages of exploration and appraisal.

BPRL formed a wholly owned subsidiary, Bharat PetroResources JPDA Limited, through which it holds a PI of 20 per cent. in block-JPDA 06-103-East Timor in the joint petroleum development area between Australia and East Timor. BPRL has incorporated another wholly owned subsidiary, BPRL International B.V., Netherlands, which in turn has incorporated three wholly owned subsidiary companies, namely BPRL Ventures B.V., BPRL Ventures Mozambique B.V. and BPRL Ventures Indonesia B.V., to undertake exploration activities in various countries. BPRL Ventures B.V. has a 50 per cent. stake in IBV Brasil Petroleo Limitada, which has PIs ranging from 20 per cent. to 40 per cent. in seven blocks in Brazil. BPRL Ventures Mozambique B.V. has a PI of 10 per cent. in one block in Mozambique, and BPRL Ventures Indonesia B.V. has a PI of 12.5 per cent. in a block in Indonesia.

BPRL had consolidated miscellaneous income of Rs.97.58 million and recorded a loss of Rs.5,310.96 million in fiscal 2014, as compared to consolidated miscellaneous income of Rs.14.43 million and a loss of Rs.6,640.93 million in fiscal 2013.

Joint Venture Companies

Bharat Oman Refineries Limited

Bharat Oman Refineries Limited (**BORL**), promoted by BPCL and Oman Oil Company (**OOC**) has commenced operations of its 6 MMTPA green field refinery at Bina. BPCL has an equity stake of 50 per cent. in BORL, which has a paid up capital of Rs.17,772.26 million. BPCL has also provided a loan of Rs.13,541.0 million and subscribed to 26.9 million warrants, representing the right to subscribe to 26.9 million equity shares of Rs.10 each at a later date. Bina Refinery, after commencement of its integrated operations in June 2011, stabilised its operations during the year 2013-14 and all plants had been tested individually for more than 100 per cent. capacity utilisation. During the year 2013-14, the refinery recorded a crude intake of 5.45 MMT and an overall capacity utilisation of 91 per cent. against last year's 5.7 MMT at an overall capacity utilisation of 96 per cent. Due to power and steam issues, the Refinery output was affected during the year 2013-2014. The Refinery's GRM for the year 2013-14 stood at U.S.\$9.30 per barrel with an overall gross margin of Rs.22,170 million against last year's GRM of U.S.\$9.1 per barrel with an overall gross margin of Rs.20,460 million.

BORL recorded a sales turnover of Rs.31,1610.40 million in the financial year ended on 31 March 2014. The net loss for the year ended on 31 March 2014 stood at Rs.2,965.10 million, as compared to Rs.2,478.40 million in the previous year.

Petronet LNG Limited

Petronet LNG Limited (**PLL**) was formed in April 1998 to import LNG and set up an LNG terminal with facilities such as jetty, storage and regasification to supply natural gas to various industries in India. PLL has an authorised capital of Rs.12,000 million and was promoted by four public sector companies, namely BPCL, IOC, ONGC and GAIL. Each of the promoters holds 12.5 per cent. of the equity capital of PLL. Other major shareholders include Gaz de France, with a 10 per cent. equity stake. BPCL's equity investment in PLL currently stands at Rs.987.50 million. As of 31 March 2014, PLL had a net worth of Rs.49,861.20 million with a book value of Rs.66.48 per share.

PLL recorded a sales turnover of Rs.377,475.80 million in fiscal 2014 as compared to Rs.314,674.40 million in fiscal 2013. The net profit in fiscal 2014 was Rs.7,119.20 million as compared to Rs.1,1492.80 million in fiscal 2013. EPS in fiscal 2014 was Rs.9.49 as compared to Rs.15.32 in fiscal 2013. PLL declared a dividend of Rs.2 per share in fiscal 2014 as compared to Rs.2.5 per share in fiscal 2013. PLL's shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Indraprastha Gas Limited

Indraprastha Gas Limited (**IGL**), a joint venture company with GAIL as the other co-promoter, was set up in December 1998 to implement the project for supply of CNG to the household and automobile sectors in Delhi. As of 31 March 2014, IGL's authorised share capital was Rs.2,200.0 million. BPCL invested Rs.315.0 million in IGL for a 22.5 per cent. stake in its equity. IGL has commissioned over 325 CNG stations which supply environmental-friendly fuel to more than 750,000 vehicles. IGL has more than 470,000 domestic PNG customers and over 1,300 commercial customers in Delhi. IGL is also extending its business to the towns of Greater Noida and Ghaziabad.

IGL had sales turnover of Rs.43,325.30 million and a profit after tax of Rs.3,602.60 million in fiscal 2014 as compared to a sales turnover of Rs.37,263.90 million and a profit after tax of Rs.3,541.30 million in fiscal 2013. IGL declared dividends of Rs.5.5 per share in fiscals 2013 and 2014 and in fiscal 2014 its net worth was Rs.17,631.60 million with a book value of Rs.125.94 per share. IGL's shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Sabarmati Gas Limited

SGL, a joint venture company promoted by BPCL and Gujarat State Petroleum Corporation, was incorporated on 6 June 2006 for implementing the "city gas distribution" project for supply of CNG to the household and automobile sectors in Gandhinagar, Mehsana and Sabarkantha Districts of Gujarat. As of 31 March 2014, SGL's authorised share capital was Rs.1,000.0 million. The paid up share capital of SGL is Rs.200 million.

BPCL has a 25 per cent. stake in the equity capital of SGL. SGL has set up 33 CNG stations. SGL achieved a sales turnover of Rs.9710.13 million and profit after tax of Rs.264.87 million in fiscal 2014, as compared to a sales turnover of Rs.8,886.57 million and loss of Rs.342.65 million in fiscal 2013.

Central UP Gas Limited

CUGL is a joint venture company set up in March 2005 by BPCL and GAIL to supply CNG to the household, industrial and automobile sectors in Kanpur and Bareilly in Uttar Pradesh. As of 31 March 2014, CUGL's authorised share capital was Rs.600 million, BPCL and GAIL have each invested Rs.150 million in the joint venture, with each partner holding an equity stake of 25 per cent. CUGL has set up 13 CNG stations and is carrying on its pressurised natural gas operations.

CUGL achieved a sales turnover of Rs.2,152.26 million and a profit of Rs.254.33 million in fiscal 2014, as compared to a sales turnover of Rs.1,611.48 million and a profit of Rs.209.80 million in fiscal 2013. EPS in fiscal 2014 was Rs.4.24 as compared to Rs.3.50 in fiscal 2013. The board of directors recommended a dividend payment of Rs.1.25 per share in fiscal 2014, which was the same as that declared in fiscal 2013.

Maharashtra Natural Gas Limited

MNGL was set up on 13 January 2006 as a joint venture company with GAIL to supply CNG to the household, industrial and automobile sectors in Pune and its surrounding areas. As of 31 March 2014, MNGL's authorised share capital was Rs.1,000 million, BPCL and GAIL have invested Rs.225.0 million each in MNGL's equity capital. MNGL has set up 28 CNG stations to date. MNGL has achieved a sales turnover of Rs.3,438.97 million in fiscal 2014 and a profit of Rs.556.80 million for the year as compared to a sales turnover of Rs.2,000.51 million and a profit of Rs.384.99 million in fiscal 2013.

Bharat Stars Services Private Limited

BSSPL, a joint venture company promoted by BPCL and ST Airport Pte Limited, Singapore, was incorporated on 13 September 2007 for providing plane fuelling services at the new Bengaluru International Airport. As of 31 March 2014, the paid up capital was Rs.200 million.

The two promoters have each subscribed to 50 per cent. of the equity share capital of BSSPL and BPCL's present investment stands at Rs.100 million. BSSPL, which commenced operations at the new international airport in Bengaluru in May 2008, has also incorporated a wholly owned subsidiary for providing plane fuelling services at the T3 Terminal of Delhi International Airport. In addition, BSSPL plans to enter Calicut Airport and other airports. In fiscal 2014 BSSPL achieved a sales turnover of Rs.129.87 million and a profit of Rs.27.24 million. In fiscals 2014 and 2013 BSSPL recommended a dividend of Rs.0.25 per share.

Matrix Bharat Pte Limited

MBPL is a joint venture company which was incorporated in Singapore on 20 May 2008 for carrying on bunkering business and supplying marine lubricants in Singapore as well as carrying on international bunkering business, including expansion into Asian and Middle Eastern markets. MBPL is promoted by BPCL and Matrix Marine Fuels LP USA (**Matrix**), an affiliate of the Mabanft group of companies from Hamburg, Germany. BPCL subscribed to 2 million shares for an equivalent sum of Rs.84.10 million. Matrix and BPCL have contributed equally to the share capital. Matrix subsequently transferred its share and interest in the joint venture into Matrix Marine Fuels Pte Limited, Singapore, another affiliate of the Mabanft group. The name of the joint venture company was thereafter changed from Matrix Bharat Marine Services Pte Ltd to MBPL.

MBPL commenced ex-pipe bunkering operations in August 2008. While, MBPL is a physical bunker supplier at Mumbai, Jawaharlal Nehru Port Trust, near Mumbai and Kochi ports where products are sourced through BPCL refineries, at other Indian ports MBPL supplies bunker fuels by

sourcing products through other national oil companies. MBPL is one of the leading international bunker suppliers at Indian ports and has already created a niche Indian bunker market. MBPL also undertakes risk management initiatives including hedging activities.

MBPL has the presence in Oman, South Africa and Gulf Mexico through other associate companies such as Matrix Oman, Matrix Kepu and Matrix Houston and has vast global presence through another group company Bomin Bunker Holding GmbH & Co. KG. MBPL achieved a sales turnover of U.S.\$837.82 million and earned a profit of U.S.\$1.05 million in fiscal 2014 as compared to a sales turnover of U.S.\$566.97 million and a loss of U.S.\$3.98 million in fiscal 2013.

Petronet India Limited

PIL was formed in 1997 as a non-government financial holding company to develop pipeline networks throughout the country. As of 31 March 2014, BPCL has 16 per cent. equity participation with an investment of Rs.160.0 million in PIL. PIL through its joint venture companies has facilitated pipeline access on a “common carrier” principle basis, including facilitating pipeline access at Vadinar-Kandla, Kochi-Coimbatore-Karur and Mangalore-Hassan-Bangalore.

A pipeline policy announced by the Government in 2002 allowed interested companies to undertake pipeline projects as a result of which PIL’s business was adversely affected. Thereafter the promoters and other investors of PIL decided that since continuation of PIL as a profitable entity would not be viable, PIL should be wound up. In September 2013, the Government gave its approval to the winding-up decision and ordered PIL to divest its stake in the three joint ventures that it promoted stake. Accordingly, as of the date of this Offering Circular, the process of divesting PIL’s equity in the three joint venture companies that PIL promoted is currently in progress. In relation to the disinvestment process, PIL also appointed an independent expert to evaluate the valuation of PIL’s stake in the three joint ventures. As of the date of this Offering Circular, the valuation report is in its final stage.

Petronet CCK Limited

PCCKL was incorporated in 1998 as a joint venture company promoted by BPCL and PIL. BPCL invested a sum of Rs.490 million for a 49 per cent. stake in the equity capital of PCCKL. As of 31 March 2014, PCCKL has an authorised share capital of Rs.1,350 million and owns the 292 km multi-product Kochi-Karur pipeline from BPCL’s installation at Irimpanam to Karur for transportation of MS, HSD and SKO. The pipeline commenced commercial operations in September 2002.

The pumping volume in fiscal 2014 amounted to 2.44 MMT as against 2.60 MMT in fiscal 2013. PCCKL registered a sales turnover of Rs.929.05 million and a net profit of Rs.445.35 million in fiscal 2014 as compared to a sales turnover of Rs.904.15 million and a loss of Rs.188.27 million in fiscal 2013. PCCKL in fiscal 2014 recommended a dividend of Rs.0.50 per equity share.

Delhi Aviation Fuel Facility Private Limited

DAFFPL was incorporated in 2010 as a joint venture company promoted by BPCL, IOC and the Delhi International Airport Limited (**DIAL**) for implementing the aviation fuel facility at the T3 terminal at DIAL. BPCL and IOC have each subscribed to 37 per cent. of the share capital of the joint venture while the remainder is held by DIAL. BPCL’s onsite assets at the Delhi airport were transferred to DAFFPL, which registered a sales turnover of Rs.990.09 million and a net profit of Rs.300.96 million in fiscal 2014 as against a sales turnover of Rs.953.59 million and a net profit of Rs.296.27 million in fiscal 2013. DAFFPL proposed a dividend of Rs.1.25 per equity share in fiscal 2014, as against Rs.1.20 per equity share in fiscal 2013.

Kannur International Airport Limited

BPCL signed a MoU with KIAL, which was promoted by the Government of Kerala to establish, operate, manage, undertake and maintain airports and allied infrastructure facilities for building an airport at Kannur in the state of Kerala. The board has sanctioned an investment of up to Rs.1,700 million for 17 per cent. equity stake in the company. Of this, as of 31 March 2014, BPCL made an initial equity contribution of Rs.700 million.

GSPL India Transco Limited

BPCL signed a joint venture agreement in April, 2012 with GSPL, IOC and HPCL for laying the MBPL and BJSPL gas pipelines. GITL will be executing the project and BPCL will contribute 11 per cent. of the total equity of the Company. The balance will be contributed by GSPL (52 per cent.), IOC (26 per cent.) and HPCL (11 per cent.). As of 31 March 2014, BPCL had contributed Rs.126.50 million and as of 30 November 2014, BPCL had further contributed Rs.27.50 million towards its share of the equity capital. GITL earned a miscellaneous income of Rs.24.28 million and a net profit of Rs.16.40 million in fiscal 2014 as against Rs.12.34 million and Rs.8.34 million respectively in fiscal 2013.

GSPL India Gasnet Limited

BPCL signed a joint venture agreement on 30 April 2012 with GSPL, IOC and HPCL for laying the MBBVPL gas pipeline. GIGL will be executing the project and BPCL will contribute 11 per cent. of GIGL's total equity capital. The balance will be contributed by GSPL (52 per cent.), IOC (26 per cent.) and HPCL (11 per cent.). As of 31 March 2014, BPCL had contributed Rs.150.72 million and as of 30 November 2014, BPCL had further contributed Rs.27.48 million towards its share of the equity capital. GIGL earned a miscellaneous income of Rs.23.39 million and a net profit of Rs.15.80 million in fiscal 2014 as against Rs.9.46 million and Rs.6.54 million respectively in fiscal 2013.

Mumbai Aviation Fuel Farm Facility Pvt. Ltd.

On 30 September 2010, BPCL signed a MoU with the Mumbai International Airport Ltd. for the provision of fuel farm facilities at the Mumbai Airport. The facility will be a joint venture amongst BPCL, IOC, HPCL and MIAL, on an equal 25 per cent. basis. The shareholders agreement was signed on 7 February 2014. BPCL's proposed investment in MAFFFL will be Rs.597.2 million.

In fiscal 2014, the sales turnover and profit after tax of BPCL's major joint venture companies are as presented in the table below.

Subsidiary/Joint Venture Company	Sales Turnover for FY 2014	Profit/(Loss) for FY 2014
	(Rs. Million ⁽¹⁾)	(Rs. Million ⁽¹⁾)
Numaligarh Refinery Limited	98,767.60	3,710.90
Bharat PetroResources Limited	97.58	(5,310.96)
Bharat Oman Refineries Limited	311,610.40	(2,965.10)
Petronet LNG Limited	377,475.8	7,119.2
Indraprastha Gas Limited	43,325.3	3,602.6
Sabarmati Gas Limited	9,710.13	264.87
Central UP Gas Limited	2,152.26	254.33
Maharashtra Natural Gas Limited	3,438.97	556.80
Bharat Stars Services Private Limited	129.87	27.24
Matrix Bharat Pte Limited	837.82	1.05
Petronet India Limited	1.9	(0.6)
Petronet CCK Limited	929.05	445.35
Delhi Aviation Fuel Facility Private Limited	990.09	300.96
GSPL India Transco Limited	24.28	16.40
GSPL India Gasnet Limited	23.39	15.80

⁽¹⁾ Except for MBPL for which the amount is in U.S.\$ million

Employees

As of 1 January 2015, BPCL had 12,750 employees. The following table sets out the number of employees of BPCL.

Mumbai Refinery	2,716
Kochi Refinery	1,932
Marketing & Others	<u>8,102</u>
Total	<u><u>12,750</u></u>

Remuneration

The terms of pay in Government public sector undertakings (PSUs) are regulated by the Government. The last pay revision for management staff was with effect from 1 January 2007 which would remain in force for 10 years . To account for inflation, a dearness allowance that is linked to the consumer price index is paid linked to employees and an annual increment as per guidelines is also provided.

In addition to basic remuneration, BPCL has implemented a performance related payment for the officers. For non-officers, there are two schemes — a “performance linked incentive scheme” and a “productivity incentive scheme”. BPCL has also set up a contributory pension fund in addition to the provident and gratuity funds. All of BPCL's employees are eligible to participate in the incentive schemes and also in the pension scheme.

Training

With continual infusion of technology in BPCL's business, the nature of roles to be performed by BPCL is continually shifting. BPCL is shifting from labour intensive operations to knowledge intensive operations, which requires higher competency and capability levels among employees. In order to ensure that competent and capable employees are in place, employee training has become an ongoing and crucial activity for BPCL.

There is significant emphasis placed on leadership competency enhancement skills to ensure leadership development and a strong succession pool. Leadership development programmes are done across management cadres and are based on feedback from a variety of sources.

To help equip employees with the requisite skills and knowledge to enable them to improve their job performance, functional and behavioural training programmes are also conducted. These programmes are conducted in-house as well as externally and, if required, employees are also sent abroad for training programmes.

Recruitment

BPCL has implemented a recruitment policy which is broadly categorised into two main areas, namely, recruitment of officers and non-officers. For officers, BPCL normally recruits entry level management, with the officers being promoted as they acquire experience.

BPCL emphasises redeploying existing workmen after necessary development of skills through training.

Unions

BPCL believes it has cordial relations with its unions, with active communication interface between the unions and management. Substantially each of BPCL's employees, except for its officers, are members of a trade union. Currently, there are 22 registered unions representing BPCL's employees.

Related Party Transactions

BPCL has not entered into any material transaction with a member of the management or a member of the board in fiscal 2014.

Health, Safety, Security & Environment

BPCL is subject to Indian laws and regulations concerning environmental protection. The principal environmental regulations applicable to Indian industries are the Water (Prevention and Control of Pollution) Act, 1974 (**Water Act**), as amended, the Water (Prevention and Control of Pollution) Cess Act, 1977, as amended, the Forest (Conservation Act), 1980, as amended, the Air (Prevention and Control of Pollution) Act, 1981, as amended, the Environment (Protection) Act, 1986, as amended and the Hazardous Wastes (Management Handling and Transboundary Movement) Rules, 2008, as amended. Furthermore, environmental regulations require a company to file an environmental impact assessment (**EIA**) with the State Pollution Control Board (**SPCB**) and the Ministry of Environment and Forests (**MoEF**) before undertaking a project entailing the construction, development or modification of any refinery, system or structure. If the SPCB approves the project, the matter is referred to the MoEF for its final determination. The estimated impact which a project would have on the environment is carefully evaluated before clearance is granted. When granting clearance, conditions and variations to the proposed project can be imposed by the approving authorities. Compliance with applicable environmental regulations is monitored by the SPCB located in each state as well as by the MoEF. No industrial or productive facility may operate without a valid authorisation from the local SPCB office. SPCBs and the MoEF routinely inspect industrial and

productive facilities to monitor compliance with applicable environmental standards and regulations. The SPCBs are also empowered to grant authorisation for the collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. Violations of relevant environmental regulations are punishable by monetary fines and imprisonment of company officers and controlling persons. BPCL has obtained the necessary environmental approvals for all existing operations from the SPCB and the MoEF.

On 18 March 2008, the MoEF issued a gazette notification relating to the “Oil Refinery Industry” amending the Environment (Protection) Rules 1986. The notification revised the effluent and emissions standards and some of the parameters have become more stringent. Certain new parameters were introduced after the revision.

BPCL publishes an annual “Sustainable Development Report” which documents its responsible approach towards the environment and its efforts to achieve inclusive growth at its workplaces across India.

BPCL has established environmental management systems at all of its refineries, pipelines and major marketing installations which are all certified under International Organisation for Standardisation (ISO)-14001 standards. The environmental management system is administered internally by BPCL’s health, safety and environment department and includes monitoring, measuring and reporting compliance, establishing environment and safety programmes and training personnel in environmental and safety matters.

BPCL’s production business periodically obtains and renews clearances from the appropriate authorities with respect to environmental matters. BPCL’s production business has received environmental clearances and consents to operate under the Air (Prevention and Control of Pollution) Act, 1981 and Water Acts. Solid waste disposal authorisation has also been received from SPCBs. BPCL has installed pollution control and monitoring systems such as state-of-the-art effluent treatment plants, air pollution control measures, sophisticated stack and ambient analysers to maintain effluent quality and stack emissions within specified limits at its refineries.

BPCL does not generate any toxic waste from its manufacturing processes and any waste generated is biodegradable and disposed of in accordance with relevant laws and regulations. BPCL has obtained all necessary pollution and environmental clearances from the applicable regulatory authorities. BPCL believes that it is in substantial compliance with applicable environmental laws and regulations. As for the parameters laid down by the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, pertaining to namely, handling, packaging, labelling and transport of hazardous waste accident reporting and follow-up, set by the MoEF, BPCL believes it is in substantial compliance with most of the parameters and is implementing measures to comply with the remaining parameters.

BPCL achieved improvement in reporting and monitoring system through technology improvement by an online work permit system that was rolled out for better management and ensuring effective controls on jobs carried out at locations. Similar efficiency in the retail business was achieved by introducing an online audit system along with strengthening of online reporting of incidents.

Rainwater harvesting was given an impetus during fiscal 2014 and BPCL locations could tap around 45 per cent. of the total potential rain water harvesting area all over India. The retail business installed energy efficient lighting at 130 one-stop truck shop outlets and company owned and operated outlets leading to savings of about 1,000 MWH of energy per year. 27 sectionising valve (SV) stations in the entire Mumbai-Manmad-Bijwasan Pipeline and eight SV stations in the Bina-Kota-Piyala Pipeline were converted to solar photovoltaic and wind power, replacing the conventional grid and distribution generation power during fiscal 2014. BPCL achieved an “A+” level of reporting as per global reporting initiative (GRI) norms for sustainable development for the year 2013-14. This is the seventh consecutive year that BPCL has achieved an “A+” level of reporting as per GRI norms. All

these reports were assured by an independent third party assurance provider as per AA 1000 AS (2008) and ISAE 3000 international standards of assurance. Also BPCL's sustainability report for 2013-14 is the first GRI G4 report published by an oil and gas company in India. BPCL's efforts in the area of health, safety and environment were also acknowledged by the Confederation of Indian Industry Western Region first prize awards in the service category for locations at MMPL (Mumbai-Manglia Pipeline section) and an "appreciation award" in the manufacturing category for BPCL's Mumbai refinery.

On the environmental conservation front, using the rainwater harvesting schemes the Mumbai refinery was able to harvest 26,572 kls of water in fiscal 2014. As part of the environmental management system, the Mumbai refinery has used more than 406,000 kls of treated water in various cooling towers, thereby reducing fresh raw water consumption; set up a sewage treatment facility and solar power plant in the refinery; conducted a comprehensive water audit etc. The Mumbai refinery has successfully implemented an energy management system and has been accredited with ISO 50001:2011 certification by Det Norske Veritas (DNV). The Mumbai refinery also has the distinction of becoming the first Indian worksite to achieve a level 8 rating on the international safety rating system according to DNV through a combination of advanced technology, training of personnel at all levels, safety drills and formulation of crisis management and disaster control plans.

Further, in association with a non-governmental organisation, the Kochi refinery has taken initiatives for implementing proper disposal procedures of all paper and plastic wastes produced at the refinery premises so that such waste products are directly sent to the pulping unit of ITC Limited maintained under the "Wealth out of Waste" project of BPCL. Other environmental friendly measures planned by the Kochi refinery include adoption of rainwater harvesting facilities and planting of 4,000 saplings in the refinery area.

The Kochi refinery has also conducted a carbon footprint study for which it received a ISO 14064:2006 certificate from a third party assurer, M/s. Bureau Veritas Certification India Pvt. Ltd.

MANAGEMENT AND SHAREHOLDING

Board of Directors

The Board oversees the overall function of the Issuer. The dates of the Board meetings are fixed well in advance and communicated to the members of the Board. The meetings of the Board are generally held at least once per quarter. During the fiscal year ended 31 March 2014 and for the six months ended 30 September 2014, seven and six Board meetings were held, respectively. All Board meetings and the annual general meeting were chaired by the Chairman & Managing Director. The agenda for each Board meeting is circulated well in advance of the meeting and presentations are given on various functional and operational areas of the Issuer.

In accordance with the Issuer's Articles of Association, the Issuer shall not have less than three or more than 16 Directors. As of the date of this Offering Circular, the Board is comprised of five full-time (executive) Directors, including the Chairman & Managing Director, two part-time (ex-officio) Directors and two part-time (Independent) Directors.

None of the non-executive Directors of the Issuer had any pecuniary relationship or were involved in transactions with the Issuer during the year.

The Directors neither held memberships of more than 10 Board Committees nor Chairmanships of more than five Committees (as specified in clause 49 of the Listing Agreement and the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Department of Public Enterprises) across all the companies in which they were Directors.

The following table sets out details regarding the Board as of 30 September 2014.

<u>Name & Position</u>	<u>Academic Qualifications</u>	<u>Details of Directorship Held in Other Companies</u>	<u>Membership Held in Committees</u>
Mr. S. Varadarajan Chairman & Managing Director	<ul style="list-style-type: none"> • Member of the Institute of Chartered Accountants of India (ACA); and • Member of the Institute of Cost and Works Accountants of India (AICWA). 	<p>Chairman</p> <ul style="list-style-type: none"> • Numaligarh Refinery Ltd.; • Bharat Oman Refineries Ltd.; • Matrix Bharat Pte Ltd.; and • Bharat Renewable Energy Ltd. <p>Director</p> <ul style="list-style-type: none"> • Bharat Petro Resources Ltd.; and • Petronet LNG Ltd. 	<p>Audit Committee Chairman</p> <ul style="list-style-type: none"> • Bharat Petro Resources Ltd.

Name & Position	Academic Qualifications	Details of Directorship Held in Other Companies	Membership Held in Committees
Mr. K. K. Gupta Director (Marketing)	<ul style="list-style-type: none"> Bachelor of science degree in mechanical engineering. (B.Sc. (Engg.) (Mech.)) 	<p>Chairman</p> <ul style="list-style-type: none"> Bharat Stars Services (Delhi) Pvt Ltd.; and Bharat Stars Services Pvt Ltd. <p>Director</p> <ul style="list-style-type: none"> Sabarmati Gas Ltd.; and Matrix Bharat Pte Ltd. 	—
Mr. B. K. Datta Director (Refineries)	<ul style="list-style-type: none"> Bachelor of engineering degree in chemistry. (B.E.(Chem)) 	<p>Director</p> <ul style="list-style-type: none"> Bharat Oman Refineries Ltd; and Bharat PetroResources Ltd. 	<p>Audit Committee Member</p> <ul style="list-style-type: none"> Bharat PetroResources Ltd.
Mr. S. P. Gathoo Director (Human Resources)	<ul style="list-style-type: none"> Postgraduate master's degree in personnel management (M.P.M); and Fellow of LEAD International Institute. 	<p>Chairman</p> <ul style="list-style-type: none"> Petronet India Ltd.; and Petronet CCK Ltd. 	<p>Audit Committee Member</p> <ul style="list-style-type: none"> Petronet CCK Ltd.
Mr. P. Balasubramanian Director (Finance)	<ul style="list-style-type: none"> Member of the Institute of Chartered Accountants of India (ACA) 	<p>Director</p> <ul style="list-style-type: none"> Bharat Oman Refineries Ltd.; Bharat PetroResources Ltd.; and Delhi Aviation Fuel Facility Pvt Ltd. 	<p>Audit Committee Member</p> <ul style="list-style-type: none"> Bharat PetroResources Ltd.; and Bharat Petroleum Corporation Ltd. <p>Stakeholders Relationship Committee Member</p> <ul style="list-style-type: none"> Bharat Petroleum Corporation Ltd.

Non-executive Directors

Part-time (Ex-officio)

Name & Position	Academic Qualifications	Details of Directorship Held in Other Companies	Membership Held in Committees
Dr. Neeraj Mittal Joint Secretary (Marketing), MoPNG	<ul style="list-style-type: none"> • Indian administrative service (IAS); • Bachelor of technology in electrical engineering; • Master of business administration; and • Doctor of philosophy in management information system. 	—	Nomination & Remuneration Committee: <ul style="list-style-type: none"> • Bharat Petroleum Corporation Ltd.
Mr. P.H. Kurian Principal Secretary (Industries & IT) Govt. of Kerala	<ul style="list-style-type: none"> • IAS; and • Post graduate in chemistry. 	Chairman: <ul style="list-style-type: none"> • Malabar Cements Ltd.; • Transformers & Electricals Kerala Ltd.; • Western India KINFRA Ltd.; • Rubber Park India Pvt. Ltd.; • ICICI KINFRA Ltd.; • KINESCO Power & Utilities Pvt. Ltd.; and • Kottayam Port and Container Terminal Services. 	—
		Director <ul style="list-style-type: none"> • Kerala State Industrial Development Corporation Ltd.; • The Kerala Minerals and Metals Pvt. Ltd.; • Kerala State IT Infrastructure Ltd.; • Kerala Gail Gas Ltd.; • Apollo Tyres Ltd.; • Infrastructure Kerala Ltd.; • Smart City (Kochi) Infrastructure Pvt Ltd; • Nitta Gelatin India Ltd; • Kerala Academy for Skills Excellence (Pvt); • Marine Products Infrastructure Development Corporation Ltd; and • Symphony TV & Entertainments Pvt Ltd. 	

Non-executive Directors

Part-time (Independent)

Name & Position	Academic Qualifications	Details of Directorship Held in Other Companies	Membership Held in Committees
Mr. J. R. Varma	<ul style="list-style-type: none"> • Doctorate in management from the Indian Institute of Management, Ahmedabad; and • Member of the AICWA. 	Director <ul style="list-style-type: none"> • Infosys BPO Ltd.; and • Gujarat International Finance Tec-city Company Ltd. 	Audit Committee Member <ul style="list-style-type: none"> • Bharat Petroleum Corporation Ltd. (Chairman); • Infosys BPO Ltd.; and • Gujarat International Finance Tec-city Company Ltd. Nomination & Remuneration Committee: <ul style="list-style-type: none"> • Bharat Petroleum Corporation Ltd. (Chairman)
Mr. B. Chakrabarti	<ul style="list-style-type: none"> • Member of the Institute of Chartered Accountants of India (ACA). 	Director <ul style="list-style-type: none"> • General Insurance Corporation of India. 	Audit Committee Member <ul style="list-style-type: none"> • Bharat Petroleum Corporation Ltd.; and • General Insurance Corporation of India. Stakeholders Relationship Committee <ul style="list-style-type: none"> • Bharat Petroleum Corporation Ltd. (Chairman) Nomination & Remuneration Committee: <ul style="list-style-type: none"> • Bharat Petroleum Corporation Ltd.

Board Committees

The Issuer has established various committees comprised of Directors to closely monitor various critical aspects of its business. Certain details regarding the significant committees as of 30 September 2014 are provided below.

Audit Committee

The Audit Compliance Committee (**Audit Committee**) has been constituted as per the provisions of the New Companies Act and clause 49 of the Listing Agreement. The roles, powers and functions of the Audit Committee were specified and approved by the Board on 26 August 2000.

As of the date of this Offering Circular, the Audit Committee comprised of two part-time (Independent) Directors and one whole-time Director and Prof. J. R. Varma is the Chairman of the Audit Committee. Mr B. Chakrabarti and Mr. P. Balasubramanian, Director (Finance) are the other

members of the Audit Committee. The Issuer's Secretary acts as the Secretary to the Audit Committee. Quorum for meetings of the Audit Committee is either two members or one-third of the members of the Audit Committee whichever is greater, but there should be a minimum of two independent members present.

Executive Director (Audit) is actively involved in the meetings of the Audit Committee. In addition, other full-time Directors also attend the meetings. The statutory auditors and cost auditors also attend and participate at such meetings upon invitation.

The role and responsibilities of the audit committee include, *inter alia*, the terms of reference under the New Companies Act and under clause 49 of the Listing Agreement.

The role and responsibilities of the Audit Committee include the following:

- Overseeing the Issuer's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending to the Board the fixation of audit fees;
- Approving payments to statutory auditors for any other services rendered by them;
- Reviewing, with the Issuer's management, the financial statements before submission to the Board for approval, with particular reference to:
 - matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report;
 - changes, if any, in accounting policies and practices and reasons for the same;
 - major accounting entries involving estimates based on the exercise of judgment by management;
 - significant adjustments made in the financial statements arising out of audit findings;
 - compliance with listing and other legal requirements relating to financial statements;
 - disclosure of any related party transactions; and
 - qualifications in the draft audit report;
- Reviewing the quarterly financial statements of the Issuer and its subsidiaries, with the management before submission to the Board for approval;
- Reviewing the performance of the statutory and internal auditors and the adequacy of the internal control systems with the management;
- Reviewing the adequacy of the 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;
- Discussing with the internal auditors any significant findings and following 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;

- Discussing with the statutory auditors before the audit commences as regards the nature and scope of the audit as well as post-audit discussions to ascertain any areas of concern;
- Assessing the reasons for substantial defaults in payments to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- Defining significant related party transactions; and
- Carrying out any other functions as mentioned in the Department of Public Enterprises Guidelines (**DPE Guidelines**) and ‘Terms of reference’ of the Audit Committee.

Projects Evaluation Committee

The Board constituted a Projects Evaluation Committee, comprising two part-time (Independent) Directors, one part-time (ex-officio) Director and the Director (Finance).

The Projects Evaluation Committee is expected to evaluate, guide implementation, monitor, review and assess deliverables, and provide recommendations and advice to the Board for projects costing more than Rs.1.5 billion, including investments in subsidiaries and joint ventures.

The current members of the Projects Evaluation Committee are Mr. B. Chakrabarti, Chairman, Prof. J. R. Varma, Mr. P. H. Kurian and Mr. P. Balasubramanian, Director (Finance).

Nomination & Remuneration Committee

The Issuer constituted a Nomination and Remuneration Committee to formulate and review policies related to remuneration, perquisites and incentives within the parameters of guidelines issued by the Government. The Remuneration Committee comprises two Independent Directors, namely Prof. J. R. Varma, Chairman and Mr. B. Chakrabarti, and one part-time (official) Director, Dr. Neeraj Mittal as members, with Director (Human Resources) and Director (Finance) being invitees.

Stakeholders Relationship Committee

The Stakeholders Relationship Committee, comprising Mr. B. Chakrabarti as Chairman and Mr. P. Balasubramanian, Director (Finance) as members, monitors the shareholders’ and investors’ complaints and redressal of their grievances. Mr. S. V. Kulkarni, the Company Secretary, acts as the Compliance Officer for matters related to investor relations. During the fiscal year ended 31 March 2014, three complaints were received from investors through the Securities and Exchange Board of India, the BSE Limited and National Stock Exchange of India Ltd., which were attended to and resolved on a priority basis. For the six months ended 30 September 2014, one complaint was received from investors through National Stock Exchange of India Ltd, which were attended to and resolved on a priority basis. All valid share transfer requests received during the year were duly processed and approved within the stipulated period.

Sustainable Development Committee

The Sustainable Development Committee was constituted for the purpose of setting and evaluation of MOU targets and to approve and review sustainable development projects from time to time. The Sustainable Development Committee comprises one part-time (Independent) Director as Chairman, together with Director (Marketing) and Director (Refineries). As of the date of this Offering Circular, the members of this committee comprises Mr. B. Chakrabarti, Chairman, Mr. S. Varadarajan, Mr. K. K. Gupta, Mr. B. K. Datta and Mr. S. P. Gathoo.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was constituted for the purpose of mainly utilising 2 per cent. of the Issuer's previous year's net profit towards activities associated with corporate social responsibility (CSR) and sustainability and for periodically reviewing and providing guidance on all CSR activities. As of 30 September 2014, the members of this committee comprised of Mr. B. Chakrabarti, Mr. S. P. Gathoo and Mr. P. Balasubramanian.

Shareholdings of the Board of Directors

The Issuer has not introduced any stock options schemes. None of the non-executive Directors hold any shares in the Issuer.

The table below shows the shareholdings of the Issuer's executive Directors as of 30 September 2014:

Shareholding as of 30 September 2014		
Shareholder	Designation	No. of Shares
Mr. B. K. Datta	Director (Refineries)	100
Mr. S. P. Gathoo	Director (Human Resources)	1,200
Mr P. Balasubramanian	Director (Finance)	6

Principal Shareholders

The table below shows the holders of the Issuer's issued share capital as of 30 September 2014:

Shareholder	Per Cent. of Holding
Government of India (President of India)	54.93
Other Financial Institutions/Banks/Mutual Funds/Venture Capital	9.05
BPCL Trust for Investments in Shares	9.33
Foreign Holdings (FII's/OCB/NRI's)	12.66
Others	7.04
Life Insurance Corporation of India	4.99
Unit Trust of India	0.88
Government of Kerala (Governor of Kerala)	0.86
Employees	0.26
Total	<u>100.00</u>

OVERVIEW OF THE OIL INDUSTRY OF INDIA

This information in the section below has been derived, in part, from various government and private publications or obtained in communications with government ministries in India. This information has not been independently verified by the Issuer or the Arranger or any of their respective affiliates or advisers. The information may not be consistent with other information compiled within or outside India. Neither the Issuer nor the Arranger has any actual knowledge of any material misstatement contained in this section.

Fundamentals of the Refining Industry

Oil refining is the industrial process of separating hydrocarbon molecules present in crude oil and converting them into more useful and valuable finished petroleum products, as unprocessed crude oil has limited applications. Refineries are designed to process various types of crude oil and other feedstock into selected products, and are an essential part of the downstream side of the petroleum industry. In general, the different process units of a refinery perform at least one of the following functions:

- separating the many types of hydrocarbons present in crude oil into fractions;
- converting the hydrocarbons into more desirable products;
- treating the products by removing impurities; and
- blending intermediate streams into finished products.

Main finished products of refineries and primary end-uses are described below:

Product	Major End-uses
LPG.....	Domestic fuel, auto fuel and industrial applications
Naphtha/Natural Gas Liquid (NGL).....	Feedstock/fuel for fertiliser units, the petrochemical sector and power plants
Motor Spirit (MS), also known as gasoline or petrol.....	Fuel for passenger automobiles as well as two and three wheelers
ATF.....	Fuel for aircrafts
Superior Kerosene Oil (SKO)	Fuel for cooking and lighting
High Speed Diesel (HSD)	Fuel for the transportation sector, agriculture (tractors, pump sets, threshers) and captive power generation
Light Diesel Oil (LDO).....	Fuel for agricultural pump sets, small industrial units, and start up fuel for power generation
Furnace Oil (FO)/Low Sulphur Heavy Stock (LSHS).....	Secondary fuel for thermal power plants, fuel/feedstock for fertilizer plants and industrial units
Bitumen.....	Surfacing of roads
Lubes.....	Lubrication for automotive and industrial applications
Other Products (such as benzene, toluene, MTO, LABFS, CBFS and paraffin wax).....	Feedstock for value added products

Crude oil is the primary feedstock used in oil refining. The quality of crude oil and refinery configuration indicate the level of processing and conversion necessary to achieve the optimal mix of finished products. Typically, crude oil is classified by its density (light to heavy) and sulphur content (sweet to sour). Light sweet crude oil is more expensive than heavy sour crude oil because it requires less treatment and produces a slate of products with a greater percentage of high-priced, light, refined products, such as LPG, gasoline and naphtha. Heavy sour crude oil is typically sold at a discount to the light sweet crude oil because it produces a greater percentage of lower value products and requires additional processing to produce the higher value light products. Consequently, refiners strive to process the optimal mix, or slate, of crude oil through their refineries, depending on each refinery's conversion and treating units, current and anticipated product prices, the desired product mix and the relative price of available crude oil and other feedstock.

The complexity of a refinery refers to its ability to process less expensive feedstock, such as heavier and higher sulphur content crude oil, into higher value products and is dependent on the number and types of conversion units. Generally, the higher the complexity of the refinery, the more flexible the refinery will be with respect to its possible feedstock slate and the better positioned the refinery is to take advantage of less expensive crude oil, resulting in higher gross margin opportunities.

Over the years, the petroleum refining industry has experienced steady growth in demand for refinery products, cyclical margins due to periodic over-capacity and supply shortages in various regional markets, and seasonal fluctuations in the consumption of particular types of refinery products, such as higher gasoline and diesel consumption during the summer driving season, and higher home heating oil consumption during the winter months.

Economics of Refining

Oil refining is primarily a margin-based business seeking to optimise the refining processes and yields of all products in relation to feedstock that are used. In a simple refinery, a greater percentage of the end products is less valuable heavy products such as furnace oil and bitumen, with the remainder being light products such as LPG, mixed-xylenes and unleaded gasoline and middle distillates such as diesel and jet fuel. However, the product yields depend on the type of crude oil and other feedstock. The total value of the finished products less the cost of crude oil and other feedstock and utilities is the simple refining margin. The complex refining margin differs from the simple refining margin in that a lower proportion of heavy products are produced in a complex refinery due to equipment available to convert the low value heavy products into the higher value light products. More complex plants are able to generate a higher yield due to their ability to produce higher value products using a lower cost crude oil or other feedstock. As a result, complex margins are higher than simple margins.

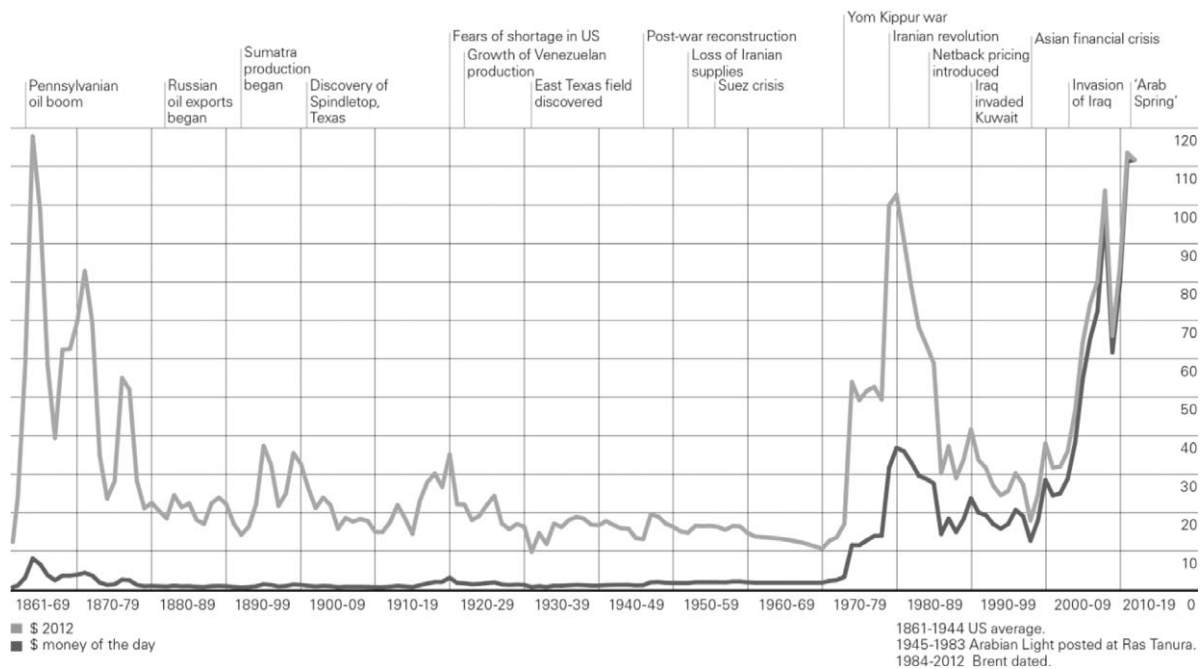
Refineries with upgrading units serve to increase distillate yields such as gasoline, kerosene and diesel. Distillates are often worth more than residual oils. Therefore, the more upgrading units a refinery has, the higher its margins.

The industry uses a number of benchmarks to measure performance, margin and refinery complexity, including: plant utilisation rate, gross refining margin, Nelson Complexity Index (an index used in the refining industry to measure the complexity of a refinery), upgrading-to-refining ratio, hydrotreating-to-refining ratio, non-energy cash costs, maintenance costs and operational availability.

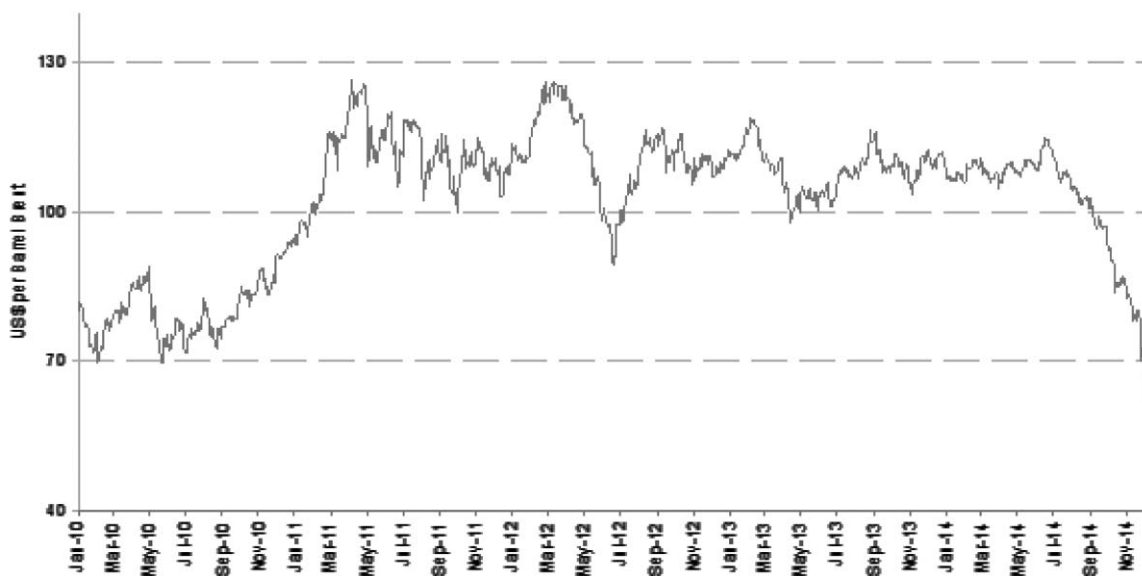
Crude Oil Prices

Changes in the price of crude oil influence the prices of refined petroleum products. Oil prices are affected by a number of factors, including changes in supply and demand fundamentals, Organisation of the Petroleum Exporting Countries (OPEC) regulations, weather conditions, government regulations, as well as political and economic conditions. Moreover, the price and availability of various alternative energy substitutes are having a growing impact on oil prices.

Crude Oil Prices 1861 — 2013 (U.S.\$/barrels)



Source: BP Statistical Review of World Energy June 2014



Source: Bloomberg

The global economic downturn and subsequent recovery have resulted in an increase in volatility of crude oil prices. Prices rose to record levels in mid-2008 as a result of strong oil demand combined with limited supply due to limited spare production capacity in OPEC countries as well as constant supply disruptions in key regions such as Russia, the Middle East and West Africa. This was followed by a sharp decrease in the second half of 2008 with a breakdown of the financial system and a slowdown in economic activity globally.

Subsequently, the oil prices rebounded significantly due to oil being bought and held in storage and sold at higher forward prices, cuts in OPEC production and a rebound in global economic activity post the global financial crisis. In the first half of 2011, crude oil prices increased sharply as unrest in the Middle East and North Africa reduced global oil supply and pushed up oil prices. In the latter half of 2011, prices started to fall due to decreased demand as a result of slowing economic growth globally, though this trend was partially offset by reduced supply due to disputes in certain oil-producing countries, such as Iraq, Kazakhstan and Nigeria. For the first half of 2012, crude oil price peaked in March due to European oil sanctions on Iran and Iran's threats to close the Straits of Hormuz, but eased thereafter in the face of rising output in the U.S., Libya, and other OPEC producers. Demand for middle distillates concurrently softened with the passing of winter and the travel season. In 2013 the price volatility was at the lowest since 2006. Despite issues pertaining to outages from Libya, other oil producing countries maintained their production resulting in smoothening effects. There was also a rise in oil production from the U.S. in the period offsetting some of the losses on oil production. Since the last six months, as of the date of this Offering Circular, there has been a significant decline in crude oil price which is currently trading at a near all time low level since the financial crisis in 2008. There have been multiple factors leading to the same including geopolitical concerns and stable supply from OPEC member countries.

Overview of the Global Refining Industry

Global Refining Capacity

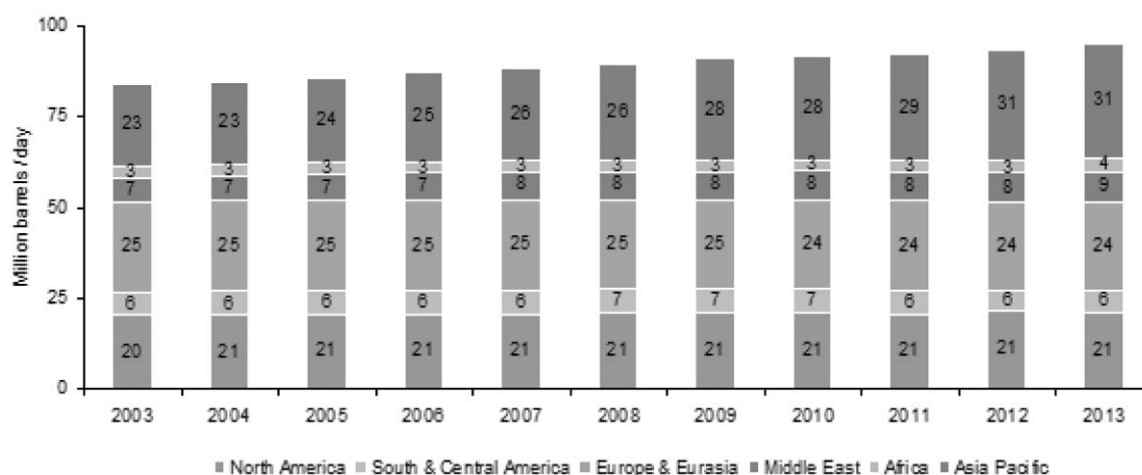
The global refining sector has experienced cyclical variations in capacity over the last few decades as capacity expanded and contracted together with changes in global oil demand.

The global refining capacity retreated in the 1980s and early 1990s alongside a steady increase in global oil demand. As a result, the spare global refining capacity saw significant reduction which led to a period of relatively strong utilisation rates and refining margins in the period 2004-2008. This led to a surge in refining investments globally, resulting in capacity additions through a combination of new projects and existing refineries expansions.

The global financial crisis in 2008 triggered the first decline in oil demand in 25 years followed by a larger decline in 2009; declining demand, combined with significant new capacity becoming available resulted in an oversupply of refining capacity globally. The situation improved in 2010 as the global economy recovered, driven primarily by emerging economies. According to the *BP Statistical Review of World Energy June 2014* (the **BP Statistical Review**), global oil consumption grew from 85.1 million barrels per day (**mb/d**) in 2009 to 87.8 mb/d in 2010, representing a 3.1 per cent. increase. However, modest global economic growth in 2011 led to a marginal increase in global oil consumption to 88.9 mb/d, a 1.2 per cent. increase compared to 2010, driving an increase in refining capacity surplus. In 2013, global oil consumption growth continued to grow at above 1 per cent. at 1.5 per cent., which was the weakest among fossil fuels for the fourth consecutive year. Oil remains the world's leading fuel, with 32.9 per cent. of global energy consumption, but it also continued to lose market share for the fourteenth consecutive year and its current market share is once again the lowest since 1965, as per BP Statistical Review.

According to the BP Statistical Review, a larger share of the global refining capacity was historically concentrated in North America, Europe and Eurasia. However, there has been a gradual shift in the trend in the past decade as Asia Pacific and Middle East have increased their capacities as of 2013 by 39 per cent. and 25 per cent., respectively, compared to 2003.

Region-wise refining capacity



Source: BP Statistical Review of World Energy June 2014

Global Refinery Capacity Utilisation Rates and Refining Margins

Global utilisation rates were consistently above 85 per cent. from 2004 until the global financial crisis in 2008, following which demand weakness led to falling utilisation rates. Economic recovery in 2010 led to a moderate increase in global utilisation rates, driven by strong oil demand in Asia. Global refinery capacity utilisation declined to 80.4 per cent., the lowest since 1987, while global refining capacity increased by a robust 1.4 mb/d, with large capacity additions in China and Saudi Arabia outpacing capacity reductions in the Atlantic Basin and Japan, as per BP Statistical Review.

Refinery Capacity Utilisation Rates

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
North America.	92%	92%	89%	89%	88%	85%	83%	84%	84%	84%	86%
South & Central America.	79%	85%	84%	83%	84%	81%	73%	73%	78%	79%	79%
Europe & Eurasia.	80%	82%	84%	84%	84%	84%	80%	81%	80%	82%	80%
Middle East.	79%	80%	82%	85%	84%	83%	79%	79%	80%	77%	72%
Africa.	73%	75%	79%	79%	78%	78%	76%	76%	69%	66%	62%
Asia Pacific.	85%	88%	89%	86%	86%	85%	82%	85%	85%	82%	82%
World.	84%	86%	86%	85%	85%	84%	81%	82%	82%	81%	80%

Source: BP Statistical Review. Capacity Utilisation Rate = Refining Throughputs / Refining Capacity

Global refining margins saw material improvements from 2004 up to the global financial crisis in 2008, supported by strong demand growth, lagging refinery supply growth, high crude prices, wide light heavy crude price differentials, regional product imbalances and product specification changes in some developed markets. Margins were then hit by the slowdown in the global economy and overcapacity from overexpansion catching up with lower demand.

Gross refining margins, although showing recovery since 2009, still remain vulnerable to sluggish demand and overcapacity of refining products. Significant additions of new straight-run capacity are expected over the next five years, with a majority of additions occurring in Asia Pacific and the Middle East and incremental capacity growth in the Midwest and Gulf Coast of the U.S. spurred by crude supply and export logistics.

Global Refined Product Demand

According to the *World Oil Outlook 2014*, diesel and gasoline together constituted approximately 49 per cent. of the total global refined product demand in 2013. North America dominated gasoline demand, representing 43 per cent. of the total gasoline demand. However, the Asia-Pacific region, with a total product demand of 29.3 mb/d (representing 33 per cent. of the global product demand), was the single largest demand centre of the world, primarily driven by high demand for diesel.

Global refined product demand is forecasted to increase steadily and is expected to increase by approximately 21 mb/d by 2040 from the 2013 levels of about 90 mb/d to 111 mb/d, representing a compound annual growth rate (CAGR) of approximately 0.8 per cent. The majority of demand growth is expected to come from the Asia-Pacific region, where demand is expected to increase by approximately 18 mb/d to 47 mb/d in 2040, representing a CAGR of approximately 1.8 per cent.

Out of the estimated 21 mb/d of additional demand by 2040 as compared to 2013, approximately 60 per cent. is expected to come from middle distillates and another 31 per cent. from gasoline and naphtha. For the remaining products, an expected decline in residual fuel is broadly offset by an expected increase in ethane/LPG and other products. An expected consequence is a progressive change in the make-up of the future product demand slate. Middle distillates are not only expected to record the highest volume increase but also raise their share in the overall slate from the current 36 per cent. to 41 per cent. by 2040.

Overview of the Refining Industry in India

Introduction

The Indian oil industry plays a strategic role in fuelling the growth of the Indian economy. The downstream oil and gas sector in India has until recently, been dominated by public sector oil marketing companies and their refining associates (**Public Sector OMCs**). Over the last decade and a half, the Indian landscape has witnessed the emergence of private sector players, primarily in the refining sector.

The strategic importance of the oil sector and the economic policies of past Governments resulted in tight regulation. State control was consolidated in 1976 when downstream oil companies were nationalised and pricing and distribution was regulated through the introduction of the Administered Price Mechanism.

According to the BP Statistical Review, India's consumption of oil stood at 3.7 mb/d in 2013, up from 0.4 mb/d in 1970. With domestic crude oil production standing at 0.9 mb/d in 2013, Indian refineries rely heavily on crude oil imports. As mentioned in the Parikh Committee report, Indian refineries processed 186 million metric tonnes of imported crude which is almost 85 per cent. of total crude quantity of 219 million metric tonnes processed in the country during 2012-13. The country's dependence on imports continues to grow as almost 77 per cent. of crude oil in India, on consumption basis, is imported. Domestic crude oil production in the country has remained in the range of 33 to 38 million metric tonnes in the last 5 years.

Indian refineries may source crude oil through various means. Price of crude oil imports in India is commonly benchmarked through the Indian Crude Basket which combines the prices of a mix of crude oil consumed in India, using North Sea (Brent), Dubai and Oman benchmark prices in the basket calculation.

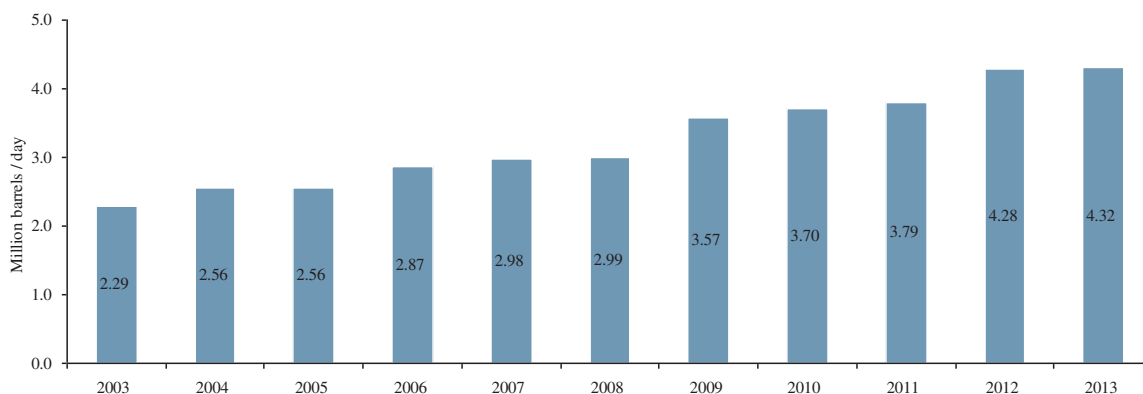
Refining Capacity in India

India is now not only self sufficient in refining capacity for its domestic consumption but also exports petroleum products. As such, India is becoming a regional refining hub with potential to cater to a rising local and regional demand, supported by a large and growing population base of approximately 1.2 billion (as of the end of 2011 according to Census of India), rising personal wealth, a trained and skilled labour force and various fiscal benefits to refinery projects.

Recently constructed refineries and new refinery projects under development are equipped with state of the art technologies and a wide and high quality product slate, positioning them for both the domestic and export markets. The refineries of Public Sector OMCs have been upgraded over the years, allowing them to process larger volumes of high sulphur crude oils which are generally cheaper than sweet crudes, thereby increasing their operating efficiency.

According to the BP Statistical Review, total domestic refining capacity has seen a CAGR of 7.1 per cent. from 2003 to 2013. In 2013, refining capacity grew by approximately 0.9 per cent. to reach 4.31 mb/d in 2013 compared to 4.27 mb/d in 2012.

Refining Capacity in India

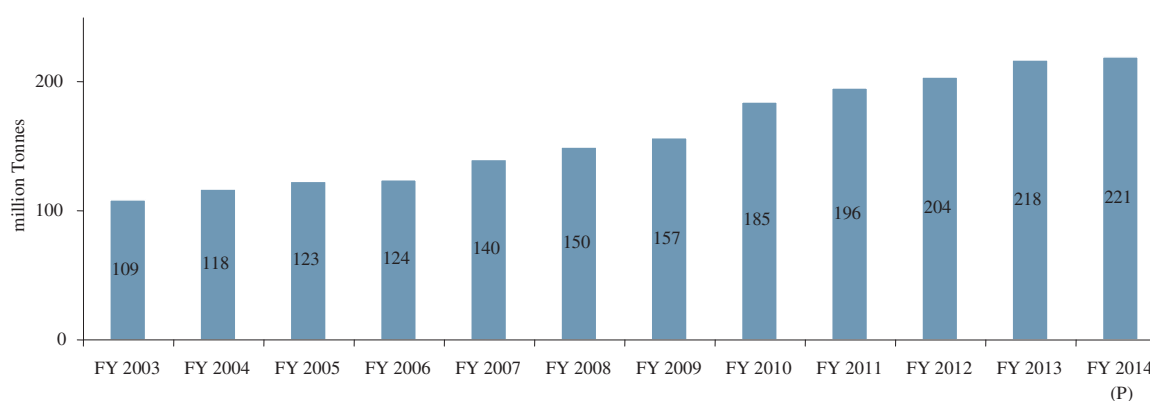


Source: BP Statistical Review of World Energy June 2014

Production of Refined Petroleum Products in India

According to Petroleum Planning & Analysis Cell (PPAC) of the Ministry of Petroleum & Natural Gas, production of petroleum products by Indian refineries has expanded from 109 million tonnes in 2002-03 to 221 million tonnes in 2013-14, increasing at a CAGR of 6.6 per cent. over the period, driven by domestic consumption as well as exports to other countries. Exports of petroleum products stood at 68 million tonnes in 2013-14, representing approximately 30.7 per cent. of the domestic production of petroleum products in the same year, compared to 9.4 per cent. in 2002-03.

Production of Petroleum Products in India



Source: Petroleum Planning & Analysis Cell

Refinery Capacity Utilisation Rates in India and Refining Margins

According to the BP Statistical Review, India's refinery capacity utilisation rates have been consistently at or in excess of 100 per cent. since last decade with refining utilisation rate of 103.00 per cent. in 2013.

Refinery Capacity Utilisation Rates in India

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Utilisation rate	104%	100%	100%	100%	104%	107%	102%	105%	108%	101%	103%

Source: BP Statistical Review

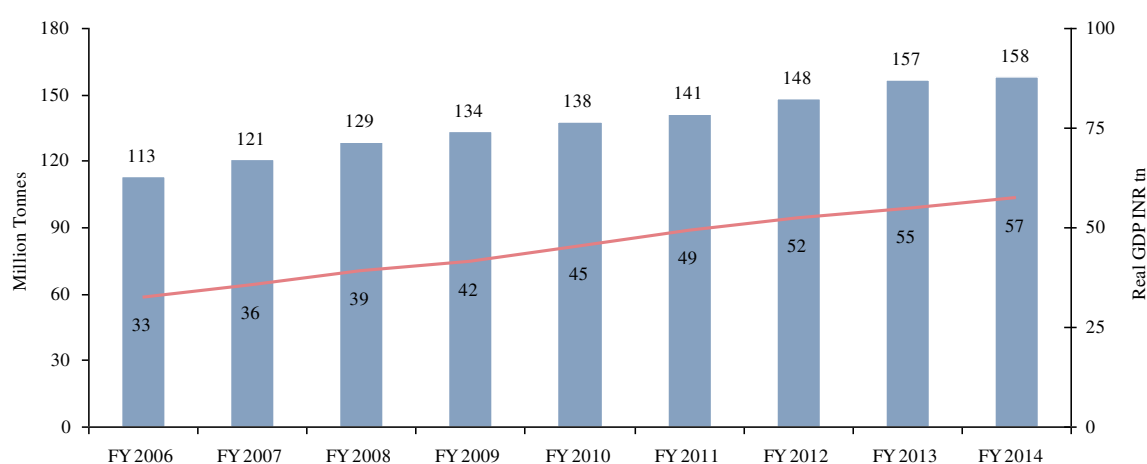
Typically, a utilisation rate of approximately 95 per cent. is considered optimum as it allows for normal shutdowns required for maintenance and seasonal adjustments. Occasionally, through upgrades or de-bottlenecking procedures, refineries can process more crude than the nameplate size of the distillation unit would indicate. In such cases, utilisation rates greater than 100 per cent. can be achieved.

The increasing complexity and sophistication of Indian refineries has supported a trend of relative increase in gross refining margins (GRMs) compared to refineries in other Asian countries. The large scale and world-leading complexity of India's new greenfield refineries is expected to lead to lower marginal cost of production compared to older, less complex refineries. The increasing ability to process heavier and cheaper crude grades also supports GRMs by lowering input costs. Finally, the ability to produce complex, high-end products which are competitive in the international markets also supports GRMs of Indian refineries.

Consumption of Refined Petroleum Products in India

According to *Indian Petroleum and Natural Gas Statistics* as of March 2014 provided by the Ministry of Petroleum & Natural Gas, consumption of refined petroleum products in India has risen substantially over the years from 113 million tonnes in 2005-06 to 158 million tonnes in 2013-14 (including refinery boiler fuel), growing at a CAGR of approximately 4.3 per cent. This growth has largely tracked India's historical GDP, according to the International Monetary Fund.

Petroleum Product Consumption in India and Real GDP



Source: Indian Petroleum and Natural Gas Statistics, Planning Commission of India

Note: Real GDP defined as GDP at constant prices

Going forward, India's consumption of petroleum products is expected to continue growing rapidly. The latest publicly available PPAC projections for the Twelfth Five Year Plan period (2012-2017) and the Thirteenth Five Year Plan period (2017-2022) are of petroleum products consumption CAGR of 5.0 per cent. and 5.5 per cent. for the periods from 2012-13 to 2016-17 and from 2017-18 to 2021-22, respectively, the highest plan period CAGR since the Eighth Five Year Plan period (1992-1997).

The primary driver of growth for India's demand for refined petroleum products is sustained economic growth. As of October 2013, the International Monetary Fund expected India's real GDP to grow between 2013 and 2018 at a CAGR of 6.3 per cent. In September 2012, the Government announced a target GDP growth rate of 8.2 per cent. over the Twelfth Five Year Plan period.

India GDP Growth Forecast

Year	2014	2015	2016	2017	2018
Real GDP Growth	5.4%	6.4%	6.5%	6.7%	6.7%

Source: International Monetary Fund: IMF Country Report No. 14/57 published February 2014

Consumption by Type of Petroleum Products in India

India's demand for petroleum products is characterised by the rise in urbanisation, infrastructure developments (roads, airports, ports), and the rapid growth of the Indian middle class. Increased consumption of MS has been supported by the gradual increase in automobile ownership by the Indian urban population and HSD consumption has seen robust growth due to improvements in infrastructure leading to better transportation and logistics movements. Increased air travel has also led to higher consumption of ATF.

According to statistics on Indian petroleum and natural gas between 2005-16 to 2013-14, light and middle distillates and heavy ends registered a CAGR of 4.5 per cent. (to 48 million tonnes), 5.2 per cent. (to 82 million tonnes) and 1.6 per cent. (to 29 million tonnes), respectively. In particular, the increase in consumption of light and middle distillates is expected to continue following the steady rise in automobile ownership, increasing industrial activities, road network expansion and general infrastructure development.

Product-wise Consumption of Petroleum Products⁽¹⁾

Products	Financial Year									%
										Growth
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 ⁽²⁾	2012-13
(Million Tonne)										
Light Distillates	34	37	39	40	39	41	44	46	48	3.2
LPG	10	11	12	12	13	14	15	16	16	4.7
Motor Spirit	9	9	10	11	13	14	15	16	17	8.8
Naphtha+NGL	12	14	13	14	10	11	11	12	11	-6.8
Others	2	3	3	2	3	2	2	3	3	7.3
Middle Distillates	54	58	63	66	71	75	79	83	82	-1.0
SKO	10	10	9	9	9	9	8	8	7	-4.5
ATF	3	4	5	4	5	5	6	5	6	4.4
HSDO	40	43	48	52	56	60	65	69	68	-1.0
Others ⁽³⁾	1	1	1	1	1	1	1	1	1	-5.7
Heavy Ends	25	26	28	27	28	25	25	27	29	1.9
Furnace Oil	9	9	9	9	9	9	8	6	6	-8.7
LSHS	4	3	3	3	2	2	2	1	1	-67.2
Lubes/Greases	2	2	2	2	3	2	3	3	3	-9.6
Bitumen	4	4	5	5	5	5	5	5	5	5.6
Petroleum Coke	5	5	6	6	7	5	6	10	12	14.9
Others ⁽⁴⁾	2	2	2	2	2	2	2	2	3	21.3
TOTAL	113	121	129	134	138	141	148	157	158	0.7
% growth	1.4	6.7	6.8	3.6	3.2	2.3	5.0	5.7	0.7	

Notes:

- (1) Consumption data includes private sales & private imports also.
- (2) Provisional and not included data in respect of RIL SEZ Refinery as it is presumed that all products have been exported and not consumed domestically.
- (3) Includes LDO among others.
- (4) Includes Paraffin wax and other waxes among others.

Source: Petroleum Planning & Analysis Cell. Indian Petroleum & Natural Gas Statistics 2013-14

Transportation of Refined Petroleum Products in India

As the seventh largest country in the world, India requires the transport of petroleum products into the interiors and hinterland from ports and refinery locations. These movements are undertaken primarily through railways, pipelines, coastal tankers and road movement. Pipelines provide the cheapest, safest and most environmentally friendly mode of transportation. In most cases, products are ultimately delivered to the point of consumption by road transport.

Retail Distribution of Refined Petroleum Products in India

Oil marketing companies rely on multiple customer contact points, including retail outlets, bulk consumer pumps, LPG distributors and terminals, to sell petroleum products. Retail outlets represent one of the most important distribution modes to the public in India, allowing for improved product penetration and providing competitive advantages.

The number of retail outlets of Public Sector OMCs in India reached 48,985 in April 2014, in comparison to 25,307 in April 2005, supporting the significant increase in number of road vehicles.

Regulation

Evolution of the Deregulation Regime

Under the Government's Administered Price Mechanism (**APM**) introduced in 1977, prices in the oil sector were controlled at the four stages of production, refining, distribution and marketing on the principle of compensating for normative cost and allowing a pre-determined return on investments. Petroleum refining and marketing companies were compensated for operating costs and assured a 12 per cent. post tax return on capital employed.

Gradual liberalisation of the petroleum, refining and marketing sector began in the 1990s, with the deregulation of lubricants and Government permission for private sector investment in refining. The marketing of ATF was deregulated with effect from 1 April 2001. Effective from 1 April 2002, the marketing of transportation fuels was permitted to any company investing or proposing to invest Rs.20 billion in exploration and production, refining, pipelines or terminals. However, Controlled Products (HSD, MS, LPG (domestic) and SKO (PDS)) continued to be administered by the Government until 31 March 2002.

APM on refined petroleum products was phased out in 2002 and replaced with the Market Determined Price Mechanism (**MDPM**) implemented by the Government. Although the MDPM is notionally benchmarked to international oil prices, the Government continues to subsidise domestic prices of Controlled Products (i.e. LPG (domestic) and SKO (PDS)). With effect from 25 June 2010, the Government had completely decontrolled the pricing of MS. In October 2014, Government also decontrolled diesel pricing.

LPG and SKO are sold at the import parity price for the same products. Consequently, oil marketing companies are not protected from the fluctuating price of LPG and SKO. Where the buying price exceeds the selling price of Controlled Products, marketing companies would suffer a loss in recovery equivalent to the difference between the costs of Controlled Products and the prices at which it is able to sell the Controlled Products in the domestic market. Such under recoveries are compensated partially by way of discount from the upstream companies on the crude oil supplied by them and partially by way of cash from the Government.

Overview of Oil and Gas Pricing Regulations in India

After the dismantling of the APM in 1997, prices of petroleum products in India have been linked to international crude oil prices. While prices of crude oil are generally market determined, the prices of retail sales of LPG (for domestic use) and SKO for public distribution by India's Public Sector OMCs (BPCL, Hindustan Petroleum Corporation Limited (**HPCL**) and Indian Oil Corporation Limited (**IOCL**)) are capped by the Government. These price caps are revised by the Government from time to time and as a result, Public Sector OMCs incur under-recoveries as they purchase these products at higher prices than prices at which they can be sold in India.

The Government operates a mechanism pursuant to which the under-recoveries of the oil marketing companies resulting from the price caps are shared among the Government, the Public Sector OMCs and the public sector upstream companies (which include Oil and Natural Gas Corporation (**ONGC**), Oil India Ltd. (**OIL**) and GAIL (India) Limited (**GAIL**)). Under-recoveries are determined and allocated provisionally by the Government on a quarterly basis.

Shares of the under-recovery that is allocated to each upstream national oil company is determined from time to time. Upstream companies' share of the under-recovery is implemented through a discount on crude oil, domestic LPG and PDS kerosene (generally accounted in crude price realisation) sold by upstream oil companies to the Public Sector OMCs.

Government Subsidy for Public Sector OMCs

Historically, the Government has supported Public Sector OMCs by providing them compensation in the following forms:

- cash;
- discounts from public sector upstream companies;
- issue of oil bonds;
- moderation of duty structure; and
- discounts from refining companies.

The amount of compensation is adjusted by the Government from time to time depending on prevailing market conditions and accounting for international crude oil prices, total amount of potential loss of OMCs, gross revenues of OMCs and the level of margin earned by upstream companies during the relevant period.

Recent Major Developments on Government Subsidy

On 26 June 2010, the Government deregulated gasoline prices and with effect from 18 January 2013, selling price of diesel to all consumers taking bulk supplies directly from the installations of the Public Sector OMCs are determined in line with international prices or other market driven factors. On 19 October 2014, the Government deregulated diesel prices at retail level for all consumers.

As regards LPG, in September 2012, the Government decided to restrict the number of domestic subsidised LPG cylinders per household to six per annum, beyond which, 14.2kg LPG cylinders had to be bought at the market rate. In January 2013, this quota was increased to nine cylinders and further increased in January 2014 to 11 cylinders for fiscal 2014 and 12 cylinders for fiscal 2015. Accordingly, the domestic prices of domestic non-subsidised LPG (i.e. cylinder sold after capping of 12 cylinders per annum per household) are determined in line with international prices of LPG.

The Government launched the Direct Benefit Transfer of LPG (**DBTL**) scheme which is designed to ensure that the benefit meant for genuine domestic customers reaches them directly and is not diverted, thus saving public money. The DBTL scheme was initially launched between 1 June 2013 and 1 January 2014 in six phases covering 291 districts. It required the consumer to mandatorily have an “Aadhaar” number for availing the LPG subsidy. The scheme was recently reviewed and has been re-launched with modifications keeping consumer convenience in mind. The modified DBTL scheme was re-launched in 54 districts on 15 November 2014 and on 1 January 2014, the modified DBTL scheme was launched in the rest of the country i.e. 622 districts.

As regards SKO (PDS), Public Sector OMCs have undertaken a pilot project on direct transfer of cash subsidy for SKO (PDS) in the Alwar district of Rajasthan.

RELATIONSHIP WITH THE GOVERNMENT AND REGULATORY MATTERS

This section provides a brief overview of the regulatory framework governing activities in the petroleum and natural gas industry in India. The regulations set out below may not be exhaustive, and are only intended to provide general information to potential investors and are neither designed nor intended to be a substitute for professional legal advice.

All guarantees by BPCL, as the Guarantor, which would be applicable to the Notes when the Notes are issued by a New Issuer shall be subject to applicable laws including, but not limited to, the FEMA Guarantees Regulations and the FEMA ODI Regulations.

Pricing and Sale of Oil and Natural Gas

Pricing of oil and natural gas was based on import parity until the mid 1970s. Prior to 1998, prices of all major petroleum products were fixed pursuant to APM, which was based on a “cost plus” pricing system under which companies engaging in exploration and production (**E&P**), refining and marketing were guaranteed fixed returns on their net worth plus a reimbursement which covers eligible operating costs. In 1998, the APM was replaced by the market-determined pricing mechanism coupled with the rationalisation of customs tariff and excise duty rates. Further to a notification by the Government on 6 March 2007, directions were issued to charge uniform pool prices on the supply of re-gasified liquefied natural gas (**R-LNG**) to all customers under all long term contracts on a non-discriminatory basis.

The Ministry of Petroleum and Natural Gas (**MoPNG**) has revised the guidelines on 3 February 2014 for allocation/supply of domestic natural gas to CGD entities for CNG (transport) and PNG (domestic) sector. Keeping in view the periodical exercise of revising the domestic gas allocations of CGD entities for CNG and PNG segments, it has been decided to authorize Gas Authority of India Limited (**GAIL**) for diverting domestic gas from non-priority sector to meet the requirement of CNG and PNG segments as per their actual consumption subject to the condition laid down therein.

Furthermore, the Essential Commodities Act, 1955 empowers the Government to issue notifications to control production, supply and distribution of certain essential commodities, which also include petroleum and petroleum products.

Guidelines on Sale of Natural Gas by NELP Contractors

The Indian Ministry of Petroleum and Natural Gas (**MoPNG**) issued a press note prescribing guidelines for the sale of natural gas by NELP contractors (**Gas Sale Guidelines**) on 25 June 2008. The Gas Sale Guidelines are applicable for an initial period of five years. Contractors are permitted to sell gas from NELP to consumers according to marketing priorities determined by the Government and on such price as approved by the Government. Priority of gas supply (divided on a sector-by-sector basis) exists and remains applicable only among customers who are connected to an existing and available pipeline network connected to the same sources. However, should the customer in a particular sector that is higher in priority not be in a position to take gas when it becomes available, the supply will go to the next sector in the queue in accordance with the Gas Sale Guidelines. The Gas Sale Guidelines also provide that the priority would not impact the process of price discovery as all the customers would participate in the price discovery process and would be eligible for utilising natural gas subject to priority.

The Petroleum and Natural Gas Regulatory Board (Exclusivity for City or Local Gas Distribution Network) Regulations, 2008 (**Exclusivity Regulations**) was notified by the PNG Board on 19 March 2009. The Exclusivity Regulations apply to any entity which is laying, building, operating or expanding or which proposes to lay, build, operate or expand a city or local natural gas distribution network under the Pipeline Regulations. Under the Exclusivity Regulations, and subject to certain terms and conditions, the PNG Board may allow an entity to exclusively lay, build, or expand a City

Gas Distribution (**CDG**) network over the economic life of the project, which is normally expected to be 25 years. The PNG Board may also provide the exclusive right to an entity proposing to lay, build, operate or expand a network from the purview of common carrier or contract carrier for a period of five years from the date of authorisation provided that the entity meets the service obligations conditions as stipulated in the Exclusivity Regulations. At the end of the economic life of the project, the PNG Board may consider extending the exclusivity for a further period of 10 years which is dependent upon satisfactory compliance of the service obligation and the relevant entity's quality of service.

The Petroleum and Natural Gas Regulatory Board (Affiliate Code of Conduct for Entities engaged in Marketing of Natural Gas and Laying, Building, Operating or Expanding Natural Gas Pipeline) Regulations, 2008 (**Affiliate Code of Conduct Regulations**) was notified by the PNG Board on 17 July 2008 under the PNGRB Act. The Affiliate Code of Conduct stipulates the engagement terms for the transportation and marketing of natural gas between an entity and (i) a party other than its affiliates and (ii) its affiliate, in each case, on arms length basis. The objectives of the Affiliate Code of Conduct Regulations include the prevention of preferential access or cross-subsidisation of costs between the regulated activity and any other non-regulated activity which could adversely affect or may potentially adversely affect fair trade and competition between such entities.

The Petroleum and Natural Gas Regulatory Board (Access Code for Common Carrier or Contract Carrier Natural Gas Pipelines) Regulations, 2008 (**Common Carrier Regulations**) was notified by the PNG Board on 17 July 2008 under the PNGRB Act. The Common Carrier Regulations provide that the capacity of a natural gas pipeline shall be (a) as authorised by the PNG Board for new pipelines under the Pipeline Regulations; (b) as determined by the PNG Board under relevant regulations for declaring natural gas pipelines as common or contract carrier or under the Pipeline Tariff regulations as notified by the PNG Board, or (c) as determined by the PNG Board under relevant regulations. The transporter is required to declare and inform the PNG Board of the pipeline's available capacity and such capacity shall be available for use on common or contract carrier basis or both. Furthermore, under the Common Carrier Regulations, the authorised entity is required to formulate a calorific value band which complies with the various prescribed parameters. The Petroleum and Natural Gas Regulatory Board (Guiding Principles for Declaring or Authorising Natural Gas Pipeline as Common Carrier or Contract Carrier) Regulations, 2011 (**Carrier Guiding Principles**) stipulates transporter's obligations at both entry and exit points the rules for booking pipeline capacity and the interconnection of common or contract carrier natural gas pipelines. The Carrier Guiding Principles was notified by the PNG Board on 21 April 2009. The Carrier Guiding Principles prescribe certain guidelines for declaring any natural gas pipeline as a common or contract carrier for the transportation of natural gas along with guidelines on their capacity and system.

A contract carrier system implies that the capacity in a natural gas pipeline, over and above an entity's own requirement, shall be available to any other entity subject to the latter entering into a firm contract for transportation of a volume of natural gas for a minimum period of one year and such other terms as mutually agreed. A common carrier system implies that the capacity in a natural gas pipeline, over and above an entity's own requirement shall be available to any other entity subject to the latter entering into a firm contract for transportation of a volume of natural gas for a period of less than one year and such other terms as mutually agreed. The contract carrier or common carrier capacity in respect of natural gas pipelines is determined in accordance with the provisions of Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008. The PNG Board has the power to declare any existing pipeline for transportation of natural gas as a common or contract carrier, if in the opinion of the PNG Board, it is expedient to do so, either by giving wide publicity of its intention by inviting objections. The PNG Board may also provide the entity owning the pipeline an opportunity of being heard within a minimum notice period of 15 days from the close of the invitation for objections.

Domestic Natural Gas Pricing Guidelines, 2014

The extant gas pricing policy under NELP was earlier approved by the Government for five years commencing from April 2009 and was due for revision with effect from April 2014. Pursuant to the recommendations made by the committee headed by Dr. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister in its report on “the Production Sharing Contract Mechanism in Petroleum Industry”, submitted in December, 2012, the Government approved the Domestic Natural Gas Pricing Guidelines, 2014 (**2014 Gas Pricing Guidelines**) in its meeting held on 27 June 2013. The Government notified the 2014 Gas Pricing Guidelines on 10 January 2014. The 2014 Gas Pricing Guidelines shall be applicable to all natural gas produced domestically, irrespective of the source, whether conventional, shale, CBM etc from 1 April 2014. These guidelines shall not be applicable (a) where prices have been fixed contractually for a certain period of time, till the end of such period; or (b) where the production sharing contract provides a specific formula for natural gas price indexation / fixation. Furthermore, the pricing of natural gas from small / isolated fields in the nomination blocks of national oil companies will be governed by the extant policy in respect of these blocks. The guidelines are also applicable for natural gas produced by the Issuer from their nominated fields.

The pricing of natural gas produced domestically shall be based on the following methodology: (a) first the netback price of all Indian imports at the wellhead of the exporting countries is to be estimated in accordance with the 2014 Gas Pricing Guidelines; (b) the weighted average of prices prevailing at trading points of transactions i.e., the hubs or balancing points of the major global markets will be estimated; and (c) simple average of the prices arrived at through the aforementioned two methods will be determined as the price for domestically produced natural gas in India. The guidelines stipulate that domestic gas prices shall be notified in advance on a quarterly basis using the data for four quarters, with a lag of one quarter.

Royalty

The Oilfields (Regulation and Development) Act, 1948, (**Oilfields Act**) provides for payment of royalties in respect of any mineral oil mined, quarried, excavated or collected from the leased area. The Government may increase the rate of royalty payable for the production of crude oil and natural gas up to limits prescribed by the Oilfields Act by issuing a notification. Alternatively, the Government could also increase prescribed limits by amending the Oilfield Act by an act of Parliament. Under the Oilfields Act and NELP, royalty on crude oil and natural gas is payable as a percentage of wellhead value derived from sales price. Royalty is payable at the rate of 10 per cent. for natural gas extraction in both onshore and offshore areas.

Oil Cess

The Oil Industry Development Board (the “OIDB”) is constituted under the Oil Industry (Development) Act, 1974. The OIDB receives Government funding out of cess collected on crude oil and natural gas production in India, and provides financial and other assistance for development activities in the oil and natural gas sector in India, out of the Oil Industry Development Fund.

Excise Duty

Every excise duty leviable under the Central Excise Act, 1944, shall be payable by the person by whom such item is produced, and in case of crude oil, excise shall be collected on the quantity received in a refinery. The proceeds of excise levied under the Central Excise and Salt Act, 1944, are first credited to the Consolidated Fund of India.

Public Distribution Scheme Kerosene and Domestic LPG Subsidy Scheme, 2002

With effect from 1 April 2002, the Government approved the Public Distribution Scheme (**PDS**) Kerosene and Domestic LPG Subsidy Scheme, 2002 for administering the post APM subsidy on PDS Kerosene and Domestic LPG. The subsidy under the scheme is provided on sales made by participating companies of Kerosene under the PDS (**PDS Kerosene**) and LPG Cylinders for Domestic Use (**Domestic LPG**). The quantity of PDS Kerosene on which subsidy is allowed for each state is limited to the allocations made by the MoPNG subject to actual quantities sold. PDS Kerosene and Domestic LPG are subsidised from MoPNG's budgetary grants.

The subsidy per selling unit is equal to the difference between the cost price and the issue price per selling unit, and is computed ex-depot for domestic kerosene and ex-bottling plant for LPG. While the PDS Kerosene and the Domestic LPG Subsidy Scheme was initially intended to be phased out in three to five years. MoP&NG has indicated provisional extension of the said subsidy scheme for up to 31 March 2015. Meanwhile, MoP&NG has directed PPAC to formulate the revised subsidy scheme in consultation with all stake holders.

Petroleum and Natural Gas Regulatory Board (Eligibility Conditions for Registration of LNG Terminal) Rules, 2012

These rules provide that any entity desirous of establishing or operating an LNG terminal after the date of establishment of the Petroleum and Natural Gas Regulatory Board (**PNG Board**) shall be eligible to make an application for registration before the PNG Board only on fulfilment of the following conditions, they: (i) offer at all times, after registration, 20 per cent. of its short term (i.e less than 5 years) uncommitted re-gassification capacity or 0.5 MMTPA, whichever is higher, as common carrier capacity, (ii) adhere to technical standards and specifications which are in force as prescribed by the PNG Board, and (iii) furnish a bank guarantee to the PNG Board for an amount equal to 1 per cent. of the estimated project cost of establishing the LNG terminal or Rs.25 crore, whichever is less.

Laying of Pipelines

Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962 (Pipelines Act)

The Pipelines Act establishes the framework governing the acquisition of RoU in land for the purpose of laying pipelines to transport petroleum and minerals and other related matters. The Pipelines Act stipulates the acquisition procedure, the restrictions imposed on the right of use (**RoU**) in land, and the compensation payable to persons interested in the land. Any RoU acquisition will be subject to conditions deemed fit by the Government in favour of public interest.

In addition to the Pipelines Act, other rules and regulations governing the laying of pipelines include the Guidelines for Laying Petroleum Product Pipelines, 2002, the Policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks, 2006, the Petroleum and Natural Gas Regulatory Board (Authorising Entities to Lay, Build, Operate or Expand Natural Gas Pipelines) Regulations, 2008 and the Carrier Guiding Principles.

Natural Gas Subsidy

The Government has notified the Natural Gas Subsidy Scheme, 2006, applicable to the Issuer in respect of subsidy relating to sale of gas by it to various customers in northeast India under APM. This subsidy, which shall be the difference between product price to the Issuer and consumer price applicable to various customers for quantities of gas supplied, will be computed on a monthly basis and provided to the Issuer from MoPNG's budgetary grant

Pipeline Tariffs

Under the PNGRB Act, the PNG Board determines the transportation tariffs applicable to (i) common or contract carrier transmission pipelines; and (ii) city or local natural gas distribution networks. The tariffs are payable on a zonal basis. All users within the same zone are treated equally without any preferential treatment given to particular users. The PNG Board may separately charge additional compression charge for the compression of natural gas to the extent not included in the tariff. The Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (**Pipeline Tariff Regulations**), was notified by the PNG Board under the Petroleum and Natural Gas Regulatory Board Act, 2006 on 20 November 2008. The Pipeline Tariff Regulation sets forth the procedure for determining the tariffs applicable to natural gas pipeline (the **NGS Tariff**). The Pipeline Tariff Regulations do not apply to (i) any pipeline laid that is dedicated to transport natural gas to a specific customer as opposed to re-selling it further, and (ii) pipelines in a city or local gas distribution network which are regulated by the Pipeline Regulations. Under the Pipeline Tariff Regulations, the NGS Tariff is the sum of (i) the operative expense for the operating of the natural gas pipeline; and (ii) a premium which takes into account the reasonable rate of return of the capital employed, each of (i) and (ii) should be calculated on a normative level basis. For the purpose of this paragraph, “normative level” means, in relation to the operating expense and capital (as the case may be), a level that is reasonable and justifiable having taken into account the amount incurred to lay, build, operate or expand an efficient natural gas pipeline over its entire economic life each with respect to the relevant project. Entities subject to the Pipeline Tariff Regulations are required to submit its computation methods for determining the unit NGS tariff over all the tariff zones throughout the economic life of the project. The economic life of the project shall be a period of 25 years from the date of grant of authorisation or the start up date of the commencement of physical activities. Entities subject to the Pipeline Tariff Regulations are required to submit its computation methods for determining the unit NGS tariff over all the tariff zones throughout the economic life of the project. The Pipeline Tariff Regulations also require the entity involved to submit for the PNG Board’s approval the calculations in respect of apportioning of the unit natural gas pipeline tariff over all the tariff zones during the economic life of the project.

Guidelines on Safety

Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008 (Safety Rules)

The Safety Rules which regulates safety in offshore oil and gas exploration, exploitation, production, drilling and related matters was notified by MoPNG under the Oilfields Act on 18 June 2008. The Oil Industry Safety Directorate is the competent authority which exercises powers under the Safety Rules. Under the Safety Rules, the licensees, lessees, or operators (each an **Operator**) are required to undertake petroleum activities in a safe manner by implementing plans and activities which are not only healthy and safe for an individual but also environmentally friendly. Consent for new and existing mobile or fixed offshore installations is required from the competent authority within the period specified in the Safety Rules. The Safety Rules require operators of offshore installations to report to the competent authority within 30 days of commencement, or cessation of operations. The Operator is also responsible for (i) providing health related resources, (ii) establishing a safety management system, (iii) carrying out risk assessment, (iv) maintaining information and records for petroleum activities (including permanent plugging of wells), accidental pollution, recovery incidents, rescue measures and the remedial actions taken, and (v) reporting on the impact of its activities to the environment. In addition to the Safety Rules, the following rules and regulations setting the safety standards for petroleum and natural gas activities remain applicable:

- Petroleum and Natural Gas Regulatory Board (Procedure for Development of Technical Standards and Specifications including Safety Standards) Regulations, 2009 which stipulate the procedures for developing draft standards by technical committees or standard development organisations for activities relating to petroleum, petroleum products and natural gas, which include the construction and operation of pipelines and infrastructure projects related to downstream petroleum and natural gas sector;

- Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for Natural Gas Pipelines) Regulations, 2009 which stipulate (i) safety matters pertaining to the common carrier or contract carrier natural gas pipelines, including pipeline design, materials and equipment, welding, fabrication, installation, testing, commissioning, operation and maintenance and corrosion control; and (ii) safety requirements for natural gas pipelines; and
- Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for City or Local Natural Gas Distribution Networks) Regulations, 2009 which stipulate the safety aspects of the operation and maintenance of CGD networks.

The Petroleum & Natural Gas Regulatory Board has issued the Petroleum and Natural Gas Regulatory Board (Integrity Management System for Natural Gas Pipelines) Regulations, 2012 which was notified on 5 November 2012. These regulations cover all the existing and new natural gas transmission pipelines, spur lines and dedicated pipelines. These regulations outline the basic features and requirements for developing and implementing an effective and efficient integrity management plan for natural gas pipeline system.

Regulation of Exploration and Production of Natural Gas

Under Article 297 of the Constitution of India, the Union of India has jurisdiction over petroleum and natural gas in India, with MoPNG as the principal regulator of oil and natural gas E&P activities. MoPNG is responsible for regulating the exploration, production, distribution, marketing and pricing of petroleum resources, including crude oil and natural gas. MoPNG is also responsible for regulating the planning and development of oil field services.

The Directorate General of Hydrocarbons (**DGH**) was established under the aegis of MoPNG in 1993, with the objective of promoting sound management of Indian petroleum and natural gas resources that takes into account the balance between environmental, economical and technological development and its overall safety. DGH, which remains under the control of MoPNG, was established as the MoPNG acknowledged the need for an agency to not only advise the Government, but also to regulate and oversee the upstream activities in the petroleum and natural gas sector. The upstream petroleum sector was originally dominated by public sector companies which the Government could effectively monitor. However, as the sector gradually opens to private investment, an increasing number of private and joint sectors companies will invariably enter the field. The need to establish an agency that could effectively supervise the activities of all companies in the sector was therefore pertinent.

Other bodies under the MoPNG's control include the (a) OIIB, which provides financial and other assistance for development of the oil industry; (b) Petroleum Conservation Research Association (**PCRA**), which promotes awareness of energy conservation and good practices in use and application of energy, (c) Centre for High Technology, which serves as a nodal data-gathering agency with respect to technological matters; and (d) Oil Industry Safety Directorate (**OISD**), which develops standards and codes for safety and fire-fighting and conducts periodic safety audits of petroleum handling facilities. In addition, the Director General of Mines and Safety (**DGMS**) issues directions in respect of onshore petroleum mining installations.

Oilfields Act

Oil and natural gas exploration activities are governed by the Oilfields Act, which provides for regulation of oilfields and development of mineral fuel oil resources. Oilfields are areas where any operation for obtaining natural gas and petroleum, crude oil, refined oil, partially refined oil and any petroleum products in liquid or solid state, is to be or is being carried out. Petroleum exploratory licenses (**PEL**) and petroleum mining leases (**PML**) with respect to the exploration of mineral oils

including crude oil and natural gas are granted under the Oilfields Act. The Oilfields Act vests the Government with the authority to set down rules for the development and conservation of mineral oils, to amend the terms of the PELs and PMLs, and to levy royalties, fees or charges on extraction of mineral oil from areas under the PMLs.

On September 1, 2006, GoI designated DGH as the authority to exercise powers and functions of GoI with a view to promote sound management of hydrocarbon resources in India. Accordingly, DGH, *inter alia* has the following responsibilities, viz. (a) reviewing and monitoring exploration programmes and development plans for commercial discoveries of hydrocarbon reserves proposed by a licensee or lessee; (b) reviewing management of petroleum reservoirs by a licensee or a lessee; (c) asking for and maintaining geo-scientific data, reports and information from a licensee or a lessee; (d) reviewing reserves discovered by a licensee or lessee in accordance with generally accepted international petroleum industry practices; (e) laying down norms for declaration or announcement of discoveries by a licensee or a lessee; and (f) monitoring oil and gas production and payment of royalties, cess or other charges due to GoI. In the event the GoI executes a production sharing contract (PSC) the DGH shall discharge its duties in accordance with and in a manner that is consistent with such PSC.

The Mines Act, 1952 (Mines Act)

The Mines Act, along with the rules and regulations therein, seeks to regulate the working condition in mines (including oil and natural gas extraction facilities) by providing for measures to be taken for the safety of the workers employed. The Mines Act has been enacted with the objective of providing for the health, safety and welfare of workers employed in the mines against industrial and occupational hazards. The enactment provides duties, guidelines and standards that are to be maintained during mining operations and management of mines; hours and limitation of employment; leave with wages of mine workers. It empowers the Government to appoint qualified persons as inspectors and chief inspectors of mines who shall have the power to inspect and examine any part of the mine at any time, in order to ascertain whether the provisions of the Mines Act, and the rules and regulations therein, are being followed. General disobedience of orders or non-compliance of provisions of the Mines Act may result in both criminal and civil penalties.

The Mines Act is administered through the DGMS, which is the regulatory agency for safety in mines and oversees compliance, with the objective of reduction in risk of occupational diseases and casualty to persons employed in mines.

Oil Mines Regulations, 1984 (Oil Mine Regulations)

No mine shall be opened or processed without a manager and a safety officer who are duly appointed under the Oil Mine Regulations. Furthermore, one or more installation managers should be appointed to take charge of different installations at every mine. An owner, agent or manager of a mine is required to provide notice regarding the opening or closure of the mine and accidents associated with the mine to the Chief Inspector and to the Regional Inspector designated under the Oil Mine Regulations. An owner, agent or manager is also required to submit quarterly returns to the Chief Inspector and Regional Inspector, and annual returns to the District Magistrate and Chief Inspector. The returns to be submitted are set out in the prescribed form, which requires (i) a key plan showing the area in which operations for mining of petroleum and ancillary operations are carried on, (ii) a surface plan showing the location of all wells including abandoned wells, railways, power transmission lines, public roads, or other permanent structures not belonging to the owner, and (iii) a plan indicating the rivers and water courses within mining areas. A new pipeline or any significant alteration can be carried out in any existing pipeline only with the prior approval of the Regional Inspector and in accordance with such conditions as he may specify. The application for permission to open or process a mine shall be sent to the Chief Inspector and District Magistrate in the prescribed form, accompanied by copies of a plan indicating the area and location of the proposed pipeline to show the extent of land and route over which RoU could be established.

The Directorate General of Mine Safety has issued the Draft Oil Mines Regulations, 2011 on 9 December 2011 inviting public comments. These draft regulations, once notified in the official gazette, will supersede the current Oil Mine Regulations.

Petroleum Act, 1934 (Petroleum Act)

The Petroleum Act empowers the Government to frame rules regarding the import, transport, storage, blending, refining and production of petroleum. It further empowers the Government to prescribe standards for pipelines, testing apparatus and storage receptacles for petroleum, and to inspect, make entry and search and certify grades of petroleum involved in a particular establishment.

Petroleum and Natural Gas Rules, 1959 (PNG Rules)

The PNG Rules, as notified by the Government under the Oilfields Act, provide the framework for granting PELs and PMLs. The PNG Rules prohibit the prospecting or exploitation of any oil or natural gas unless a license or lease is granted under the PNG Rules. A PEL entitles the licensee to an exclusive right to a lease for extracting oil and gas from the contract area. A PML entitles the lessee to an exclusive right to extract oil and natural gas from the contract area. PELs and PMLs are granted by MoPNG with regards to offshore areas, while onshore areas require both the Government's prior approval and the approval by the relevant state governments. In 2006, the Government amended the PNG Rules which requires a licensee or a lessee to provide either the Government or DGH (in its capacity as the Government's designated agency) all data that has been, or will be, obtained under their respective petroleum activities. The PNG Rules state that such data shall be GoI's property, provided that the licensee or lessee shall have the right to make use of such data free of cost, for the purposes of petroleum operations under the license or lease. Further, as per the PNG Rules, the GoI has the right to disclose to the public all non-proprietary data without consent of the licensee or lessee, and all proprietary data with the consent of the licensee or lessee, and the GoI is the sole authority to determine proprietary nature of the concerned data.

New Exploration Licensing Policy (NELP)

Prior to the introduction of NELP, the issue of licences and Production Sharing Contracts (**PSC**) were regulated by the Oilfields Act and the PNG Rules, where exploration blocks were offered for exploration and production only to national oil companies.

NELP was formulated by the Government in the fiscal year 1997 to provide a level playing field where prospective contractors in both the public and private sectors could compete on equal terms for the award of exploration and mining acreage. The notification of NELP in 1999 had specified that there would be no mandatory state participation through national oil companies. National oil companies could no longer obtain PELs on a nomination basis and will need to compete for PELs. Under NELP, national oil companies no longer receive preferential treatment, and their right to reserve blocks had been removed. National oil companies, together with other companies, are required to pay international price for oil discovery made in blocks which were offered under NELP.

The model PSC (**Model PSC**) is a model contract between the Government and a licensee or lessee (in each case, a **Contractor**) with respect to grant of a PEL or PML. The Model PSC, as notified through NELP, is subject to the PNG Rules. Under Model PSC, the Contractor bears exploration risks and development and production costs in return for a stipulated share of the production. The Contractor's share is affected by the Government's share in a PSC which is determined on a case by case basis pursuant to a competitive bidding process with other Contractors. The Model PSC defines participating interest of contracting parties and designates an operator for the contract area under the PEL or PML. Where the Contractor under the PSC includes more than one company or entity, such entities are required to enter into a joint operating agreement among themselves. The contract period under the PSC includes (i) an exploratory phase which could be further split into two sub-phases, during which the Contractor operates under a PEL, and (ii) a development and production phase, during which the Contractor operates under a PML.

In addition, the PSC requires the Contractor to obtain the Government approval for (i) an appraisal programme which appraises any discovery, delineates petroleum reservoirs in terms of thickness and lateral extent and determines the quantity of recoverable petroleum, each in respect of the contract area; (ii) a development plan which sets out the plan with respect to its development of each commercial discovery; (iii) an annual work programme for the contracting period; (iv) a minimum work programme with respect to each exploration phase; and (v) any abandonment or site restoration plans. A Contractor signing a PSC is free to market the oil and gas it produces in the domestic market and has the option to amortise exploration and drilling expenditures over a period of ten years since its first commercial production.

Other benefits under NELP include (i) an income tax holiday for seven years since the commencement of its commercial production; (ii) exemptions from, among other things, payment of signature bonus, discovery bonus or production bonus; (iii) exemption from the payment of import duty on imports required for petroleum operations; (iv) a minimised expenditure commitment during the exploration period; and (v) no mandatory state participation/carried interest by or for national oil companies.

Other features as set out in the Model PSC include: (i) a defined procedure for the announcement of hydrocarbon discoveries; (ii) a requirement to prepare appraisal programmes of commercial discoveries made under nomination blocks, as well as development plan of such discoveries, having consulted the DGH within the specified period; (iii) a cost recovery mechanism in favour of the operator and a profit-sharing mechanism in favour of the Government. These mechanisms are distinguished from the existing contracts applicable to coal/lignite bed methane blocks where there is no cost recovery mechanism for the operator, and where payment to the Government is performance-linked; and (iv) a dispute resolution mechanism which applies the Arbitration and Conciliation Act, 1996 that is based on the United Nations Commission on International Trade Law model.

Pursuant to the report of the DGH on Hydrocarbon Exploration and Production Activities, 2009-2010, the intention of the Government is to move from NELP to an open acreage licencing policy (**OALP**). Under OALP, companies can choose any block for offer at any time without waiting for bid rounds under NELP. The blocks will be awarded to the party giving the best bid at any time of the year. DGH is taking steps to implement OALP. The Ashok Chawla committee on the allocation of natural resources was set up in February 2011 and has recommended following the OALP for allocation of oil and gas blocks in order to bring the exploration business on par with global standards. The recommendations of the Ashok Chawla committee were accepted by the group of ministers headed by Mr. Pranab Mukherjee in October 2011.

Petroleum Rules, 2002

The Petroleum Rules, 2002 require, among other things, a company to obtain permission from the Chief Controller of Explosives for refining, cracking, storing, reforming or blending petroleum.

Petroleum and Natural Gas Regulatory Board Act, 2006 (PNGRB Act)

The PNGRB Act provides for the establishment of the petroleum and natural gas regulatory board (**PNG Board**), and vests it with the authority to, among other things, (i) regulate refining, processing, storing, transporting (including laying of pipelines), distributing, marketing and importing, exporting and the selling of petroleum, petroleum products and natural gas (but excluding the production of crude oil and natural gas); (ii) monitor prices and take corrective measures to prevent restrictive trade practices; (iii) impose fees and other charges; and (iv) regulate technical and safety standards and specifications relating to petroleum, petroleum products and natural gas. The objectives of the PNG Board are to protect the interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products and natural gas, to ensure uninterrupted and adequate supply of petroleum, petroleum products and natural gas in all parts of India and to promote a market which values the benefits of competition.

In March 2012, the MoPNG issued guidelines which apply to the “swapping” of natural gas transactions (the **Swapping Guidelines**) whereby a party (the first party) supplies gas to a second party, at a location specified by the second party, in exchange for the second party supplying the energy equivalent quantity of gas to the first party or first party’s representative at another location (along with an appropriate indemnity for so doing). The Swapping Guidelines require that all parties involved be revenue-neutral over the entire length of the pipeline and any swapping of gas would need to conform to the tariff and applicable PNGRB Act and any dispute regarding the same would need to be heard before the PNG Board.

Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (Territorial Waters Act)

The Territorial Waters Act empowers the Government to extend the application of any Central Government legislation to the territorial waters, continental shelf, exclusive economic zone and other maritime zones of India. Accordingly, the Territorial Waters Act provides for the grant of PELs and PMLs by the Government (and in respect of land vested in a state government, by that state government with prior approval of the Government) to explore and exploit resources of the continental shelf and the exclusive economic zone.

Coastal Regulation Zone Notifications

MoPNG issued certain notifications on 19 February 1991, 16 August 1994, 9 July 1997 and 12 August 2001 to declare coastal stretches of seas, bays, estuaries, creeks, rivers and backwaters which are influenced by tidal action (in the landward side) up to 500 meters from the high tide line, and the land between the low tide line and high tide line as “Coastal Regulation Zones” (**CRZs**) and to impose restrictions on the set up and the expansion of industries, operations or processes in the CRZ. The prohibited activities include the manufacturing and handling of oil or disposal of hazardous substances as specified in earlier notifications, excluding facilities for receipt and storage of petroleum products and LNG as specified in the CRZ Notification 2011 and facilities for re-gassification of LNG in areas not classified as CRZ - 1.

Guidelines for Management of Oil and Gas Resources for Nomination Blocks (Oil and Gas Nomination Block Management Guidelines)

The Oil and Gas Nomination Block Management Guidelines were announced by the MoPNG in 2007 to regulate nomination blocks which were awarded to national oil companies prior to the introduction of NELP and PSC. Under the Oil and Gas Nomination Block Management Guidelines, national oil companies are required to, among other things, prepare an appraisal programme of their discoveries made under nomination blocks after having consulted the DGH under a specific time frame that is similar to the requirement set out in NELP. In addition, national oil companies are required to prepare development plans of their discoveries made under nomination blocks in consultation with the DGH.

The Oil and Gas Nomination Block Guidelines prescribes the constitution of a management committee comprised of the DGH, representatives from MoPNG and a director-level representative from the relevant national oil company. The Director General, DGH will act as chairman and the DGH is required to review and monitor the progress and performance of national oil companies in accordance with each PEL and international practice. Similar to the PSC requirements, the DGH could also frame procedures for the announcement of hydrocarbon discoveries and the reporting of hydrocarbon reserves. Furthermore, the DGH is responsible for monitoring the development of hydrocarbon discoveries of nomination blocks and health of reservoirs of all producing fields operated by national oil companies.

National Resettlement and Rehabilitation Policy, 2007

The National Rehabilitation and Resettlement Policy, 2007 was notified by the Government on 31 October 2007 to rehabilitate and resettle persons (i) affected by the acquisition of land for projects of public purpose or (ii) displaced involuntary due to any other reason. The Government will establish a Rehabilitation and Resettlement Committee to monitor the implementation progress of any scheme or rehabilitation and resettlement of affected families in cases where the involuntary displacement involves (i) 400 or more families *en masse* in plain areas; (ii) 200 or more families *en masse* in tribal or hilly areas, blocks of the Desert Development Programme of the Government (the **DDP**) or areas mentioned in the Fifth or Sixth Schedule to the Constitution of India of the Government. The DDP is a programme set up by the Government which aims to (i) combat drought and desertification, (ii) mitigate the adverse effect of drought and desertification on crop production, livestock and people, and (iii) encourage restoration of the ecological balance by harnessing, conserving and developing natural resources. The Rehabilitation and Resettlement Committee will also carry out post-implementation social audits.

The National Rehabilitation and Resettlement Policy, 2007, is a revised and improved version of the National Policy on Resettlement and Rehabilitation for Project Affected Families, 2003. Under the National Rehabilitation and Resettlement Policy, 2007, project promoters are required to consider alternative sites before submitting requests for land acquisitions. The area of land to be acquired will also be limited to a minimum size to commensurate with the purpose of the project. Projects should, as far as possible, be set up on wasteland, degraded land or un-irrigated land. The Governments should consider options that would minimise the number of people being displaced, the total area of land to be acquired and the acquisition of agricultural land for non-agricultural projects. In addition, a social impact assessment is required where an involuntary displacement will involve at least 400 families *en masse* in plain areas and 200 families *en masse* in hills.

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFTLA Act)

The RFTLA Act has received the assent of the President of India on 27 September 2013 and shall come into force from 1 January 2014. The key provisions of the RFTLA Act are as follows, viz. (i) RFTLA Act completely replaces the Land Acquisition Act, 1894, (ii) the process for land acquisition involves a social impact assessment and environmental impact assessment survey, preliminary notification stating the intent for acquisition, a declaration of acquisition, and compensation to be given by a certain time, (iii) all acquisitions require rehabilitation and resettlement to be provided to the people affected by the acquisition, (iv) compensation for the owners of the acquired land shall be four times the market value in case of rural areas and two times in case of urban areas, (v) in case of acquisition of land for use by private companies or public private partnerships, consent of 70 per cent. of the displaced people will be required. Purchase of large pieces of land by private companies will require provision of rehabilitation and resettlement, and (vi) the provisions of the RFTLA Act shall not apply to acquisitions under 13 existing legislations including, *inter alia*, the Electricity Act, 2003, the Atomic Energy Act, 1962 and the Railways Act, 1989.

Explosives Act, 1884 (the Explosives Act)

Under the Explosives Act, the Government has the power to regulate the manufacture, possession, use, sale, transport and importation of explosives and grant of license for the same activities. The Government may prohibit the manufacture, possession or importation of especially dangerous explosives. Any contravention of the Explosives Act or rules made under it, being the Explosives Rules, 1983, may lead to an arrest without warrant and imprisonment for three years, including a fine which may extend up to Rs.5,000.

Environmental Regulations

The Environmental Protection Act, 1986 (**Environment Protection Act**), Water (Prevention and Control of Pollution) Act, 1974 (**Water Act**) and the Air (Prevention and Control of Pollution) Act, 1981 (**Air Act**) provide for the prevention, control and abatement of pollution. Pollution Control Boards (**PCBs**) have been constituted in all the states in India to exercise the authority provided under these statutes for the purpose of preventing and controlling pollution. Companies are required to obtain approvals of the relevant State PCBs for emissions and discharge of effluents into the environment.

The Hazardous Waste (Management and Handling) Rules, 1989 (**Hazardous Waste Rules**) include waste oil and oil emulsions under the definition of hazardous wastes and impose an obligation on every occupier and operator of a facility generating hazardous waste to dispose of such hazardous wastes properly, including proper collection, treatment, storage and disposal. Every occupier and operator of a facility generating hazardous waste is required to obtain an approval from the PCB for collecting, storing and treating the hazardous waste. In addition, the Merchant Shipping Act, 1956 provides for liability arising out of loss or damage caused outside the ship by contamination resulting from escape or discharge of oil from such ship.

Further, the approval of the MoEF is required under Environment Protection Act and/or the Forest (Conservation) Act, 1980 (**Forest Conservation Act**), for any diversion of forest land in relation to a project or in case the project value exceeds certain specified limits for a new project or expansion of an existing project.

Foreign Investment in Petroleum and Natural Gas Sector in India

Foreign investment in Indian securities is primarily regulated through the Industrial Policy, 1991 of the Government and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made.

Foreign Direct Investment in Petroleum and Natural Gas Sector

The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry (**DIPP**) has issued 'Consolidated FDI Policy Circular of 2014', with effect from 17 April 2014, (the **FDI Circular**) which consolidates the policy framework on foreign direct investment (**FDI**). The FDI Circular consolidates and subsumes all the press notes, press releases, and clarifications on FDI issued by DIPP as of 16 April 2014. The Government proposes to update the FDI Circular every year and therefore, the FDI Circular will be valid until the DIPP issues an updated circular in April 2015.

In accordance with the FDI Circular, FDI up to 100 per cent. under the automatic route is permitted in exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum product pipelines, natural gas, LNG regasification infrastructure, market study and formulation and petroleum refining in the private sector. Such investment is subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the policy of the Government on private participation in exploration of oil and the discovered fields of national oil companies. Furthermore, FDI up to 49 per cent. under the government route is permitted for petroleum refining by the public sector undertakings without any disinvestment or dilution of domestic equity in the existing public sector undertakings.

Investment by FIIs

Apart from investment under FDI route, registered FIIs are permitted to purchase shares of an Indian company through offeror private placement under FEMA Portfolio Investment Scheme (**PIS**)

as per schedule 2 to Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 under the subject to the ceiling specified hereunder, provided that, in case of a public offer, the price of the shares to be issued is not less than the price at which shares are issued to Indian residents.

The extant guidelines for Portfolio Investment Scheme for Foreign Institutional Investor (**FII**) and Qualified Foreign Investor (**QFI**) have since been reviewed and it has been decided to put in place a framework for investments under a new scheme called 'Foreign Portfolio Investment' scheme.

The salient features of the new scheme are:

- The portfolio investor registered in accordance with SEBI guidelines shall be called 'Registered Foreign Portfolio Investor (**RFPI**)'. The existing portfolio investor class, namely, FII and QFI registered with SEBI shall be subsumed under RFPI;
- RFPI may purchase and sell shares, convertible debentures and warrants of an Indian company through registered brokers on recognised stock exchanges in India as well as purchase shares and convertible debentures which are offered to public in terms of relevant SEBI guidelines/regulations. Partly paid shares and Warrants issued to RFPI shall be subject to same conditions as those issued under FDI scheme;

RFPI may sell shares or convertible debentures so acquired:

- a) in open offer in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; or
- b) in an open offer in accordance with the SEBI (Delisting of Equity shares) Regulations, 2009; or
- c) through buyback of shares by a listed Indian company in accordance with the SEBI (Buy-back of Securities) Regulations, 1998

RFPI may also acquire shares or convertible debentures:

- a) in any bid for, or acquisition of, securities in response to an offer for disinvestment of shares made by the Central Government or any State Government; or
 - b) in any transaction in securities pursuant to an agreement entered into with merchant banker in the process of market making or subscribing to unsubscribed portion of the issue in accordance with Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- The individual and aggregate investment limits for the RFPIs shall be below 10 per cent. or 24 per cent. respectively of the total paid-up equity capital or 10 per cent. or 24 per cent. respectively of the paid-up value of each series of convertible debentures issued by an Indian company. Further, where there is composite sectoral cap under FDI policy, these limits for RFPI investment shall also be within such overall FDI sectoral caps;
 - RFPI shall be eligible to open a Special Non-Resident Rupee (**SNRR**) account and a foreign currency account with authorised dealer bank and to transfer sums from foreign currency account to SNRR account at the prevailing market rate for making genuine investments in securities. The authorised dealer bank may transfer repatriable proceeds (after payment of applicable taxes) from SNRR account to foreign currency account;
 - RFPI shall be eligible to invest in government securities and corporate debt subject to limits specified by the RBI and SEBI from time to time;

- The investment by RFPI will be made subject to the SEBI (FPI) Regulations 2014, modified by SEBI/GoI India from time to time;
- RFPI shall be permitted to trade in all exchange traded derivative contracts on the stock exchanges in India subject to the position limits as specified by SEBI from time to time; and
- RFPI may offer cash or foreign sovereign securities with AAA rating or corporate bonds or domestic Government Securities, as collateral to the recognised Stock Exchanges for their transactions in the cash as well as derivative segment of the market.

Any foreign institutional investor who holds a valid certificate of registration from SEBI shall be deemed to be a RFPI till the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995. A QFI may continue to buy, sell or otherwise deal in securities subject to the SEBI (FPI) Regulations, 2014 for a period of one year from the date of commencement of these regulations, or until he obtains a certificate of registration as foreign portfolio investor, whichever is earlier. However, all investments made by that FII/QFI in accordance with the regulations prior to registration as RFPI shall continue to be valid and taken into account for computation of aggregate limit.

RFPI shall report the transaction to RBI as being reported by FII in LEC Form as per extant practice.

Foreign Exchange Laws

The current laws relating to overseas foreign currency borrowings, commonly referred to as external commercial borrowings (**ECBs**), by Indian companies are embodied in the Master Circular on External Commercial Borrowings and Trade Credits dated 1 July 2014 issued by the RBI, as amended and updated from time to time (**ECB Guidelines**). ECB can be accessed under two routes: (i) the automatic route, and (ii) the approval route. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route refers to circumstances where prior RBI approval is mandatory before raising an ECB. The ECB Guidelines are subject to amendment from time to time.

Automatic Route

Under the automatic route, recognised borrowers permitted to raise ECBs include: (i) companies in industrial sectors, infrastructure sectors and specified service sectors (i.e. hotel, hospital and software sectors); (ii) infrastructure finance companies (**IFCs**) and asset finance companies (except financial intermediaries such as banks, financial institutions, housing finance companies and non-banking financial companies (**NBFCs**) other than those specifically allowed by the RBI); (iii) units in special economic zones; (iv) micro-finance institutions registered under the Societies Registration Act, 1860, the Indian Trust Act, 1882 or national or state level cooperative acts; (v) companies registered under section 25 of the Companies Act; (vi) non-government organisations engaged in micro-finance activities; and (vii) holding companies or **CICs** under the regulatory framework of the RBI can raise ECBs for project use in special purpose vehicles (**SPVs**) provided the business activity of the SPV is in the infrastructure sector. Individuals, trusts (other than those engaged in micro-finance activities) and non-profit making organisations are not eligible to raise ECBs.

The foreign lenders eligible to provide ECBs include: (i) international banks; (ii) international capital markets; (iii) multilateral financial institutions or regional financial institutions and Government-owned development financial institutions; (iv) export credit agencies; (v) suppliers of equipment; (vi) foreign collaborators (other than erstwhile overseas corporate bodies); and (vii) foreign equity holders (subject to compliance with threshold requirements).

ECB proceeds can be utilised for: (i) investment (such as the import of capital goods, new projects, modernisation or expansion of existing production units) in the real sector (i.e. the industrial sector including small and medium enterprises, infrastructure sector and specified service sectors); (ii) overseas direct investment; (iii) acquisition of shares in the Government’s disinvestment programme of public sector units; (iv) lending to self-help groups or for micro-credit or micro-finance; (v) payment for spectrum allocation; (vi) utilisation of ECBs by IFCs for up to 50 per cent. of their owned funds for on-lending to the infrastructure sector; (vii) capital expenditure for maintenance and operations of toll systems for roads and highways; and (viii) payment of interest during construction by companies engaged in the infrastructure sector. ECB proceeds cannot be used for: (i) on-lending or investment in capital markets or for acquisition of a company in India by a corporate; (ii) investment in real estate; or (iii) working capital, general corporate purposes or repayment of existing Rupee loans other than ECBs whose repayment of the principal shall commence only after completion of minimum average maturity of seven years. “Infrastructure sector” for the purposes of the ECB Guidelines is defined to include (i) transport; (ii) energy; (iii) water & sanitation; (iv) communication; (v) mining; (vi) exploration; (vii) refining; and (viii) social and commercial infrastructure. “Energy” sector for the purpose of this definition will include (i) electricity generation, (ii) electricity transmission, (iii) electricity distribution, (iv) oil pipelines, (v) oil/gas/liquefied natural gas (LNG) storage facility (includes strategic storage of crude oil) and (vi) gas pipelines (includes city gas distribution network). The maximum amount of ECBs which can be raised by a corporate (other than those in the service sectors) is U.S.\$750 million each financial year under the automatic route. Corporates in the services sector are allowed to raise ECBs up to U.S.\$200 million each financial year. The all-in-cost (which includes rate of interest, other fees and expenses in foreign currency but does not include commitment fees, pre-payment fees, payments for withholding tax in Rupees or fees payable in Rupees) ceilings for ECBs are as follows:

<u>Average Maturity Period</u>	<u>All-in-cost over 6 month LIBOR</u>
ECB of 3 years and up to 5 years	350bps
ECB of more than 5 years	500bps

Approval Route

All ECBs falling outside the purview of the automatic route limits are considered by the RBI under the approval route. ECBs which can be obtained with prior RBI approval include: (a) IFCs utilising ECBs beyond 75 per cent. of their owned funds for on-lending to the infrastructure sector; (b) NBFCs utilising ECBs to finance import of infrastructure equipment for leasing to infrastructure projects; (c) Holding Companies / Core Investment Companies (CICs) coming under the regulatory framework of the Reserve Bank; and (d) take-out financing utilised for refinancing of Rupee loans by infrastructure borrowers from the domestic banks in the sea port, airport, roads, bridges and power sectors for project development. Such ECB should not be raised from overseas branches / subsidiaries of Indian banks.

Filing and Regulatory Requirements in relation to Issuance of Notes

An ECB borrower is required to obtain a loan registration number (LRN) from the RBI before an issuance of Notes is effected. For allotment of the LRN, ECB borrowers are required to submit completed Form 83 certified by a company secretary or chartered accountant to the authorised dealer bank of the ECB borrower. The authorised dealer bank is then required to forward the completed Form 83 to the RBI. Any ECB borrower is required to submit an ECB-2 Return on a monthly basis via its authorised dealer bank to the RBI.

Procedure in relation to Any Change to the Terms and Conditions of the Notes

Any change in the Terms and Conditions of the Notes after obtaining the LRN require the prior approval of the RBI. The ECB borrower is required to apply to the RBI via its authorised dealer bank to obtain such approvals. Certain changes (such as amendments to the repayment date, currency, the name of the borrower, recognised lender, the purpose for which the ECB is utilised or any change to the authorised dealer bank) may be approved by the authorised dealer bank under a delegated authority from the RBI subject to certain conditions being complied with.

New Companies Act

The New Companies Act has been notified by the Government on 30 August 2013 (**Notification**). The provisions of the New Companies Act will be effective on such date as is appointed by the Government by notification in the official gazette and different dates may be appointed for different provisions. Under the Notification, section 1 of the New Companies Act, deals with the commencement and application of the New Companies Act, and amongst others, sets out the types of companies to which the New Companies Act applies, has come into effect. Further the Ministry of Corporate Affairs has by its notification dated 12 September 2013 (**September 12 Notification**) notified 98 sections of the New Companies Act which came into force from 12 September 2013. The Government has reserved for itself the power to notify different provisions of the New Companies Act at different points of time. The New Companies Act seeks to overhaul the Companies Act, so as to make it more adaptable to the changing circumstances and make it comprehensive. The substantial operative part of the legislation will be in the rules, which are yet to be notified.

Further, the sections of the New Companies Act that have been notified under the September 12 Notification amongst others include the provisions in relation to private and public companies, public offers and private placements, refunds of share application money, civil and criminal liability for misstatements in a prospectus, allotment of securities, buyback of securities, capital redemption reserve account, calling of extra ordinary general meeting, ordinary and special resolutions, appointment of directors, loans to directors, restrictions on powers of the board of directors, prohibition of insider trading, and forward dealings, foreign companies and offences under the New Companies Act.

The New Companies Act has introduced various sections including those related to layering restrictions, corporate social responsibility, class actions, outbound mergers, minority exits and vesting of jurisdiction with the National Company Law Tribunal, which when enforced in its entirety, will significantly and substantially modify, repeal and replace the entire framework of law governing Indian companies including the Issuer. For transition purposes, the New Companies Act encapsulates grandfathering provisions whereby acts done, resolutions passed, documents entered, registers maintained under the Companies Act (unless contrary to the New Companies Act) will continue to be valid under the New Companies Act.

Additionally, section 465 (yet to be notified) of the New Companies Act provides for repeals and savings where under anything done or any action taken or purported to have been done or taken, including any rule, notification, inspection, order or notice made or issued or any appointment or declaration made or any operation undertaken or any direction given or any proceeding taken or any penalty, punishment, forfeiture or fine imposed under the repealed enactments shall, insofar as it is not inconsistent with the provisions of New Companies Act, be deemed to have been done or taken under the corresponding provisions of the New Companies Act.

Under the New Companies Act, every company having net worth of INR 500 crore or more, or turnover of INR 1,000 crore or more or a net profit of INR 5 crore or more during any financial year shall formulate a corporate social responsibility policy. Further, the board of every such company shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years in pursuance of its corporate social responsibility policy.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in India or the country of which they are residents.

Indian Taxation

The following is a summary of the existing principal Indian tax consequences for non-resident investors subscribing to the Notes issued by the Issuer. The summary is based on existing Indian taxation law and practice in force at the date of this Offering Circular and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposal of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes.

Taxation of interest

Interest on the Bonds may not be subject to taxes in India if the proceeds of the issuance of the Notes are used for purposes of business carried on by the Issuer outside India. However, should the proceeds be used for the purposes of the business of the Issuer in India, non-resident investors would be liable to pay tax on the interest paid on the Notes at the rate of five per cent. under Section 115A of the Income Tax Act, 1961 (the **Income Tax Act**) (plus applicable surcharge and education cess in the case of non-resident companies, or education cess and secondary and higher education cess in the case of non-resident individuals) subject to and in accordance with the existing conditions contained in the Income Tax Act, 1961. Generally, the rates of tax stand reduced if the beneficial recipient is a resident of a country with which the Government has entered into an agreement for granting relief of tax or for avoidance of double taxation (each a **Tax Treaty**) and the provisions of such treaty, which provide for the taxation in India of income by way of interest at a rate lower than that stated above, are fulfilled. Please note that the rate of five per cent. has been introduced recently and the tax treaties concluded by India may not provide a more beneficial (lower) rate than five per cent.

In case there is any difference between amounts withheld in respect of interest paid on the Notes and the ultimate Indian tax liability for such interest, the non-resident investor would be obligated to pay the additional income-tax or claim refund as the case may be, subject to and in accordance with the provisions of the Income Tax Act.

Taxation of gains arising on disposal

Any gains arising to a non-resident investor from disposal of the Notes held (or be deemed as held) as a capital asset will generally be chargeable to income tax in India if the Notes are regarded as property situated in India. A non-resident investor generally will not be chargeable to income tax in India from disposal of the Notes held as a capital asset provided that the Notes are regarded as being situated outside India. The issue as to where the Notes should properly be regarded as being situated

is not free from doubt. The ultimate decision, however, will depend on the view taken by Indian tax authorities on the position with respect to the situs of the rights being offered in respect of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as the Issuer is incorporated in and a resident in India.

If the Indian tax authorities treat the Notes as being located in India, as the Issuer is incorporated and resident in India, upon disposal of the Notes:

- (i) a non-resident investor who has held the Notes for a period of more than 36 months immediately preceding the date of their disposal, would be liable to pay capital gains tax at rates ranging up to 20 per cent. of the capital gains (plus applicable surcharge and educational cess and secondary and higher education cess) and non-resident Indian investors in certain cases would be liable to pay a capital gains tax of 10 per cent. of the capital gains (plus applicable surcharge, education cess and secondary and higher education cess) for a similar period, subject to and in accordance with the provisions of the Income Tax Act. These rates are subject to any lower tax implications under an applicable Tax Treaty;
- (ii) a non-resident investor who has held the Notes for a period of 36 months or less would be liable to pay capital gains tax at rates ranging from 30 per cent. to 40 per cent. (plus applicable surcharge and educational cess and secondary and higher education cess) of capital gains depending on the legal status of the non-resident investor and his taxable income in India, subject to any lower tax implications under an applicable Tax Treaty; and
- (iii) any gains arising to a non-resident investor from disposal of the Notes held as stock-in-trade would be subject to income tax in India to the extent, if any, that the gains are attributable to a “business connection in India” or, in case where a Tax Treaty is applicable, to a “permanent establishment” of the non-resident investor in India. A non-resident investor would be liable to pay Indian tax on such gains at rates of tax ranging from 30 per cent. to 40 per cent. (plus applicable surcharge and educational cess and secondary and higher education cess in the case of non-resident companies, or education cess and secondary and higher education cess in the case of non-resident individuals) depending upon the legal status of the non-resident investor and his taxable income in India, subject to any lower rate of tax provided for by an applicable Tax Treaty. The taxation, if any, of capital gains would also depend upon the provisions/benefits available under the relevant Tax Treaty, subject to fulfilment of the conditions prescribed.

Potential investors should, in any event, consult their own tax advisers on the tax consequences of transfer of the Notes.

Withholding of taxes

Since the interest payable on the Notes is subject to tax in India (where the proceeds of the issuance of the Notes are used for the purposes of business carried on in India), there is a requirement to withhold tax at the applicable rate (plus applicable surcharge and educational cess and secondary and higher education cess), subject to any lower rate of tax provided by an applicable Tax Treaty. Pursuant to the Conditions of the Notes, all payments of, or in respect of, principal and interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case pursuant to Condition 8.1, the Issuer will pay any additional amount as may be necessary in order that the net amount received by the Noteholders after the withholding or deduction of tax shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or the deduction, subject to certain exceptions. With respect to interest on the Notes that is not subject to taxes in India (where the proceeds of the issuance of the Notes are used for the purposes of business carried on by the Issuer outside India or otherwise), the Issuer may be required to apply annually for an exemption from withholding tax under section 195(2) of the Income Tax Act.

Taxation of persons ordinarily resident in India

Any income received in respect of the Notes by a person ordinarily resident in India under the provisions of the Income Tax Act may generally be subject to tax in India according to the personal or corporate rate of tax applicable, subject to and in accordance with the provisions of any applicable Tax Treaty.

Wealth tax

No wealth tax is payable at present in relation to the Notes.

Estate duty

No estate duty is payable at present in relation to the Notes. There are no inheritance taxes or succession duties currently imposed in respect of the Notes held outside India.

Gift tax

No gift tax is payable at present in relation to the Notes in India.

Stamp duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Stamp duty would be payable if the Notes are brought into India for enforcement or for any other purpose. This stamp duty will have to be paid within a period of 3 months from the date the Notes are first received in India. The amount of stamp duty payable would depend on the applicable Stamp Act of the relevant state into which the Notes are brought.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The proposed financial transactions tax (FTT)

On 14 February 2013, European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

Under the Commission's Proposal, the FTT could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by 10 of the 11 participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **Recalcitrant Holder**). The Issuer does not expect to be classified as an FFI. However, no assurance can be given that the Issuer or any New Issuer will not be treated as an FFI.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which (A) with respect to Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register and (B) with respect to Notes that give rise to a dividend equivalent pursuant to section 871(m) of the Code (and therefore do not give rise to foreign passthru payments), is the date that is six months after the date on which obligations of their type are first treated as giving rise to dividend equivalents, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States has initialed an agreement with India based largely on the Model 1 IGA (the “**US-India IGA**”).

If the Issuer is treated as a Reporting FI pursuant to the U.S.-India IGA, the Issuer would not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that, if the Issuer is treated as an FFI, that the Issuer will be treated as a Reporting FI, or that the Issuer would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor any paying agent and the common depositary or common safekeeper, as the case may be, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.

Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the Code, which treats a “dividend equivalent” payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A “dividend equivalent” payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a “specified notional principal contract” that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Proposed U.S. Treasury regulations expand the scope of withholding under Section 871(m) beginning 1 January 2016. Under these rules, withholding may be required even in the absence of any actual dividend-linked payment made pursuant to the instrument. While the proposed regulations provide for an exception for indices that satisfy certain criteria, it is not clear whether this exception will apply to the relevant underlying index, if any. While significant aspects of the application of Section 871(m) to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should consult their tax advisers on the potential application of Section 871(m) to the Notes.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 27 January 2015 as amended and/or supplemented from time to time (the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to subscribe the Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer. The Notes may also be sold by the Issuer through the Dealers, acting as the Issuer’s agents. The Dealers may also offer and sell Notes through certain of their affiliates.

In order to facilitate the offering of any Tranche of the Notes, a nominated Dealer participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under United Kingdom laws and regulations stabilising activities may only be carried on by the Stabilising Manager (or any person acting for the Stabilising Manager) named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except in certain transactions exempt from the registration requirements of the Securities Act;
- (ii) The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor United States Treasury regulation section, including without limitation, successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor United States Treasury regulation section, including without limitation, successor

regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010). Terms used in this paragraph have the meanings given to them by the U.S. Revenue Code of 1986 and regulations thereunder;

- (iii) in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S (**Category 2 Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 2 Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 Notes within the United States or to, or for the account or benefit of, U.S. persons;
- (iv) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act; and
- (v) each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Economic Area

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the pricing supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Italy

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);
- (b) in compliance with Article 129 of the Banking Act, (as amended), and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the EU Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

India

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required, to represent and agree that (a) this Offering Circular has not been and will not be registered, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement under the Companies Act, as amended, or the New Companies Act, as amended, or any other applicable Indian laws) with the Registrar of Companies or the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, (b) the Notes will not be offered or sold, and have not been offered or sold to any person in India by means of any document, other than to persons permitted to acquire the Notes under Indian law, whether as a principal or agent, and (c) this Offering Circular or any other offering document or material relating to the Notes will not be circulated or distributed and have not been circulated or distributed, directly or indirectly, to any person or the public or any member of the public in India or otherwise generally distributed or circulated in India. The Notes have not been offered or sold and will not be offered or sold in India in circumstances which would constitute an offer of securities (whether to the public or by way of private placement) within the meaning of the Companies Act, as amended, the New Companies Act, as amended, or any other applicable Indian laws for the time being in force.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore, as amended (the **Securities and Futures Act**). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person under Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investment) (Shares and Debentures) Regulations.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) it has not offered or sold, and will not offer or sell, in the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that

Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Certain Relationships

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and its affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer or its subsidiaries or associates, at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

The Issuer's financial statements included in this Offering Circular have been prepared in accordance with accounting policies followed by the Issuer which conform to the Indian GAAP as applicable to the Issuer. Indian GAAP differs in certain significant respects from IFRS. Such differences involve methods for measuring amounts in the financial statements as well as in disclosures.

The following summarises certain general differences between Indian GAAP and IFRS that could have a significant impact on the financial position and operations of the Issuer if its financial statements were prepared under IFRS. The summary below should not be considered exhaustive and no attempt has been made to identify possible future differences between Indian GAAP and IFRS as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in future. No attempt has been made by the Issuer to quantify the effects of those differences, nor has a reconciliation of Indian GAAP to IFRS been undertaken by the Issuer. Had any such quantification or reconciliation been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below.

Prospective investors should consult their own professional advisors for an understanding of the principal differences between Indian GAAP and IFRS and how these differences might affect the financial statements of the Issuer presented in this Offering Circular.

Summary of Significant Differences:

Topic	IFRS	Indian GAAP
Presentation of financial statements — components of financial statements	The requirements for the presentation of financial statements, the guidelines for their structure and content are set out in IAS 1. A complete set of financial statements under IFRS comprises: (a) a statement of financial position; (b) a statement of comprehensive income/a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income; (c) statement of cash flow; (d) statement of changes in equity; (e) notes including summary of accounting policies and explanatory notes and (f) a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.	The requirements for the presentation of financial statements are set out in Revised Schedule VI to the Companies Act and the Accounting Standards, notified under the Companies (Accounting Standards) Rules, 2006 (as amended), collectively referred to as "Indian GAAP". The components of financial statements are: (a) balance sheet; (b) statement of profit and loss; (c) cash flow statement; (d) explanatory notes and (e) a summary of accounting policies.

Topic	IFRS	Indian GAAP
Presentation of financial statements — reclassification of comparative information	Nature and amount of each reclassified item or class of reclassified items are disclosed. If it is impracticable to reclassify then the reason for not reclassifying and the nature of the adjustment that would have been made if the amounts had been reclassified needs to be stated.	No specific requirement. In practice, an explanatory note is included when comparatives are disclosed without identifying the nature or amount of the items reclassified.
Presentation of financial statements — balance sheet	An entity is required to present current and non-current assets, and current and non-current liabilities, as separate classification on the face of the balance sheet except when a presentation based on liquidity provides information that is more reliable and is more relevant. Minimum line item requirements are set out in IAS 1.	All items of assets and liabilities are to be bifurcated between current and non current portions and presented separately on the face of the balance sheet. Revised Schedule VI of the Companies Act sets out the minimum requirements for disclosure required in the balance sheet and statement of profit and loss and notes.
Presentation of financial statements — presentation of income statement	<p>An analysis of expenses is presented using a classification based on either the nature of expenses or their function whichever provides information that is reliable and more relevant.</p> <p>If presented by function, specific disclosures by nature are provided in the notes. Profit or loss attributable to non-controlling interests and equity holders of the parent are disclosed in the statement of comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.</p> <p>Entities have the option to present either:</p> <ul style="list-style-type: none"> • single statement of comprehensive income; or • two separate statements, namely income statement and statement of comprehensive income. 	<p>Revised Schedule VI to the Companies Act only permits an analysis of expense by nature. Profit or loss attributable to minority interests is disclosed as a deduction from the profit or loss for the period as an item of income or expense.</p> <p>Only statement of profit and loss is prepared.</p>

Topic	IFRS	Indian GAAP
Presentation of financial statements — statement of changes in equity	A statement of changes in equity is presented showing: (a) amount of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders; (b) the total comprehensive income for the period; (c) effects of retrospective application or restatement on each component of equity; and (d) for each component of equity, a reconciliation between the opening and closing balances separately disclosing each change.	A statement of changes in equity is not required. Movements in share capital, retained earnings and other reserves are presented in the notes to financial statements.
Presentation of financial statements — extraordinary items	Presentation of any items of income or expense as extraordinary is prohibited.	Extraordinary items are disclosed separately in the profit and loss account and are included in determination of net profit or loss. Items of income or expense to be disclosed as extraordinary should be distinct from the ordinary activities and are determined by the nature of the events or transactions in relation to the business ordinarily carried out by an entity.
Cash flow statement — cash flows from extraordinary items	As presentation of items as extraordinary is not permitted in accordance with IAS 1, cash flow statement does not reflect any items of cash flow as extraordinary.	Cash flows from items disclosed as extraordinary are classified as arising from operating, investing or financing activities and are separately disclosed.
Cash flow statement — interest and dividend	May be classified as operating, investing or financing activities in a manner consistent from period to period.	Interest and dividends received are required to be classified as investing activities. Interest and dividends paid are required to be classified as financing activities other than for financial enterprises.
Cash flow statement — bank overdraft	Bank overdraft repayable on demand is treated as Cash & Cash Equivalents if they form an integral part of the entity's cash management.	AS 3 on "Cash flow Statements" does not provide any guidance on bank overdrafts. However, these are treated as financing activities as a normal practice.

Topic	IFRS	Indian GAAP
Changes in accounting policies and errors	<p>Retrospective application of changes in accounting policies is done by adjusting the opening balance of the affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy were always applied. If retrospective application is impracticable for a particular prior period, or for a period before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied needs to be stated.</p> <p>Material prior year errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening statement of financial position.</p>	<p>Changes in accounting policies are not applied retrospectively. The cumulative impact arising from such change is made in the financial statements in the period of change. If the impact of the change is not ascertainable, this should be disclosed.</p> <p>Material prior year errors are included in determination of profit or loss in the period in which the error is discovered and are separately presented in the statement of profit and loss.</p>
New accounting pronouncements	<p>New accounting pronouncements that have been issued but not effective on the balance sheet date are disclosed. Known or reasonably estimable information relevant to assessing the possible impact of the new accounting pronouncements on initial application on the financial statements is disclosed.</p>	Not required.
Events after balance sheet date — non-adjusting events	<p>IFRS requires disclosure of significant non-adjusting events in the notes to Financial Statements.</p>	Such events are to be disclosed in the report of the approving authority.
Events after balance sheet date — dividends	<p>Liability for dividends declared to holders of equity instruments are recognised in the period when declared.</p>	<p>Dividends are recognised as an appropriation from profits and recorded as liability at the balance sheet date, if proposed or declared subsequent to the reporting period but before approval of the financial statements.</p>

Topic	IFRS	Indian GAAP
Income taxes — recognition of deferred liabilities	Deferred income taxes are recognised for all taxable temporary differences between accounting and tax base of assets and liabilities except to the extent they arise from: (a) initial recognition of goodwill; or (b) of asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither the accounting nor the tax profit.	Deferred tax liabilities are recognised for all timing differences in respect of recognition of items of profit or loss for the purposes of financial reporting and for income taxes.
Income taxes — recognition of deferred tax assets	Deferred tax asset is recognised for carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.	Deferred tax asset for unused tax losses and unabsorbed depreciation is recognised only to the extent that there is virtual certainty supported by evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax asset for all other unused credits is recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
Income taxes — recognition of taxes on items recognised in other comprehensive income or directly in equity	Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised in the same or a different period, outside profit or loss. Therefore the tax on items recognised in other comprehensive income, or directly in equity, is also recorded in other comprehensive income or in equity, as appropriate.	No specific guidance in AS 22. However, an announcement made by the Institute of Chartered Accountants of India (the “ICAI”) requires any expense charged directly to reserves and/or securities premium account to be net of tax benefits expected to arise from the admissibility of such expenses for tax purposes. Similarly, any income credited directly to a reserve account or a similar account should be net of its tax effect.

Topic	IFRS	Indian GAAP
Income taxes — investments in subsidiaries, branches and associates, and interests in joint ventures	Deferred tax liability for all taxable temporary differences are recognised except to the extent that: (a) the parent, investor or the venture is able to control timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.	Not required.
Income taxes — deferred tax on unrealised intra-group profits	Deferred tax on unrealised intra-group profits is recognised at the buyer's rate.	Deferred tax expense is an aggregation from separate financial statements of each group entity and no adjustment is made on consolidation.
Property, plant and equipment — cost of major inspection	Costs of major inspections and overhauls are recognised in the carrying amount of property, plant and equipment.	Costs of major inspections are expensed when incurred.
Property, plant and equipment — component accounting	IAS 16 mandates component accounting.	AS 10 does not require full adoption of component accounting, but states that accounting for tangible fixed assets may be improved if total cost is allocated to its various parts.
Property, plant and equipment — revaluation	If an entity adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. IFRS mandates entire class of assets to be revalued.	No specific requirement on frequency of revaluation. Revaluation of whole class of asset not required.
Depreciation	Depreciation is provided based on useful life.	Depreciation is provided based on higher of useful life or Schedule XIV notes.
Leases — interest in leasehold land	Recognised as operating/finance lease unless the leasehold interest is accounted for as investment property in accordance with IAS 40 and the fair value model is adopted.	Recognised as tangible fixed assets regardless of whether title is expected to pass to the lessee by the end of the lease term. Assets under lease are separately classified under each class of asset.

Topic	IFRS	Indian GAAP						
Determining whether an arrangement contains a lease	An arrangement that does not take the legal form of a lease but fulfilment of which is dependent on the use of specific assets and which conveys the right to use the assets is accounted for as a lease in accordance with IAS 17.	There is no such requirement.						
Lease incentives — operating leases	The lessor and lessee recognises lease incentives as an increase or reduction of rental expense over the lease term, on a straight line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from use of the leased asset.	There is no specific guidance.						
Revenues — definition	Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Amounts collected on behalf of third parties such as sales and service taxes and value added taxes are excluded from revenues.	Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities. Revenue is measured by the charges made to customers for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. Revenue is presented as under: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;">Turnover</td> <td style="text-align: right;">Rs.100</td> </tr> <tr> <td>Less: Excise Duty</td> <td style="text-align: right;">Rs.15</td> </tr> <tr> <td>Turnover (Net)</td> <td style="text-align: right;">Rs.85</td> </tr> </table>	Turnover	Rs.100	Less: Excise Duty	Rs.15	Turnover (Net)	Rs.85
Turnover	Rs.100							
Less: Excise Duty	Rs.15							
Turnover (Net)	Rs.85							
Revenues — measurement	Fair value of revenue from sale of goods and services when the inflow of cash and cash equivalents is deferred is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of consideration is recognised as interest revenue using the effective interest method.	Revenue is recognised at the nominal amount of consideration receivable.						
Revenues — interest	Interest income is recognised using the effective interest method.	Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.						

Topic	IFRS	Indian GAAP
Employee benefits — actuarial gains and losses	<p>Actuarial gains and losses may be:</p> <ul style="list-style-type: none"> • recognised immediately in profit or loss; • recognised immediately in other comprehensive income; or • deferred up to a maximum with any excess of 10 per cent., of the greater of the defined benefit obligation or the fair value of the plan assets at the end of the previous reporting period being recognised over the expected average remaining working lives of the participating employees or other accelerated basis. 	Actuarial gains and losses should be recognised immediately in the statement of profit and loss as income or expense.
Employee benefits — discount rate	Market yields at the balance sheet date on high quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	Market yields at the balance sheet date on government bonds are used as discount rates.
Government grants — non-monetary assets	The asset and the grant may be accounted at fair value. Alternatively, these can be accounted at nominal value.	If the asset is given by the government at a discounted price, the asset and the grant is accounted at the discounted purchase price. All other non-monetary grants are accounted at nominal values.
Government grants — repayment	If repayment of government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional depreciation that would have been recognised in the absence of the grant is immediately recognised as an expense. It is prohibited from being disclosed as extraordinary item.	If repayment of government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional depreciation that would have been recognised in absence of the grant is recognised over the remaining useful life of the asset. Disclosed as an extraordinary item.
Effects of changes in foreign exchange rates — functional and presentation currency	Functional currency is the currency of primary economic environment in which the entity operates. Presentation currency is the currency in which the financial statements are presented.	Foreign currency is a currency other than the reporting currency which is the currency in which financial statements are presented. There is no distinction between functional and presentation currency. The reporting currency is considered as the functional currency.

Topic	IFRS	Indian GAAP
Effects of changes in foreign exchange rates — exchange differences	Exchange differences arising on translation or settlement of foreign currency monetary items are recognised in profit or loss in the period in which they arise.	Similar to IFRS. However, as per the Companies (Accounting Standards) Amendment Rules 2011 on Accounting Standard 11 (AS-11) notified by Indian Government on 29 December 2011, exchange differences arising 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, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset and, in other cases, can be accumulated in a “Foreign Currency Monetary Item Translation Difference Account” and amortised over the balance period of such long term asset/liability by recognition as income or expense in each of such periods.
Effects of changes in foreign exchange rates — translation in consolidated financial statements	Assets and liabilities should be translated from functional to presentation currency at the closing rate at the date of the balance sheet; income and expenses at average rate for the period; exchange differences are recognised as a separate component of equity and recycled to income statement on disposal of investment/operation.	<p>Translation of financial statements to the reporting currency of the parent depends on the classification of that operation as integral or non-integral.</p> <p>Integral operation: monetary assets are translated at closing rate; non-monetary items are translated at historical rate if they are valued at cost and at closing rate if they are valued on another valuation basis. Income and expense items are translated at average rate. Exchange differences are taken to statement of Profit and Loss.</p> <p>For non-integral operations, the closing rate method should be followed i.e., assets and liabilities are translated at closing rate while Profit and Loss items are translated at actual/average rates. The resulting exchange difference is taken to reserve and is recycled to Profit and Loss on the disposal of the non-integral foreign operation.</p>

Topic	IFRS	Indian GAAP
Borrowing cost — recognition	<p>Capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset.</p> <p>Interest expense included in borrowing costs is calculated using the effective interest method as described in IAS 39: Financial Instruments: Recognition and Measurement. It is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Transaction costs are taken into account when determining the initial net carrying amount, their recognition in profit or loss is effectively spread over the life of the instrument.</p>	<p>Borrowing costs are required to be capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset.</p> <p>Interest is calculated on amount of loan outstanding at the applicable rates.</p>
Related party disclosures, identification	<p>Related party includes post employment benefit plans for the benefit of employees of the reporting entity or any entity that is a related party of the reporting entity.</p>	<p>Post employment benefit plans are not included as related parties.</p>
Related party disclosures — key management personnel	<p>Key management personnel include both executive and non-executive directors.</p>	<p>Key management personnel do not include non-executive directors.</p>
Related party disclosures — government related entities	<p>Government related entities require disclosure of:</p> <ul style="list-style-type: none"> • the name of the government and its relationship with the reporting entity; and • the nature and amount of each significant transaction and a qualitative or quantitative indication of other transactions which are significant collectively. 	<p>No disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state controlled enterprises and transactions with such enterprises.</p>

Topic	IFRS	Indian GAAP
Consolidated and separate financial statements — scope	<p>Required for all entities unless specific exemptions in IAS 27 apply.</p> <p>A parent need not prepare consolidated financial statements only if all the following conditions are met:</p> <ul style="list-style-type: none"> • the entity is itself a wholly owned subsidiary or a partially owned subsidiary and its other owners have not objected to the entity not presenting consolidated financial statements; • the entity's debt or equity instruments are not traded in a public market; • the entity is not in a process of filing its financial statements for the purposes of issuing any class of instruments in a public market; and • the ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with IFRSs. 	<p>Indian GAAP does not specify entities that are required to present consolidated financial statements. The accounting standard is required to be followed if consolidated financial statements are presented. The Securities and Exchange Board of India (Indian Market Regulator) requires entities currently listed and to be listed to present consolidated financial statements.</p>
Consolidated and separate financial statements — definition of control	<p>Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.</p>	<p>Control is:</p> <ul style="list-style-type: none"> • The ownership, directly or indirectly through a subsidiary (or subsidiaries) of more than one-half of the voting power of an enterprise; or • Control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.

Topic	IFRS	Indian GAAP
Consolidated and separate financial statements — potential voting rights	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing control.	Potential voting rights are not considered in assessing control.
Consolidated and separate financial statements — exclusion of subsidiaries, associates and joint ventures	If the acquisition of a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is included in the consolidation but is accounted for under that standard.	Excluded from consolidation if the subsidiary was acquired with intent to dispose it within twelve months or if it operates under severe long term restrictions which significantly impair its ability to transfer funds to the parent.
Consolidated and separate financial statements — reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.	The difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.
Consolidated and separate financial statements — accounting policies	Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.	Similar to IFRS except if it is impracticable to use uniform accounting policies, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which different policies have been applied are disclosed.
Consolidated and separate financial statements — disposals	Partial disposal of subsidiary where control is retained is accounted for as an equity transaction, and gain or loss is not recognised. Partial disposal of subsidiary resulting in loss of control triggers remeasurement of the residual holding to fair value. Any difference between the fair value and the carrying value is recognised as gain or loss in profit or loss.	No specific guidance.
Consolidated and separate financial statements — accounting for investments in subsidiaries in separate financial statements	Accounted either at cost less impairment loss or as available for sale in accordance with IAS 39/IFRS 9.	Non-current investments are accounted at cost less diminution in the value, other than temporary in nature and current investments at cost or net realisable value.

Topic	IFRS	Indian GAAP
Investments in associates — significant influence	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing significant influence.	Potential voting rights are not considered in assessing significant influence.
Investments in associates — goodwill	Negative goodwill is excluded from the carrying amount of investment and is included as income in determination of the investor's share of associate's profit or loss.	Negative goodwill (Capital Reserve) is included in the carrying amount of investment in the associate but is disclosed separately.
Investments in associates — reporting date	The difference between the reporting date of the associate and that of the parent shall be no more than three months.	The maximum difference between the reporting date of the associate and that of the parent is not specified.
Interests in joint ventures — alternative accounting methods	Investments in jointly controlled entities can be proportionately consolidated or equity accounted by the venture.	Equity method accounting is not permitted.
Financial instruments: presentation — classification of convertible debts	Split the instrument in liability and equity component at issuance.	Classified as debt based on its legal form and any interest expense is recognised based on the coupon rate.
Financial instruments: presentation — treasury shares	If an entity reacquires its own shares (treasury shares), these are shown as a deduction from equity.	Acquiring own shares is permitted only in limited circumstances. Shares repurchased should be cancelled immediately and cannot be held as treasury shares.
Earnings per share — extraordinary items	The control number for determining dilution is net profit or loss from continuing activities since no item can be presented as extraordinary item.	The control number for determining dilution is net profit or loss from continuing ordinary activities. Earnings per share (EPS) with and without extraordinary items is to be presented.

Topic	IFRS	Indian GAAP
Earnings per share — disclosure	IAS 33 requires separate disclosures for EPS from continuing and discontinued operations. Disclosure is also required for instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.	No such disclosure is required.
Impairment of assets — reversal of impairment loss for goodwill	Impairment loss recognised for goodwill is prohibited from reversal in a subsequent period.	Impairment loss for goodwill is reversed if the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.
Provisions, contingent liabilities and contingent assets — discounting	Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the liability. The discount rate does not reflect risk for which future cash flow estimates have been adjusted.	Discounting of liabilities is not permitted and provisions are carried at their full values.
Provisions, contingent liabilities and contingent assets — contingent assets	Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.	Contingent assets are not disclosed in the financial statements.
Intangible assets — measurement	Intangible assets can be measured at either cost or revalued amount, less amortisation and impairment. Revaluation model is permitted only when there is an active market for the underlying intangibles.	Measured only at cost, less amortisation and impairment. Revaluation of intangible assets is prohibited.
Intangible assets — useful life	Useful life may be finite or indefinite.	Useful life may not be indefinite. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.

Topic	IFRS	Indian GAAP
Financial instruments: recognition and measurement — investments, and loans and receivables	<p>Financial assets are classified as of fair value through Profit and Loss, held-to-maturity, loans and receivable and available-for-sale.</p> <p>Financial assets are classified as held for trading if these are acquired principally for the purpose of selling and are part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.</p> <p>Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity for which an entity has positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using effective interest method.</p>	<p>Investments are classified as long-term or current. Long term investments are carried at cost less provision for diminution in value, which is other than temporary. Current investments carried at lower of cost and fair value. Loans and receivables are measured at cost less valuation allowance.</p>
Financial instruments: recognition and measurement — impairment	<p>Impairment losses recognised in profit or loss for equity investment are reversed through profit or loss.</p>	<p>Currently there is no equivalent standard.</p>
Financial instruments: recognition and measurement — foreign currency contracts	<p>Forward exchange contract is measured at fair value at the balance sheet date. If the forward exchange contract meets the criteria of an effective cash flow hedge in accordance with IAS 39 (Revised) Financial Instruments: Recognition and Measurement, the gain or loss arising on fair valuation is recognised in the statement of changes in equity. If the hedge is ineffective, the gain or loss is recognised in determination of net income.</p>	<p>Premium or discount on forward exchange contracts is amortised and recognised in the profit and loss account over the period of such contracts.</p>
Financial instruments: recognition and measurement — derivatives and embedded derivatives	<p>Measured at fair values.</p>	<p>Currently there is no equivalent standard on derivatives except for certain forward exchange contracts within the scope of AS 11.</p>

Topic	IFRS	Indian GAAP
Financial instruments: recognition and measurement — derivatives and hedge accounting	<p data-bbox="454 145 933 526">Hedge accounting (recognising the offsetting effects of fair value changes of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable, and actually effective. IAS 39 provides for three types of hedges:</p> <ul data-bbox="454 548 933 1523" style="list-style-type: none"> <li data-bbox="454 548 933 828">• fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognised in profit or loss when they occur; <li data-bbox="454 851 933 1388">• cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognised in other comprehensive income until such time as those future cash flows occur. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss in the period of such change; and <li data-bbox="454 1411 933 1523">• hedge of a net investment in a foreign entity: this is treated as a cash flow hedge. <p data-bbox="454 1545 933 1684">A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.</p>	<p data-bbox="933 145 1410 593">Currently there is no equivalent standard on derivatives. Forward contracts (including those intended for speculative/trading purposes) are covered by AS 11. An announcement made by the ICAI on 29 March 2008 and applicable to financial statements for the period ending 31 March 2008 or thereafter requires an entity to provide for losses in respect of all outstanding derivative contracts not covered by AS 11 by marking them to market at the balance sheet date.</p>

Topic	IFRS	Indian GAAP
Non-current assets held for sale — recognition and measurement	<p>Non-current assets to be disposed of are classified as held for sale when the asset is available for immediate sale and the sale is highly probable.</p> <p>Depreciation ceases on the date when the assets are classified as held for sale.</p> <p>Non-current assets classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell.</p>	<p>There is no standard dealing with non-current assets held for sale, though AS 10 deals with assets held for disposal. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements.</p> <p>Any expected loss is recognised immediately in the statement of profit and loss.</p>
Non-current assets held for sale — discontinued operations	<p>An operation is classified as discontinued when it has either been disposed of or is classified as held for sale.</p>	<p>An operation is classified as discontinuing at the earlier of: (a) a binding sale agreement for sale of the operation; and (b) on approval by the board of directors of a detailed formal plan and announcement of the plan.</p>
Exploration for and evaluation of mineral resources	<p>Exploration and evaluation assets are measured at cost or revaluation less accumulated amortisation and impairment loss. An entity determines the policy specifying which expenditures are recognised as exploration and evaluation assets.</p>	<p>There is no equivalent standard. However, there is a Guidance Note on Accounting for Oil and Gas Producing Activities. As per this note, there are two alternative methods for acquisition, exploration and development costs, viz. the Successful Efforts Method or the Full Cost Method. The Guidance Note recommends the former one. AS 28, Impairment of Assets is applicable irrespective of the method of accounting used.</p>
Operating segments — determination of segments	<p>Operating segments are identified based on the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.</p>	<p>AS 17 requires an enterprise to identify two sets of segments (business and geographical), using a risks and rewards approach.</p>

Topic	IFRS	Indian GAAP
Operating segments — measurement	Segment profit or loss is reported on the same measurement basis as that used by the chief operating decision maker. There is no definition of segment revenue, segment expense, segment result, segment asset or segment liability. Requires reconciliation of segment performance measures, and segment assets and liabilities with the corresponding amounts reported in the financial statements.	Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. Segment revenue, segment expense, segment result, segment asset and segment liability have been defined. A reconciliation is presented between the information disclosed for reportable segments and the aggregated information in the enterprise's financial statements.
Operating segments — entity-wide disclosures	Requires disclosure of: (a) external revenues from each product or service; (b) revenues from customers in the country of domicile and from foreign countries; and (c) geographical information on non-current assets located in the country of domicile and foreign countries. Information on major customers including total revenues from each major customer is disclosed if revenues from each customer is 10 per cent., or more of total segment revenues.	Disclosures are required based on the classification of segments as primary or secondary. Disclosure requirements for secondary reporting format are less detailed than those required for primary reporting formats.
Disclosure of critical judgment and estimates by management in applying accounting policies	Disclosure required.	No such requirement.
Investment property	IAS 40 defines investment property as property (land or building or part of a land or building or both) held to earn rentals or for capital appreciation or both.	AS 13 defines an investment property as an investment in land or building that are not intended to be occupied substantially for use by, or in the operations of the investing enterprise.
Inventory	A new assessment of NRV is required to be made in each subsequent period. Write down of inventory is reversed if circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the NRV because of changes in economic circumstances.	No specific guidance in AS 2.

Topic	IFRS	Indian GAAP
Financial liabilities	Financial liabilities is classified in two categories: <ul style="list-style-type: none">• financial liabilities at fair value through P&L account; or• other liabilities.	No guidance.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 12 February 2014.

Listing

2. Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes is exchanged for definitive Notes. In addition, in the event that the Global Notes is exchanged for definitive Notes, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Clearing Systems

3. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No Significant Change

4. Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position of the Issuer since 30 September 2014.

Litigation

5. The Issuer is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer.

Accounts

6. The auditors of the Issuer in respect of the financial statements for the years ended 31 March 2013 were as follows. Such auditors have audited the Issuer's consolidated and non-consolidated financial statements for the year ended 31 March 2013 without qualification, in accordance with generally accepted auditing standards in India for each of the periods mentioned above.

1. **T. R. Chadha & Co.**

Chartered Accountants
1 Smruti, M.V. Panloskar Marg
Near Hanuman Cross Road No. 2
Vile Parle (East)
Mumbai - 400 057
India

2. **K. Varghese & Co.**

Chartered Accountants
Sageti Business Centre, 1st Floor
Choolackal Building
Opp Metro Plaza
Ernakulam
Kochi - 682 014
India

7. The auditors of the Issuer in respect of financial statements for the year ended 31 March 2014 and for the unaudited, unconsolidated financial results for the six months period ended 30 September 2013 and 2014 were as follows. Such auditors have audited the Issuer's consolidated and non-consolidated financial statements for the year ended 31 March 2014 and have reviewed the unconsolidated financial results for the six months ended 30 September 2013 and 2014, in accordance with generally accepted auditing standards in India for each of the periods mentioned here. The auditors issued a qualified audit report for the consolidated financial statements for the year ended 31 March 2014 and a qualified review report for the unaudited financial results for the six months period ended 30 September 2014.

CNK & Associates LLP

Jash Chambers, 3rd Floor 7-A, Sir Pheroza Shah Mehta Road
Fort
Mumbai - 400 001
India

Haribhakti & Co. LLP

701, Leela Business Park
Andheri Kurla Road
Andheri (E)
Mumbai - 400 059
India

Trust Deed

8. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other person in accordance with the provisions of the Trust Deed as conclusive evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

Documents Available

9. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the corporate office of the Issuer and from the specified office of the Paying Agent in London:
 - (a) the audited consolidated and non-consolidated financial statements of the Issuer in respect of the financial years ended 31 March 2013 and 2014;
 - (b) the most recently published audited consolidated and non-consolidated annual financial statements of the Issuer and the most recently published audited or reviewed, as the case may be, non-consolidated interim financial results of the Issuer;
 - (c) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
 - (d) a copy of this Offering Circular;
 - (e) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
 - (f) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

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CNK & Associates LLP
Chartered Accountants
3rd floor, Jash Chambers,
P M Road, Fort,
Mumbai - 400 001

Haribhakti & Co. LLP
Chartered Accountants
701, Leela Business Park,
Andheri Kurla Road, Andheri (East)
Mumbai - 400059

Limited Review Report

Review Report to
The Board of Directors
Bharat Petroleum Corporation Limited

1. We have reviewed the accompanying statement of unaudited financial results of Bharat Petroleum Corporation Limited ('the Company') for the quarter ended September 30, 2014 ("unaudited financial results"), except for the disclosures regarding (a) 'Public Shareholding' and 'Promoter and Promoter Group Shareholding', (b) Physical Performance disclosed in Part A of financial results and Note 1 of the financial results of the Company and (c) Average Gross Refining margin as stated in Note 2 of the financial results, all of which have been traced from disclosures made by the Management and have not been reviewed by us. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these unaudited financial results based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Unaudited financial results are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. *For the reasons explained in Note 6 on the financial results, the depreciation on tangible fixed assets with effect from 1st April 2014 has not been provided for in accordance with Schedule II to the Companies Act, 2013 and it has been continued to be provided for in accordance with Schedule XIV of the Companies Act, 1956. The impact of this on the profit for the quarter has not been quantified by the Company's Management.*

4. Based on our review conducted as above, *subject to the effects of our observations given in para 3*, nothing has come to our attention that causes us to believe that the accompanying statement of Unaudited financial results, prepared in accordance with applicable Accounting Standards as specified under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

For CNK & Associates LLP

Chartered Accountants

ICAI FRN. 101961W

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FRN 103523W

Vijay Mehta

Partner

Membership No.: 106533

Chetan Desai

Partner

Membership No.: 17000

New Delhi: November 12, 2014

PART I : UNAUDITED FINANCIAL RESULTS (PROVISIONAL) FOR THE QUARTER AND SIX MONTHS ENDED 30TH SEPTEMBER 2014

Particulars	Unaudited				Audited	
	Three Months ended 30-09-2014	Three Months ended 30-06-2014	Three Months ended 30-09-2013	Half year ended 30-09-2014	Half year ended 30-09-2013	Accounting year ended 31-03-2014
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A. Physical Performance						
1. Crude Throughput (MMT)	6.09	5.34	6.04	11.43	11.67	23.35
2. Market Sales (MMT)	8.03	9.10	7.79	17.13	16.38	34.00
3. Sales Growth (%)	3.08	5.94	0.26	4.58	0.68	2.10
4. Export Sales (MMT)	0.74	0.33	1.07	1.07	1.75	3.01
	₹ Lakhs					
B. Financial Performance						
1. Income from Operations						
a) Net Sales / Income from Operations (Net of Excise Duty)	6,197,851	6,674,965	6,175,738	12,872,816	12,046,266	25,993,349
b) Other Operating Income	4,665	4,057	2,713	8,722	5,829	12,704
Total Income from Operations (Net)	6,202,516	6,679,022	6,178,451	12,881,538	12,052,095	26,006,053
2. Expenses						
a) Cost of Materials Consumed	2,930,920	2,530,870	2,884,673	5,461,790	5,164,865	10,919,743
b) Purchase of Stock-in-trade	2,973,780	3,473,023	2,918,655	6,446,803	5,983,919	13,089,787
c) Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	(159,563)	192,895	(181,675)	33,332	(150,390)	(203,030)
d) Employee Benefits Expense	57,830	79,027	66,807	136,857	149,949	289,635
e) Depreciation and Amortisation Expense	63,329	55,722	53,820	119,051	106,867	224,682
f) Other Expenses	287,792	251,193	319,218	538,985	639,321	1,101,296
Total Expenses	6,154,088	6,582,730	6,061,498	12,736,818	11,894,531	25,422,113
3. Profit / (Loss) from Operations before Other Income, Finance Cost & Exceptional Items (1-2)	48,428	96,292	116,953	144,720	157,564	583,940
4. Other Income	25,512	102,324	45,681	127,836	79,511	146,866
5. Profit / (Loss) from Ordinary Activities before Finance Costs & Exceptional Items (3+4)	73,940	198,616	162,634	272,556	237,075	730,806
6. Finance Costs	12,916	19,481	32,439	32,397	84,971	135,908
7. Profit / (Loss) from Ordinary Activities after Finance Costs but before Exceptional Items (5-6)	61,024	179,135	130,195	240,159	152,104	594,898
8. Exceptional Items	-	-	-	-	-	-
9. Profit / (Loss) from Ordinary Activities before Tax (7+8)	61,024	179,135	130,195	240,159	152,104	594,898
10. Tax Expense	14,604	57,509	37,082	72,113	43,959	188,810
11. Net Profit / (Loss) from Ordinary Activities after Tax (9-10)	46,420	121,626	93,113	168,046	108,145	406,088
12. Extraordinary Items (Net of Tax Expense)	-	-	-	-	-	-
13. Net Profit / (Loss) for the period (11-12)	46,420	121,626	93,113	168,046	108,145	406,088
14. Paid-up Equity Share Capital (face value of ₹ 10 per share)	72,308	72,308	72,308	72,308	72,308	72,308
15. Reserve excluding Revaluation Reserves as per Balance Sheet						1,873,568
16. Earnings Per Share (EPS)						
a) Basic and Diluted EPS before Extraordinary Items - ₹	6.42	16.82	12.88	23.24	14.96	56.16
b) Basic and Diluted EPS after Extraordinary Items - ₹	6.42	16.82	12.88	23.24	14.96	56.16
17. Debt Service Coverage Ratio (Number of Times)				8.19	3.14	5.86
18. Interest Service Coverage Ratio (Number of times)				12.09	4.05	7.03

PART II SELECT INFORMATION FOR THE QUARTER AND SIX MONTHS ENDED 30TH SEPTEMBER 2014

Particulars	Three Months ended 30-09-2014	Three Months ended 30-06-2014	Three Months ended 30-09-2013	Half year ended 30-09-2014	Half year ended 30-09-2013	Accounting year ended 31-03-2014
	(2)	(3)	(4)	(5)	(6)	(7)
A. Particulars of Shareholding						
1. Public Shareholding						
- Number of Shares *	325,884,128	325,884,128	325,884,128	325,884,128	325,884,128	325,884,128
- Percentage of Shareholding	45.07%	45.07%	45.07%	45.07%	45.07%	45.07%
* includes shares held by BPCL trust						
2. Promoters and Promoter group Shareholding						
a) Pledged/Encumbered	Nil	Nil	Nil	Nil	Nil	Nil
b) Non-Encumbered						
- Number of Shares	397,200,120	397,200,120	397,200,120	397,200,120	397,200,120	397,200,120
- Percentage of Shares (as a % of total shareholding of Promoters and Promoter group)	100%	100%	100%	100%	100%	100%
- Percentage of Shares (as a % of total share capital of the Company)	54.93%	54.93%	54.93%	54.93%	54.93%	54.93%

Particulars	Three months ended 30-09-2014
B. Investor Complaints (Nos.)	
Pending at the beginning of the quarter	Nil
Received during the quarter	1
Disposed off during the quarter	1
Remaining unresolved at the end of the quarter	Nil

₹ Lakhs

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 TH SEPTEMBER 2014		
Particulars	As at 30-09-2014	As at 31-03-2014
(1)	(2)	(3)
A. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	72,308	72,308
(b) Reserves and Surplus	2,033,623	1,873,568
Sub-total - Shareholders' Funds	2,105,931	1,945,876
2. Non-Current Liabilities		
(a) Long-term Borrowings	1,283,916	1,180,836
(b) Deferred Tax Liabilities (net)	138,656	136,090
(c) Other Long-Term Liabilities	6,087	6,074
(d) Long-Term Provisions	117,388	115,731
Sub-total - Non-Current Liabilities	1,546,047	1,438,731
3. Current Liabilities		
(a) Short-Term Borrowings	99,902	818,370
(b) Trade Payables	1,335,930	1,203,496
(c) Other Current Liabilities	1,677,313	1,569,409
(d) Short-Term Provisions	22,166	266,859
Sub-total - Current Liabilities	3,135,311	3,858,134
Total - Equity and Liabilities	6,787,289	7,242,741
B. Assets		
1. Non-Current Assets		
(a) Fixed Assets (net)	2,428,280	2,210,461
(b) Non-Current Investments	724,360	723,810
(c) Long-term Loans and Advances	341,855	326,666
(d) Other Non-Current Assets	13,575	16,614
Sub-total - Non-Current Assets	3,508,070	3,277,551
2. Current Assets		
(a) Current Investments	478,979	460,879
(b) Inventories	2,150,484	1,907,113
(c) Trade Receivables	295,665	408,016
(d) Cash and Cash Equivalents	23,444	20,376
(e) Short-Term Loans and Advances	85,090	94,135
(f) Other Current Assets	245,557	1,074,671
Sub-total - Current Assets	3,279,219	3,965,190
Total - Assets	6,787,289	7,242,741

Notes:

1.	The market sales for the half year ended 30 th September 2014 was higher at 17.13 MMT when compared to 16.38 MMT achieved during the corresponding period of the previous year. The increase is mainly in MS - Retail (10.34%), LPG (12.03%) and HSD - Retail (1.92%).
2.	The Average Gross Refining Margin (GRM) during the half year ended 30 th September 2014 is USD 2.36 per barrel (April - September 2013 : USD 4.38 per barrel).
3.	As advised by the Ministry of Petroleum & Natural Gas, the Corporation has accounted compensation towards sharing of under-recoveries on sale of sensitive petroleum products as follows: a) ₹ 7,36,135 lakhs for the current half year (April - September 2013 : ₹ 7,85,299 lakhs) as discount on crude oil / products purchased from ONGC / GAIL / NRL which has been adjusted under Cost of Materials Consumed and Purchases of Stock-in-trade. b) ₹ 3,91,976 lakhs compensation advised by the Government of India by way of subsidy for the current half year (April - September 2013 : ₹ 6,31,797 lakhs) under Net Sales from Operations. Consequent to non-revision in Retail Selling Prices corresponding to the international prices and applicable foreign exchange rates prevailing during the half year ended 30 th September 2014, the Corporation has absorbed net under-recovery of ₹ 50,342 lakhs during April - September 2014 (April - September 2013 : ₹ 76,033 lakhs) on sale of sensitive petroleum products.
4.	Other income for the half year ended 30 th September 2014 includes ₹ 28,814 lakhs towards gain on account of foreign currency transactions and translations. During the half year ended 30 th September 2013, Other Expenses includes ₹ 1,42,998 lakhs towards loss on account of foreign currency transactions and translations.
5.	Depreciation for the half year ended 30 th September 2014 includes ₹ 49,174 lakhs (April - September 2013 : ₹ 35,461 lakhs) on account of LPG cylinders depreciated at 100%.
6.	MCA vide it's circular dated 29 th August 2014 has amended Schedule II of the Companies Act, 2013 prescribing that componentisation of tangible assets and determination of the useful life of components of these tangible assets shall be voluntary for Financial Year 2014-15 and mandatory from Financial Year 2015-16. The Corporation is in the process of reviewing the useful life of tangible fixed assets and identification of their major components, to enable it to provide depreciation on such assets in accordance with Schedule II to the Companies Act, 2013. Pending this, the depreciation on such assets has been provided for in accordance with Schedule XIV of the Companies Act, 1956. The effect of this is not quantifiable. The auditors have brought out the above in their Limited Review Report for the Corporation for the quarter ended 30 th September 2014.
7.	Formula for coverage ratios: Debt-Service Coverage Ratio = Profit before Depreciation, Finance Cost and Tax divided by sum of Finance Cost and Long Term Loan repayments during the period. Interest-Service Coverage Ratio = Profit before Depreciation, Finance Cost and Tax divided by Finance Cost for the period.
8.	The Corporation operates in a single segment viz. Downstream petroleum sector. As such reporting is done on single segment basis.
9.	Figures relating to corresponding periods of the previous year have been regrouped wherever necessary.
10.	The Auditors have completed limited review of the financial results of the Corporation for the quarter ended 30 th September 2014. Further, the above results have been reviewed and recommended by the Audit Committee at its meeting held on 11 th November 2014 before submission to the Board.

The above un-audited results of Bharat Petroleum Corporation Limited for the quarter and half year ended 30th September 2014 have been approved by the Board at its meeting held on 12th November 2014.

For and on behalf of the Board of Directors

Place: New Delhi
Date: 12th November 2014

P. Balasubramanian
Director (Finance)

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF BHARAT PETROLEUM CORPORATION LIMITED

To the Board of Directors of
Bharat Petroleum Corporation Limited

We have audited the accompanying Consolidated Financial Statements of Bharat Petroleum Corporation Limited ("the Corporation") and its subsidiaries, and joint ventures (the Corporation, its subsidiaries and joint ventures constitute "the Group") which comprise of the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Management is responsible for the preparation of these Consolidated Financial Statements on the basis of separate financial statements and other financial information regarding components that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and presentation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 45 (g) to the Consolidated Financial Statements, a joint venture company ("JV") has during the year recalculated the depreciation on plant and equipment, storage tanks and other assets related to its refinery, based on the useful life of 25 years as determined by the JV effective from the date of capitalisation of such assets. This is subject to approval of Ministry of Corporate Affairs. This deviation has resulted in lesser charge of the depreciation of Rs. 80.93 crore for the year and reversal of depreciation of the previous years of Rs. 150.57 crore. Consequently, the accumulated depreciation is understated and consolidated profit is overstated to the extent of Rs. 231.50 crore.

Opinion

We report that the Consolidated Financial Statements have been prepared by the Corporation's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Bharat Petroleum Corporation Limited, its subsidiaries (including subsidiaries of subsidiaries) and joint ventures.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and joint ventures as mentioned in the 'Other Matter' paragraph below, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

1. We draw attention to Note 41 to the consolidated financial statements regarding recognition of marked to market loss of Rs. 324.35 crore on swap contracts. However, the marked to market gain of Rs. 521.14 crore to cover the risk on above transaction is not recognised for reasons stated in the Note.
2. We also draw attention to Note 45 (o) to the consolidated financial statements regarding recognition of deferred tax assets of Rs. 398.39 crore on unabsorbed losses and unabsorbed depreciation by a JV.

Our opinion is not qualified in respect of these matters.

Other Matter

1. The auditors of a JV of a subsidiary company have drawn attention to the fact that the said JV has spent significant amounts that are related mainly to exploration and evaluation costs, the recovery of which is subject to the success of all its exploration campaigns. The Management of the said JV understands that the members of the JV will continue to provide the funds necessary for the JV's operations and therefore, the financial statements for the year ended December 31, 2013 were prepared based on the assumption that the JV will continue to operate as a going concern.
2. We did not audit the financial statements of two subsidiaries (including step down subsidiary and JVs), whose financial statements reflect total assets (net) of Rs. 4,053.69 crore as at March 31, 2014, total revenues of Rs. 9,313.57 crore and net cash inflows aggregating Rs. 1,083.56 crore for the year then ended. We also did not audit the financial statements of eight joint venture companies, whose aggregate share of total assets (net) of Rs. 2,178.83 crore as at March 31, 2014/ December 31, 2013, total revenues of Rs. 22,521.33 crore and net cash inflows of Rs. 1.20 crore for the year then ended are also included in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.
3. Consolidated Financial Statements also include figures in respect of four JVs which are as approved by their Management which have not been subjected to audit and also have not been reviewed by us. Aggregate amount of revenue of these JVs (including step down subsidiaries of the JVs) for the year ended March 31, 2014 of Rs. 391.76 crore, total assets (net) of Rs. 144.18 crore and net cash inflow of Rs. 54.70 crore.

For **CNK & ASSOCIATES LLP**

Chartered Accountants

Firm Registration No. 101961W

Sd/-

Himanshu Kishnadwala

Partner

Membership No.: 37391

Place : Mumbai

Dated : 29th May, 2014

For **HARIBHAKTI & Co.**

Chartered Accountants

Firm Registration No.103523W

Sd/-

Chetan Desai

Partner

Membership No.: 17000

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2014

	Note No	As at 31/03/2014	₹ in Crores As at 31/03/2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2	723.08	723.08
(b) Reserves and Surplus	3	18,703.19	16,052.46
		<u>19,426.27</u>	<u>16,775.54</u>
(2) Minority Interest		1,146.86	1,076.58
(3) Share Warrants in respect of Joint venture		13.45	-
(4) Non-current liabilities			
(a) Long-term borrowings	4	21,997.72	12,702.18
(b) Deferred tax liabilities (net)	5	1,251.10	1,605.86
(c) Other Long-term Liabilities	6	100.75	78.13
(d) Long term provisions	7	1,325.76	1,265.86
		<u>24,675.33</u>	<u>15,652.03</u>
(5) Current liabilities			
(a) Short-term borrowings	8	10,800.82	20,158.20
(b) Trade payables	9	12,895.33	8,931.89
(c) Other current liabilities	10	16,934.58	15,053.59
(d) Short-term provisions	11	2,867.65	1,901.96
		<u>43,498.38</u>	<u>46,045.64</u>
TOTAL		<u>88,760.29</u>	<u>79,549.79</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	12	26,811.53	23,962.96
(ii) Intangible assets	13	768.42	758.40
(iii) Capital work-in-progress	15	9,371.72	7,460.72
(iv) Intangible assets under development	14	-	2.53
(b) Non-current investments	16	2,306.40	2,251.77
(c) Long-term loans and advances	17	2,507.68	2,025.11
(d) Other non-current assets	18	166.56	27.65
		<u>41,932.31</u>	<u>36,489.14</u>
(2) Current assets			
(a) Current investments	19	4,678.91	5,218.04
(b) Inventories	20	23,169.47	19,956.69
(c) Trade receivables	21	4,543.69	4,355.06
(d) Cash and Bank Balances	22	2,311.34	2,849.83
(e) Short-term loans and advances	23	1,199.29	1,496.11
(f) Other current assets	24	10,925.28	9,184.92
		<u>46,827.98</u>	<u>43,060.65</u>
TOTAL		<u>88,760.29</u>	<u>79,549.79</u>
Significant Accounting Policies	1		
Other Notes to Accounts	33 to 50		

For and on behalf of the Board of Directors

As per our attached report of even date

For and on behalf of

Sd/-

S.VARADARAJAN

Chairman and Managing Director

CNK & ASSOCIATES LLP

Chartered Accountants

FR No. 101961W

HARIBHAKTI & CO.

Chartered Accountants

FR No. 103523W

Sd/-

P. BALASUBRAMANIAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

Sd/-

HIMANSHU KISHNADWALA

Partner

Membership No. 37391

Sd/-

CHETAN DESAI

Partner

Membership No. 17000

Place : Mumbai

Dated : 29th May, 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31ST MARCH 2014

	Note No	2013-14	₹ in Crores 2012-13
Revenue from operations	25	2,64,406.60	2,42,180.98
Other income	26	1,399.79	1,528.99
Total Revenue		2,65,806.39	2,43,709.97
Less : Expenses			
Cost of raw materials consumed	27	1,34,041.98	1,20,221.02
Purchases of stock-in-trade	28	1,07,085.74	1,02,311.46
Changes in inventories of finished goods, work-in-progress and stock-in-trade	29	(1,977.74)	(1,112.58)
Employee benefits expense	30	3,115.26	2,950.45
Finance costs	31	1,982.14	2,518.29
Depreciation and amortization expense	12,13	2,610.92	2,462.70
Other expenses	32	12,782.41	11,138.37
		2,59,640.71	2,40,489.71
Profit / (Loss) before tax		6,165.68	3,220.26
Less: Tax expense			
Current tax		2,566.48	1,398.88
Less: MAT credit entitlement		(12.05)	-
Deferred tax		(355.31)	(72.65)
Short/(excess) provision in earlier years provided for		(86.42)	(42.12)
Total tax expense		2,112.70	1,284.11
Profit / (Loss) after tax		4,052.98	1,936.15
Minority Interest		142.30	55.32
Net Profit / (Loss) for the Group		3,910.68	1,880.83
Basic and Diluted Earnings per Share (Face value ₹ 10)			
(Refer Note No. 40)		54.08	26.01
Significant Accounting Policies	1		
Other Notes to Accounts	33 to 50		

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-

S.VARADARAJAN

Chairman and Managing Director

CNK & ASSOCIATES LLP

Chartered Accountants
FR No. 101961W

HARIBHAKTI & CO.

Chartered Accountants
FR No. 103523W

Sd/-

P. BALASUBRAMANIAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

Sd/-

HIMANSHU KISHNADWALA

Partner

Membership No. 37391

Sd/-

CHETAN DESAI

Partner

Membership No. 17000

Place : Mumbai

Dated : 29th May, 2014

CONSOLIDATED CASH FLOW STATEMENT

₹ in Crores

For the year ended	31/03/2014	31/03/2013
A Cash Flow from Operating Activities		
Net Profit Before tax	6,116.55	3,220.26
Adjustments for :		
Depreciation	2,610.92	2,462.70
Interest	1,803.09	2,473.72
Foreign Exchange Fluctuations (Refer explanatory note 3)	370.94	157.90
(Profit) / Loss on Sale of fixed assets	15.88	36.61
(Profit) / Loss on Sale of investments	28.00	155.43
Income from Investments	(804.41)	(775.70)
Dividend Received	(57.79)	(49.24)
Other Non-Cash items (Refer explanatory note 4)	1,083.40	278.61
Operating Profit before Working Capital Changes	11,166.58	7,960.29
(Invested in) / Generated from :		
Trade Receivables	(496.92)	2,417.42
Other receivables	(1,600.88)	793.34
Inventory	(3,214.89)	1,095.97
Current Liabilities & Payables (Refer explanatory note 5)	5,811.49	(5,431.36)
Cash generated from Operations	11,665.38	6,835.66
Direct Taxes paid	(2,128.03)	(915.60)
Cash flow	9,537.35	5,920.06
Prior Period Items	49.13	-
Non Cash Items	-	6.27
Net Cash from Operating Activities	9,586.49	5,926.33
B Net Cash Flow from Investing Activities		
Purchase of fixed assets	(7,237.62)	(5,524.60)
Sale of fixed assets	7.59	63.61
Capital Grant Received	6.30	0.30
Capital advances	(293.36)	(2.65)
(Investment)/Sale of Investment in JVC's	(31.74)	-
(Investment)/Sale of Investment in associate companies	(7.49)	(31.20)
Loans & Advances	(9.27)	-
Purchase of Investment	(550.01)	(34.99)
Sale of Investments	222.00	1,145.29
Income from Investment	993.07	738.54
Dividend Received	54.66	49.27
Interest Received	(34.77)	(7.53)
Net Cash Flow used on Investing Activities	(6,880.63)	(3,603.96)
C Net Cash Flow on Financing Activities		
Equity Investment	2.76	(665.84)
Long term Borrowings	10,632.16	7,850.74
Repayment of loans	(11,455.71)	(4,722.56)
Interest paid	(1,955.61)	(2,553.80)
Interim Dividend Paid	-	-
Dividend Paid	(831.68)	(430.92)
Corporate Dividend Tax	(141.67)	(71.86)
Exchange difference on forward contracts	13.70	(251.74)
Net Cash Flow on Financing Activities	(3,736.05)	(845.98)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+ B+ C)	(1,030.19)	1,476.39

CONSOLIDATED CASH FLOW STATEMENT (CONTD.)

	₹ in Crores	
Cash & Cash Equivalents as at	31/03/2013	31/03/2012
Cash in Hand	52.75	78.53
Cash at Bank	2,644.23	1,199.44
Current Investments (Cash Equivalent)	32.08	-
Cheques & drafts on hand	74.46	48.36
Effect of Exchange difference on Translation of Foreign Currency cash and cash equivalents	(0.80)	-
	2,802.72	1,326.33
Cash and Cash equivalents as at	31/03/2014	31/03/2013
Cash in Hand	48.30	52.75
Cash at Bank	1,624.55	2,644.23
Current Investments (Cash Equivalent)	10.84	32.08
Cheques & drafts on hand	55.68	74.46
Effect of Exchange difference on Translation of Foreign Currency cash and cash equivalents	33.16	(0.80)
	1,772.53	2,802.72
Net change in Cash and Cash equivalents	(1,030.19)	1,476.39
Reconciliation of Cash and Cash Equivalents with Balance Sheet	31/03/2014	₹ in Crores 31/03/2013
A. Cash and Bank Balances as per Balance Sheet (Refer Note no. 22)	2,311.34	2,849.83
B. Less: Bank Balances not considered as Cash & Cash Equivalents as per AS-3		
EarMarked Balances (Unclaimed Dividend)	2.89	2.38
Deposits not included in Cash and Cash Equivalents	581.29	77.61
	1,727.16	2,769.84
C. Add: Items to be considered as part of Cash & Cash Equivalents as per AS-3		
Effect of Exchange difference on Translation of Foreign Currency cash and cash equivalents	35.28	-
Bank deposit under Current Asstes included in Cash and Cash Equi. As per AS 3	10.09	32.88
	45.37	32.88
Cash and Cash Equivalents at the end of the year as per Cash Flow (A-B+ C)	1,772.53	2,802.72

Explanatory Notes to Cash Flow Statement

- 1 The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 as notified by the Central Government.
- 2 In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
- 3 The net profit / loss arising due to conversion of current assets / current liabilities / receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations" .
- 4 "Other Non-Cash items" include excess provisions written back, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
- 5 "Current Liabilities and Payables" may include Payables in respect of Purchase of Fixed Assets, if any.
- 6 Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-

S.VARADARAJAN

Chairman and Managing Director

CNK & ASSOCIATES LLP

Chartered Accountants
FR No. 101961W

HARIBHAKTI & CO.

Chartered Accountants
FR No. 103523W

Sd/-

P. BALASUBRAMANIAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

Sd/-

HIMANSHU KISHNADWALA

Partner

Membership No. 37391

Sd/-

CHETAN DESAI

Partner

Membership No. 17000

Place : Mumbai

Dated : 29th May, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONSOLIDATED)

1.1 BASIS OF CONSOLIDATION

The Consolidated Financial Statements relate to Bharat Petroleum Corporation Limited (BPCL or Parent Company or Corporation), its subsidiary companies and interest in joint ventures (together referred to as Group).

- (a) **Basis of accounting:** The Financial Statements of the subsidiary companies and the joint venture companies (JVCs) used in the preparation of the Consolidated Financial Statements are drawn upto the same reporting date as that of BPCL i.e. 31st March 2014, except for Matrix Bharat Pte. Ltd. whose accounts are drawn for the period ended 31st December 2013, where there are no significant transactions or other events that have occurred between 31st December, 2013 to 31st March, 2014. The financial statements of Matrix Bharat Pte. Ltd. have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").
- (b) **Principles of Consolidation:** The Consolidated Financial Statements have been prepared as per AS- 21 "Consolidated Financial Statements" and AS- 27 "Financial Reporting of Interest in Joint ventures" as notified on the following basis:-
- The Financial Statements of BPCL and its subsidiary companies (which are not in the nature of joint ventures) have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, contingent liabilities and capital commitments. The intra group balances and intra group transactions and unrealised profits or losses resulting from intra group transactions are fully eliminated.
 - The Consolidated Financial Statements include the interest of the Corporation in JVCs, which has been accounted for using the proportionate consolidation method of accounting and reporting whereby the Corporation's share of assets, liabilities, income and expenses, contingent liabilities and capital commitments of a jointly controlled entity is considered as a separate line item in the Consolidated Financial Statements. The exchange rate used for conversion in case of Matrix Bharat Pte. Ltd. is average rate for calendar year 2013 for Statement of Profit and Loss and closing rate as at 31st December 2013 for Balance Sheet items.
 - The share of equity in the subsidiary companies as on the date of investment, if in excess of the cost of investment, the difference is recognised as "Capital Reserve on Acquisition of Subsidiaries" and if the cost of investment in the subsidiary company exceeds share of equity, the difference is recognised as "Goodwill".
 - Minority interest in the Net Assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders as on the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity subsequent to the dates of investments as stated above.
- (c) The percentage of ownership interest of the Corporation in the Subsidiary Companies and the JVC's as on 31st March 2014 are as under :

	Percentage of ownership Interest as on		Country of Incorporation
	31/03/2014	31/03/2013	
Subsidiaries			
Numaligarh Refinery Limited (NRL)	61.65	61.65	India
Bharat Petro Resources Limited (BPRL)	100.00	100.00	India
Bharat Petro Resources JPDA Limited (Note i)	100.00	100.00	India
BPRL International BV (Note i)	100.00	100.00	Netherlands
BPRL Ventures BV (Note ii)	100.00	100.00	Netherlands
BPRL Ventures Mozambique BV (Note ii)	100.00	100.00	Netherlands
BPRL Ventures Indonesia BV (Note ii)	100.00	100.00	Netherlands

	Percentage of ownership Interest as on		Country of Incorporation
	31/03/2014	31/03/2013	
Joint Venture Companies (JVC)			
Indraprastha Gas Limited	22.50	22.50	India
Petronet CCK Limited	49.00	49.00	India
Petronet LNG Limited	12.50	12.50	India
Bharat Oman Refineries Limited (BORL)	50.00	50.00	India
Central UP Gas Limited (Note iv)	36.25	25.00	India
Maharashtra Natural Gas Limited (Note viii)	22.50	22.50	India
Sabarmati Gas Limited	25.00	25.00	India
Bharat Stars Services Private Limited	50.00	50.00	India
Bharat Renewable Energy Limited (Note v)	33.33	33.33	India
Matrix Bharat Pte Ltd.	50.00	50.00	Singapore
Delhi Aviation Fuel Facility Private Limited	37.00	37.00	India
IBV (Brazil) Petroleo Pvt. Ltda. (Note iii)	50.00	50.00	Brazil
Petronet CI Limited (Note v)	11.00	11.00	India
Petronet India Limited (Note v)	16.00	16.00	India
GSPL India Gasnet Limited (Note vi)	11.00	11.00	India
GSPL India Transco Limited (Note vi)	11.00	11.00	India
Kannur International Airport Limited (Note vii)	17.00	21.68	India
Associates			
DNP Limited (Note ix)	26.00	26.00	India

Notes :

- (i) Bharat Petro Resources JPDA Limited and BPRL International BV are 100% subsidiaries of BPRL.
- (ii) BPRL Ventures BV, BPRL Ventures Mozambique BV and BPRL Ventures Indonesia BV are wholly owned subsidiaries of BPRL International BV which have been incorporated outside India.
- (iii) BPRL Ventures BV holds 50% equity in Joint Venture Company IBV (Brazil) Petroleo Pvt. Ltda., incorporated in Brazil.
- (iv) Central UP Gas Limited Proportionate share includes 11.25% indirectly held by BPCL through Indraprastha Gas Limited
- (v) Proportionate consolidation in respect of Investment in Petronet India Limited and Petronet CI Limited have not been considered in the preparation of Consolidated Financial Statements as the parent company has decided to exit from these Joint Venture and have provided for full diminution in the value of Investment. Further, due to losses since inception, parent company has provided fully for diminution in the value of investment in respect of Bharat Renewable Energy Limited and hence not considered in the preparation of Consolidated Financial Statements.
- (vi) The percentage of ownership in GSPL India Gasnet Limited and GSPL India Transco Limited for the financial year 2012-13 is after considering advance against equity as per Joint Venture agreement.
- (vii) Kannur International Airport Ltd. is a newly formed Joint Venture Company which has not yet started operations. Hence, the same has not been considered for consolidation being not material.
- (viii) BPCL's ownership in Maharashtra Natural Gas Limited has been considered at 22.50% as per the Joint Venture Agreement. The actual percentage of Share Capital as on 31st March 2014 held by BPCL is marginally higher. The management is of the opinion that it is a temporary phase and the other joint venture partners will contribute their share of the equity capital as per the Joint Venture Agreement. This excess contribution by BPCL in the Equity share Capital amounting to ₹ 1.13 crores (previous year ₹ 1.13 crores) is included in "Advances Recoverable in cash or in kind or for value to be received" – Note 23.
- (ix) DNP Limited is an associate of Numaligarh Refinery Limited which has not been considered for consolidation, being not material.
- (x) The financial statements of Joint Venture companies Central UP Gas Limited, Sabarmati Gas Limited, Maharashtra Natural Gas Limited and Bharat Stars Services Private Limited, are yet to be audited and hence the unaudited accounts duly certified by the management have been considered for the purpose of preparation of Consolidated Financial Statements.

1.2 BASIS FOR PREPARATION

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Corporation has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 (which continue to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs). The financial statements have been prepared on an accrual basis (unless otherwise stated) and under historical cost convention. The accounting policies are consistent with those used in previous year except in the case of parent company for the policy in respect of depreciation on computer equipments and mobile phones provided at the residence of management staff referred to in para 1.8 (a) (iii) and for Bharat Oman Refineries Limited for the policy in respect of Depreciation on Plant and Machinery, Storage Tanks and other assets related to refinery referred to in para 1.8 (g).

1.3 USE OF ESTIMATES

The preparation of financial statements requires the management of the company to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences, if any, between actual amounts and estimates are recognised in the period in which the results are known.

1.4 Certain accounting policies of JVCs towards Depreciation, Inventory Valuation, Employee Benefits and Classification of Income/Expenses are different with that followed by the Parent Company which has been stated along with the respective policy.

1.5 FIXED ASSETS

(a) Tangible Fixed assets

- (i) Fixed Assets are stated at cost net of accumulated depreciation.
- (ii) Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.
- (iii) First time procurement cost of catalyst is capitalized along with the project cost and the cost of subsequent replacements are charged off in the year of issuance to consumption.
- (iv) Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding ₹ 1,000 per item are charged to revenue.
- (v) Machinery spares that are specific to a fixed asset are capitalised along with the fixed asset. Replacement of such spares is charged to revenue.
- (vi) Land acquired on lease where period of lease exceeds 99 years is treated as freehold land.
- (vii) Expenditure during construction period: Direct expenses including borrowing cost incurred during construction period on capital projects are capitalised. Indirect expenses of the project group which are allocated to projects costing ₹ 5 crores and above are also capitalised. Crop compensation expenses incurred in the process of laying pipelines are capitalised as part of Pipeline cost. Expenditure incurred during construction period on projects like electricity transmission lines, roads, culverts etc. the ownership of which is not with the Corporation are charged to revenue in the accounting period of incurrence of such expenditure.

(b) Intangible Assets

- (i) Intangible assets are carried at cost less accumulated amortization.
- (ii) Cost of Right of Way which is perpetual and absolute in nature is amortised over a period of 99 years and in other cases, over its estimated useful life.
- (iii) Expenditure incurred for creating/acquiring other intangible assets of ₹ 0.50 crores and above and ₹ 0.02 crores in case of Joint Venture Company Petronet CCK Limited, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit. In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.
- (iv) Expenditure incurred on intangible assets is capitalised and amortised over a period of 5 years by Indraprastha Gas Limited and Central UP Gas Limited and over a period of 3 years by Petronet LNG Limited and Maharashtra Natural Gas Limited.
- (v) Bharat Oman Refineries Limited - Expenditure incurred on construction of facilities such as SPM, Sub-sea Pipeline etc., the ownership of which is not with the company but for which the Company has license to use, is capitalized as 'Intangible Asset'. Intangible assets are amortized over their estimated economic useful lives as estimated by the management, but not exceeding the period given hereunder:
 - Computer software – 5 years
 - Single Point Mooring System and Sub-sea Pipeline – 25 years
 - Others – 5 years

- (vi) GSPL India Transco Limited – Software is amortised at 40% on WDV method.
- (vii) In case of GSPL India Transco Limited and GSPL India Gasnet Limited, 'Right of Use and Right of way on land' is not amortised but is tested for impairment on periodic basis.

1.6 IMPAIRMENT OF ASSETS

The values of tangible and intangible assets of respective Cash Generating Units are reviewed by the management for impairment at each Balance Sheet date, if events or circumstances indicate that the carrying values may not be recoverable. If the carrying value is more than the higher of net selling price of the asset or present value of estimated future Cash Flows, the difference is recognized as an impairment loss.

1.7 BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets till the month in which the asset is ready for use. All other borrowing costs are charged to revenue.

1.8 DEPRECIATION

- (a) Depreciation on fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956, except in following cases:
 - (i) Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.
 - (ii) Fixed assets costing not more than ₹ 5,000 each, LPG cylinders and pressure regulators are depreciated @ 100 percent in the year of acquisition.
 - (iii) Computer equipments are depreciated over a period of 4 years. Mobile phones are depreciated over a period of 3 years. Furniture other than computer equipments, peripherals and mobile phones, provided at the residence of management staff is depreciated over a period of 7 years.
 - (iv) Paver Blocks and Canopy capitalised under Buildings are depreciated based on the estimated useful life of 30 years.
- (b) Indraprastha Gas Limited : Depreciation in case of the following assets has been provided using the straight line method over the useful life of the assets:
 - (i) Mother compressors, Online compressors and Booster compressors – 10 years
 - (ii) Signages - 10 years
- (c) Bharat Stars Services Private Limited: Depreciation is provided at full year basis on additions upto 30th September and at 50% on assets after 30th September.
- (d) Bharat Stars Services Delhi Private Limited: Cost of Operating rights is amortised over a period of 10 years.
- (e) Maharashtra Natural Gas Limited: Depreciation in case of the following assets has been provided using the straight line method over the useful life of the assets :
 - (i) Mother compressors, Online compressors and Booster compressors – 7 years
 - (ii) Computer and Mobile Phones - 4 years
 - (iii) Intangible assets – 3 years
 - (iv) Signages – 10 years
- (f) Sabarmati Gas Limited: Pipeline @ 3.17% on straight line method as approved by Ministry of Corporate Affairs vide 45/9/2011-CL-III dated 26th April 2012.
- (g) Bharat Oman Refineries Limited: Depreciation on Plant and Machinery, Storage Tanks and other assets related to refinery is provided under the straight line method @ 3.8% based on the useful life of 25 years as estimated by the Company. Depreciation on Crude Oil Pipelines is provided under Straight Line Method at the rate of 3.17% in terms of approval no. 45/4/2012-CL-111 dated 11.01.2013 issued by the Ministry of Corporate Affairs.
- (h) Delhi Aviation Fuel Facility Private Limited - Building is charged over useful life of 25 years as provided in concession and operating agreement.
- (i) Petronet CCK – Furniture and Fixtures provided at the residence of employees is depreciated @ 15%.
- (j) IBV (Brazil) Petroleo Pvt Ltda. - Depreciation is calculated on straight line method, in accordance with the rates as described below:

- Furniture and Fixtures	10%
- Vehicles	20%
- IT Equipments	20%
- Machinery & Communication equipment	35%
- Installations	10%
- (k) Depreciation is charged on addition / deletion on pro-rata monthly basis including the month of addition / deletion.

1.9 INVESTMENTS

- i. Current investments are valued at lower of cost or fair value determined on an individual investment basis.
- ii. Long-term investments are valued at cost. Provision for diminution in value is made to recognise a decline, other than of temporary nature, in the value of such investments.

1.10 INVENTORY

- i. Inventories are stated at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis (determined on periodical basis as appropriate) and comprises of expenditure incurred in the normal course of business in bringing inventories to their present location including appropriate overheads apportioned on a reasonable and consistent basis.
- ii. The net realizable value of finished goods and stock in trade are based on the inter-company transfer prices and final selling prices (applicable at the location of stock) for sale to oil companies and retail consumers respectively. For the purpose of stock valuation, the proportion of Sales to oil companies and retail sales are determined on all India basis and considered for stock valuation at all locations.
- iii. The Cost of Stock-in-process is determined at raw material cost plus cost of conversion.
- iv. Obsolete, slow moving, surplus and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.
- v. Finished products are valued at weighted average cost or at net realisable value, whichever is lower. In case of Indraprastha Gas Limited, Maharashtra Natural Gas Limited and Central UP Gas Limited the cost is determined on first-in-first-out basis. In case of Matrix Bharat Pte. Ltd. inventories are valued at fair value less cost to sell. In case of Petronet CCK Limited the valuation is on the basis of first-in-first-out.
- vi. The cost of raw materials in case of Petronet LNG Limited is determined on FIFO basis.

1.11 REVENUE RECOGNITION

- i. Revenue is recognised when sufficient risks and rewards incidental to ownership is transferred to the customers, it can be reliably measured and it is reasonable to expect ultimate collection.
- ii. Sales represents invoiced value of goods supplied net of trade discounts, and include applicable excise duty, surcharge and other elements as are allowed to be recovered as part of the price but excludes VAT / Sales Tax. Further, it includes other elements allowed by the Government from time to time.
- iii. Claims including subsidy on LPG and SKO from Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after necessary audit, as stipulated.
- iv. Other claims are booked when there is a reasonable certainty of recovery. Claims are reviewed on a periodical basis and if recovery is uncertain, provision is made in the accounts.
- v. Income from sale of scrap is accounted for on realisation.
- vi. Dividend income is recognized when the corporation's right to receive the dividend is established.
- vii. Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

1.12 CLASSIFICATION OF INCOME/EXPENSES

- i. Expenditure on Research, other than capital expenditure, is charged to revenue in the year in which the expenditure is incurred.
- ii. Income/expenditure upto ₹ 0.05 Crores in each case pertaining to prior years is charged to the current year by the parent company Bharat Petroleum Corporation Limited, Numaligarh Refinery Limited and Petronet CCK Limited. No such policy exists in other group companies
- iii. Prepaid expenses upto ₹ 0.05 Crores in each case, are charged to revenue as and when incurred by the parent company Bharat Petroleum Corporation Limited and Numaligarh Refinery Limited and upto ₹ 10,000 by Bharat Petro Resources Limited and Petronet CCK Limited. No such policy exists in other group companies.
- iv. Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment.
- v. Liabilities for expenses in Bharat Petro Resources Limited and in Petronet CCK (other than for transportation, rent and property taxes) are provided only if the amount exceeds ₹ 10,000 in each case.

1.13 EMPLOYEE BENEFITS

- i. Contributions to defined contribution schemes such as Pension, Superannuation, Provident Fund, etc. are charged to the Statement of Profit and Loss as and when incurred.
- ii. The Corporation also provides for retirement / post-retirement benefits in the form of gratuity, leave encashment, post retirement benefits and other long term benefits. Such defined benefits are charged to the Statement of Profit and Loss based on valuations made by independent actuary using the Projected Unit Credit Method, as at the balance sheet date.
- iii. Expenditure on Voluntary Retirement Scheme is charged to Statement of Profit and Loss as and when incurred.

1.14 DUTIES ON BONDED STOCKS

- i. Customs duty on Raw materials/Finished goods lying in bonded warehouse are provided for at the applicable rates except where liability to pay duty is transferred to consignee.
- ii. Excise duty on finished stocks lying at manufacturing location is provided for, at the assessable value applicable at each of the locations based on end use.

1.15 FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

- i. Transactions in foreign currency are accounted in the reporting currency at the exchange rate prevailing on the date of transaction.
- ii. Monetary items denominated in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet.
- iii. Foreign Exchange differences arising at the time of translation or settlement are recognised as income or expense in the Statement of Profit & Loss either as profit or loss on Foreign Currency transactions and translations or finance cost as the case may be.
- iv. However, foreign exchange differences on long term foreign currency monetary items relating to acquisition of depreciable assets are adjusted to the carrying cost of the assets and depreciated over the balance life of the asset and in other cases, if any, accumulated in “Foreign Currency Monetary Item Translation Difference Account” and amortised over the balance period of the asset or liability in case of parent company, Bharat Oman Refineries Limited and Bharat Petro Resources Limited.
- v. Premium/discount arising at the inception of the forward exchange contracts entered into to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of Profit and Loss.
- vi. Gains / losses arising on settlement of Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures on account of fluctuations in interest rates and foreign exchange are recognised in the Statement of Profit and Loss. Provision for losses in respect of outstanding contracts as on balance sheet date is made based on mark to market valuations of such contracts.
- vii. All the subsidiaries and joint ventures incorporated outside India are considered to be “non integral foreign operations” in terms of Accounting Standard 11 “The Effects of Changes in Foreign Exchange Rates”. Consequently, the assets and liabilities, monetary and non- monetary of such subsidiaries and joint ventures have been translated at the closing rates. Income and expense items of the non-integral foreign operation are translated at average exchange rate prevailing during the period.

1.16 GOVERNMENT GRANTS

- i. When the grant relates to an expense item or depreciable fixed assets, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. The grant relating to future years are treated as Deferred Income and reflected as Capital Reserve in Balance Sheet.
- ii. Government grants of the nature of promoter’s contribution or relating to non depreciable assets are credited to capital reserve in Balance Sheet.
- iii. In case of Bharat Oman Refineries Limited grants related to specific fixed assets are shown as a deduction from the gross value of fixed asset concerned.

1.17 PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- i. A provision is recognized when corporation has a present obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made.
- ii. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.
- iii. Capital commitments and Contingent liabilities disclosed are in respect of items which exceed ₹ 0.05 crores in each case in case of parent Company and ₹ 0.01 crores in case of Bharat Petro Resources Limited.

1.18 TAXES ON INCOME

- i. Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
- ii. Deferred tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date.
- iii. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future. However, in respect of unabsorbed depreciation or carry forward losses, the deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the assets will be realized in future.
- iv. The carrying amount of deferred tax assets and unrecognized deferred tax assets are reviewed at each Balance Sheet date.

1.19 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity share holders (after deducting preference dividends, if any, and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

1.20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and on hand. The corporation considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.21 CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT AND NON-CURRENT :

All assets and liabilities are classified as current or non-current as per the normal operating cycle (determined at 12 months) and other criteria set out in Revised Schedule VI to the Companies Act, 1956.

1.22 ACCOUNTING FOR LEASES

For operating leases, rentals are expensed with reference to lease terms and other relevant considerations.

1.23 OIL AND GAS EXPLORATION ACTIVITIES

(i) BPRL follows the "Full Cost" method of accounting in respect of its oil and natural gas exploration and production activities read with the guidance note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India. Accordingly, all acquisition, exploration and development costs are treated as capital work-in-progress and are accumulated in a cost centre. The cost centre is not normally smaller than a country except where warranted by major difference in economic, fiscal or other factors in the country. When any well in a cost centre is ready to commence commercial production, these costs are capitalised from capital work-in-progress to the gross block of assets regardless of whether or not the results of specific costs are successful. Depletion is charged on all capitalised costs according to the unit of production method. On Completion of the minimum work programme or on the expiration of licence period and if hydrocarbons are not found in any of the block or the cost centre, then expenditure accumulated under the head Capital work-in-progress in relation to the block or cost centre is written off.

(ii) The net quantities of BPRL's interests in proved reserves and proved developed reserves of oil and gas at the beginning and additions, deductions, production and closing balance for the year and disclosure of quantities on the geographical basis are not mentioned as BPRL is in exploratory phase.

(iii) Surrender of field / disposal of participation interest : If BPRL were to surrender a field, the accumulated acquisition, exploration and development costs in respect of such field are deemed to be fully depreciated. If the remainders of the wells in the cost centre continue to produce oil or gas, gain or loss is recognised only when the last well in the cost centre ceases to produce and the entire cost centre is abandoned. Also, in the event BPRL assigns or farms out the whole or any part of its participating interest, the corresponding carrying value of the capitalised amount is adjusted against the consideration and the net amount is credited or, as the case may be, is charged to the statement of profit and loss in the year in which BPRL's participating interest is assigned or farmed out.

(iv) Depletion : Depletion charge is calculated on the capitalised cost according to the unit of production method. The depreciation charge or the unit of production (UOP) charge for all costs within a cost centre is calculated by multiplying the UOP rate with the production for the period. The unit of production rate is arrived at by dividing the depreciation base of the cost centre by the Proved Oil and Gas Reserves. The depreciation base of a cost centre includes gross block of the cost centre, estimated future development expenditure and estimated site restoration expenditure and is reduced by the accumulated depreciation and accumulated impairment charge of the cost centre. The estimates of proved reserves used are based on the latest technical assessment available with BPRL.

(v) Site restoration costs : Liabilities for site restoration costs (net of salvage values) are recognized when BPRL has an obligation to dismantle and remove a facility such as oil and natural gas production or transportation facility or an item of plant and to restore the site on which it is located and when a reasonable estimate of that liability can be made. Where an obligation exists for a new facility, the liability is recognized on construction or installation. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the value of estimated future expenditure determined in accordance with local conditions and requirements. The corresponding amount is added to the cost of the tangible fixed asset and is subsequently depleted as part of the capital costs of the facility or item of plant. Any change in the value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding tangible fixed assets.

2. SHARE CAPITAL (CONSOLIDATED)

₹ in Crores

	31/03/2014	31/03/2013
i. Authorised		
2,50,00,00,000 equity shares (previous year 2,50,00,00,000 equity shares)	2,500.00	2,500.00
ii. Issued, subscribed and paid-up		
72,30,84,248 (previous year 72,30,84,248) equity shares fully paid-up	723.08	723.08
Total	723.08	723.08

- iii. The Corporation has only one class of shares namely equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Corporation, the holders of equity shares will be entitled to receive the remaining assets of the Corporation in proportion to the number of equity shares held.
- iv. The Corporation declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.
- v. During the period ended 31st March 2014, proposed dividend per share is ₹ 17 (previous year ₹ 11). The total dividend appropriation for the year ended 31st March 2014 amounted to ₹ 1,425.82 crores (previous year ₹ 922.86 crores) including Corporate Dividend Tax of ₹ 196.58 crores (previous year ₹ 127.47 crores)
- vi. During Financial Year 2012-13, the corporation had issued Bonus Shares in the ratio of 1:1 by capitalization of General Reserve. The total number of Bonus Shares issued is 36,15,42,124 equity shares having face value of ₹ 10 each.

vii. Reconciliation of No. of Equity Shares

	31/03/2014	31/03/2013
A. Opening Balance	72,30,84,248	36,15,42,124
B. Shares Issued		
- Bonus Shares	-	36,15,42,124
C. Shares Bought Back	-	-
D. Closing Balance	72,30,84,248	72,30,84,248

viii. Shareholders holding more than 5% shares

Name of shareholder	31/03/2014		31/03/2013	
	% Holding	No. of Shares	% Holding	No. of Shares
Government of India	54.93	39,72,00,120	54.93	39,72,00,120
BPCL Trust for Investment in shares	9.33	6,74,57,474	9.33	6,74,57,474
Life Insurance Corporation of India	5.42	3,91,62,846	5.14	3,71,73,606

3. RESERVES AND SURPLUS (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Capital Reserve		
As per last Balance Sheet	54.62	54.50
Add/(Less): Grant received during the year	6.30	0.30
Less : Amortization of Capital Grant during the year	(0.87)	(0.18)
Sub-total	<u>60.05</u>	<u>54.62</u>
Capital Reserve on acquisition of subsidiaries	66.45	66.45
Debenture Redemption Reserve		
As per last Balance Sheet	126.30	1,000.00
Add: Transfer from surplus	196.84	-
Less: Transfer to General Reserve	-	(873.70)
Sub-total	<u>323.14</u>	<u>126.30</u>
Foreign Currency Translation Reserve	(56.16)	(20.88)
Foreign Currency Monetary Item Translation Difference Account :		
As per last Balance Sheet	-	-
Add : Additions during the year	191.84	-
Less: Amortization during the year	(7.59)	-
Sub-total	<u>184.25</u>	<u>-</u>
General Reserve		
As per last Balance Sheet	17,190.20	14,899.80
Add : Transfer from / (to) Debenture Redemption Reserve	-	873.70
Add : Transfer from Profit & Loss Account	2,671.61	1,778.24
Less : Utilized towards issue of Bonus Share	-	(361.54)
Sub-total	<u>19,861.81</u>	<u>17,190.20</u>
Surplus as per Statement of Profit & Loss *	(926.56)	(576.25)
Sub-total	<u>19,512.98</u>	<u>16,840.44</u>
Less: Minority Interest (net of dividend payable)	864.78	794.49
	<u>18,648.20</u>	<u>16,045.95</u>
Share of interest in Joint Ventures		
General Reserve	126.44	114.76
Surplus as per Statement of Profit & Loss *	(296.44)	(334.96)
Debenture redemption reserve	-	-
Securities Premium	224.39	224.39
Foreign Currency Translation Reserve	0.60	2.32
Sub-total	<u>54.99</u>	<u>6.51</u>
Total	<u>18,703.19</u>	<u>16,052.46</u>
* Surplus as per Statement of Profit & Loss		
As per last Balance Sheet	(911.21)	(50.76)
Add : Profit for the year	4,052.98	1,936.15
Less : Proposed Dividend	(1,274.38)	(823.60)
Less : Corporate Dividend Tax	(221.94)	(153.69)
Less : Transfer to Debenture Redemption Reserve	(196.84)	-
Less : Transfer to General Reserve	(2,671.61)	(1,819.31)
Total	<u>(1,223.00)</u>	<u>(911.21)</u>

4. LONG-TERM BORROWINGS (CONSOLIDATED)

	31/03/2014		31/03/2013	
	Current #	Non-Current	Current #	Non-Current
Secured				
From others				
Debentures				
8.65% secured non-convertible debentures 2017*	-	700.00	-	700.00
Term Loan				
Term loan from Banks / Financial Institutions **	-	4,958.17	-	3,045.80
Foreign Currency Loan Syndicated ***	-	450.75	-	-
Loan from Oil Industry Development Board @	-	16.25	-	-
Unsecured				
Term Loan				
Loan from Oil Industry Development Board	203.48	184.00	296.48	361.73
From Banks				
Foreign Currency Loan Syndicated	150.25	6,610.98	-	1,767.65
Bonds				
4.625% US Dollar International bonds 2022	-	3,004.99	-	2,719.47
3% Swiss franc International bonds 2019	-	1,350.39	-	-
	353.73	17,275.53	296.48	8,594.65
Share of Interest in Joint Ventures	-	4,722.19	-	4,107.53
Total	353.73	21,997.72	296.48	12,702.18

Classified under other current liabilities (Refer Note No.10)

* The Corporation had allotted redeemable non-convertible 8.65% Debentures of face value of ₹ 700 crores on 8th October 2012 redeemable on 8th October 2017 with a put call option on 8th October 2015. These are secured by first legal mortgage in English form by way of a Registered Debenture Trust Deed over the fixed assets of the Company, mainly Plant and Machinery at Mumbai Refinery.

** Pledge of shares held in BPRL Ventures Mozambique BV and BPRL Ventures Indonesia BV; a first rank of security interest on fixed and current assets and cash flows of BPRL Ventures Mozambique BV and BPRL Ventures Indonesia BV.

*** Loan is secured in favour of participating banks pari-passu inter-alia by hypothecation of plants & equipments both present and future.

@ Loan is secured by way of mortgage/hypothecation of assets / projects financed out of loan proceeds from OIDB for which the charge is under creation.

5. DEFERRED TAX LIABILITIES (NET) (CONSOLIDATED)

	31/03/2014		31/03/2013	
Deferred Tax Liabilities:				
On account of depreciation		2,859.43		2,794.88
Total Deferred Tax Liabilities (A)		2,859.43		2,794.88
Deferred tax asset:				
Disallowance under Income tax Act, 1961		649.24		642.46
Provisions for mark to market for investments & Loans, doubtful debts, claims, etc.		611.16		256.79
Voluntary Retirement Scheme & Long term capital loss		46.22		26.36
Total Deferred Tax Asset (B)		1,306.62		925.61
Deferred tax liabilities (A-B)		1,552.81		1,869.27
Share of Interest in Joint Ventures		(301.71)		(263.41)
Total		1,251.10		1,605.86

6. OTHER LONG-TERM LIABILITIES (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Security / Earnest money deposits	16.39	19.37
Others	46.81	45.26
Total	63.20	64.63
Share of Interest in Joint Ventures	37.55	13.50
Total	100.75	78.13

7. LONG-TERM PROVISIONS (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Contingencies for probable obligations	154.53	144.53
Provision for employee benefits	1,165.34	1,116.16
Total	1,319.87	1,260.69
Share of Interest in Joint Ventures	5.89	5.17
Total	1,325.76	1,265.86

8. SHORT-TERM BORROWINGS (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Loans repayable on demand		
Secured		
From banks		
Working capital loans / Cash Credit*	1,756.99	797.47
From Others		
Collateralized borrowing and lending obligation **	1,101.25	622.00
Unsecured		
From banks		
Rupee loans	-	70.00
Bank overdraft	0.70	-
Foreign currency loans	5,584.06	16,491.44
From Others		
Commercial papers	-	430.00
	8,443.00	18,410.91
Share of Interest in Joint Ventures	2,357.82	1,747.29
Total	10,800.82	20,158.20

* Secured in favour of the participating banks ranking pari passu inter-alia by hypothecation of raw materials, finished goods, stock- in- process, book debts, stores, components and spares and all movables both present and future.

** Secured by Oil marketing Companies GOI Special Bonds 2026 of ₹ 2,450 crores and a bank guarantee of ₹ 500 crores issued in favour of Clearing Corporation of India Limited.

9. TRADE PAYABLES (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Due to micro and small enterprises	1.55	0.22
Due to others	11,805.91	7,680.00
	<u>11,807.46</u>	<u>7,680.22</u>
Share of Interest in Joint Ventures	1,087.87	1,251.67
Total	<u>12,895.33</u>	<u>8,931.89</u>

10. OTHER CURRENT LIABILITIES (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Current maturities of long-term borrowings (Refer Note no.4)	353.73	296.48
Interest accrued but not due on borrowings	153.12	130.82
Deposits from Customers	33.20	28.54
Deposits for Containers	6,494.96	5,590.79
Advances from Customers	593.13	488.00
Unclaimed Dividend*	2.80	2.38
Unclaimed Deposits*	0.14	0.15
Unclaimed Interest on Deposits*	0.07	0.07
Statutory Liabilities	3,171.72	2,286.72
Dues to micro and small enterprises* *	131.87	98.39
Other current liabilities	5,008.67	4,833.35
	<u>15,943.41</u>	<u>13,755.69</u>
Share of Interest in Joint Ventures	991.17	1,297.90
Total	<u>16,934.58</u>	<u>15,053.59</u>

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

** To the extent, the Corporation has received intimation from the "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006.

11. SHORT-TERM PROVISIONS (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Provision for Taxation (Net of Tax paid)	1,095.36	636.24
Provision for Liquidated Damages	5.63	1.44
Proposed dividend	1,274.38	823.60
Corporate Dividend Tax on proposed dividend	216.58	139.97
Provision for employee benefits	187.45	181.45
	<u>2,779.40</u>	<u>1,782.70</u>
Share of Interest in Joint Ventures	88.25	119.26
Total	<u>2,867.65</u>	<u>1,901.96</u>

12. TANGIBLE ASSETS (CONSOLIDATED)

Particulars	Gross Block				Depreciation		
	As at 01-04-2013	Additions	Other adjustments	Reclassification /Deductions on account of disposals	As at 31-03-2014	Up to 31-03-2013	For the year
Land							
Freehold	498.76	288.35	-	1.20	785.91	-	-
Leasehold	196.03	3.86	-	1.39	198.50	31.16	4.51
Buildings	6,127.13	580.88	65.79	39.14	6,734.66	1,081.17	153.62
Plant And Equipments	13,839.85	2,015.16	158.35	32.04	15,981.32	6,528.86	727.81
Furniture And Fittings	269.56	32.58	-	5.18	296.96	117.70	19.21
Vehicles	198.31	13.28	(0.01)	5.18	206.40	135.28	13.77
Office Equipment	863.46	106.88	(0.01)	11.93	958.40	635.54	79.42
Railway Sidings	352.48	7.78	(0.01)	1.24	359.01	178.48	14.96
Tanks And Pipelines	6,384.16	230.59	0.07	15.72	6,599.10	3,339.81	367.93
Dispensing Pumps	2,254.24	262.62	43.10	33.41	2,526.55	668.79	113.00
LPG Cylinders And Allied Equipments	6,043.12	849.33	64.03	12.16	6,944.32	6,043.12	913.36
Others	69.85	16.02	-	-	85.87	26.80	5.35
Total	37,096.95	4,407.33	331.31	158.59	41,677.00	18,786.71	2,412.94
Share of interest in Joint Ventures	6,683.33	585.54	159.54	8.06	7,420.35	1,030.61	162.85
Grand Total - Current Year	43,780.28	4,992.87	490.85	166.65	49,097.35	19,817.32	2,575.79
Previous year	35,195.50	2,188.50	104.98	392.03	37,096.95	16,776.50	2,204.05
Share of interest in Joint Ventures	6,472.13	151.82	60.73	1.35	6,683.33	658.52	362.71
Grand Total - Previous Year	41,667.63	2,340.32	165.71	393.38	43,780.28	17,435.02	2,566.76

Notes:

- Other adjustments include capitalization of foreign exchange differences of ₹ 386.70 crores (previous year ₹ 147.67 crores) which includes Share in Joint Venture ₹ 98.68 crores (previous year ₹ 42.65 crores) and borrowing costs of ₹ 43.33 crores (previous year NIL).
- Land:-
 - Freehold land includes ₹ 367.32 crores (previous year ₹ 71.34 crores) for which conveyance deed / registration / execution of title deeds / mutation are pending.
 - Leasehold land of the group includes gross block ₹ 1.31 crores (previous year ₹ 2.62 crores) which though in possession, the lease deeds are yet to be registered.
 - Freehold land of BPCL includes land costing ₹ 2.20 crores (previous year ₹ 2.20 crores) which is in the process of being surrendered to competent authority.
- Buildings included Ownership flats of ₹ 47.43 crores (previous year ₹ 47.88 crores) in proposed / existing co-operative societies and others.
- Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned by BPCL in varying extent with other Oil Companies / Railways :- Gross Block ₹ 198.67 crores (previous year ₹ 196.02 crores), Cumulative Depreciation ₹ 116.32 crores (previous year ₹ 107.59 crores), Net Block ₹ 82.35 crores (previous year ₹ 88.43 crores).
- Gross Block of the BPCL includes ₹ 42.41 crores (previous year ₹ 105.54 crores) towards

- assets which are identified as held for sale and additional depreciation of ₹ 17.82 crores (previous year ₹ 17.82 crores) is provided to recognise the expected loss on disposal.
- Paver blocks and Canopy, capitalized under revised estimated useful life of 30 years and depreciation of ₹ 139.62 Crores in 2012-13.
- Share of Interest in Joint Venture includes depreciation of ₹ 139.62 Crores in 2012-13.
- Computer equipments (under Furniture and Office Equipments) Mobile Phones provided at the residence of employees over the revised estimated useful life of 4 years. The effect of this change is increase in depreciation of ₹ 1,225.82 Crores in 2012-13.
- Some assets under the category 'Others' as on 31st March 2013 ₹ 2,228.54 Crores and Net Block ₹ 1,225.82 Crores and 'Office Equipments' ₹ 97.89 Crores) depending upon the nature

13. INTANGIBLE ASSETS (CONSOLIDATED)

Particulars	Gross Block				As at 31-03-2014	Up to 31-03-2013	For the year
	As at 01-04-2013	Additions	Other adjustments	Reclassification /Deductions on account of disposals			
Right Of Way	36.19	0.28	-	-	36.47	2.16	0.37
Software	71.15	19.93	19.88	1.47	109.49	52.54	8.82
Development Rights	1.50	-	-	-	1.50	1.50	-
Process License	88.06	11.58	0.24	12.65	87.23	66.78	9.24
Total	196.90	31.79	20.12	14.12	234.69	122.98	18.43
Share of interest in Joint Ventures *	721.43	3.80	24.10	24.20	725.13	36.95	14.93
Grand Total	918.33	35.59	44.22	38.32	959.82	159.93	33.36
Previous year	189.93	7.27	-	0.30	196.90	101.89	21.15
Share of interest in Joint Ventures	716.26	5.17	-	-	721.43	24.55	12.40
Grand Total	906.19	12.44	-	0.30	918.33	126.44	33.55

Other adjustments include borrowing cost of ₹ 0.24 Crores (previous year Nil).

* Includes share of Goodwill on consolidation of Subsidiary company's Joint Venture Companies ₹ 475.82 crores (previous year Nil).

14. INTANGIBLE ASSETS UNDER DEVELOPMENT (CONSOLIDATED)

Particulars	Gross Block				As at 31-03-2014	Up to 31-03-2013	2013-14	Re / o c
	As at 01-04-2013	Additions	Capitalisation as intangible asset	Deletions				
Software	2.53	-	(2.53)	-	-	-	-	
Total	2.53	-	(2.53)	-	-	-	-	
Share of interest in Joint Ventures	-	-	-	-	-	-	-	
Grand Total	2.53	-	(2.53)	-	-	-	-	
Previous year	2.53	-	-	-	2.53	-	-	
Share of interest in Joint Ventures	-	-	-	-	-	-	-	
Grand Total	2.53	-	-	-	2.53	-	-	

15. CAPITAL WORK-IN-PROGRESS (AT COST) (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Work-in-progress *	5,521.76	3,809.85
Capital stores including lying with contractors	596.66	535.02
Capital goods in transit	31.92	30.10
<u>Construction period expenses</u>		
Opening balance	133.09	54.63
Add: Expenditure during the year		
Establishment charges	82.50	47.08
Interest	52.53	12.73
Foreign Exchange Fluctuations	183.10	38.14
Others	32.69	3.47
	483.91	156.05
Less: Allocated to assets capitalised during the year/ charged off	(111.19)	(22.96)
Closing balance	372.72	133.09
	6,523.06	4,508.06
Share of Interest in Joint Ventures	2,848.66	2,952.66
Total	9,371.72	7,460.72
* Net of provision for impairment of ₹ 86.40 Crores (Previous year - Nil) - Refer Note No. 36		

16. NON-CURRENT INVESTMENTS (CONSOLIDATED) (At cost unless otherwise stated)

	31/03/2014	₹ in Crores 31/03/2013
Long Term		
(a) Trade		
Investment In Equity Instruments, Warrants & Debentures		
Quoted	561.76	561.76
Unquoted	1,061.04	1,006.76
Less: Provision for diminution in value of investments	(20.94)	(17.58)
	1,601.86	1,550.94
Others		
BPCL Trust for Investment in Shares (Unquoted) (Refer Note No. 35)	659.10	659.10
(b) Non-Trade		
Investment In Debentures, Unquoted	0.01	0.01
In Association of Persons, Unquoted		
Capital Contribution in Petroleum India International (PII)	10.00	10.00
Share in accumulated surplus of PII	15.37	14.24
	25.38	24.25
Share of Interest in Joint Ventures	20.06	17.48
Total	2,306.40	2,251.77

17. LONG TERM LOANS AND ADVANCES (CONSOLIDATED)

(unsecured, considered good unless otherwise stated)

	31/03/2014	₹ in Crores 31/03/2013
Capital advances	399.62	113.19
Security deposits	28.02	30.85
Loans and advances to related parties		
Bharat Oman Refineries Limited	677.05	677.05
GSPL India Gasnet Limited*	-	1.89
GSPL India Transco Limited*	-	3.08
Bharat Renewable Energy Limited*	-	0.50
Petronet LNG Limited	49.16	-
Advance for investments	14.74	21.10
Loans and advances to employees (secured)	588.01	573.41
Loans and advances to others	37.89	37.11
Provision for doubtful loans	(0.10)	(0.10)
Claims & Deposits :		
Considered good	439.88	403.37
Considered doubtful	47.68	38.17
Less : Provision for doubtful claims	(47.68)	(38.17)
Advance Income Tax (net of provision for taxation)	120.61	54.37
	2,354.88	1,915.82
Share of Interest in Joint Ventures	152.80	109.29
Total	2,507.68	2,025.11

* Advance against equity shares (pending allotment) in previous year.

18. OTHER NON-CURRENT ASSETS (CONSOLIDATED)

(unsecured, considered good unless otherwise stated)

	31/03/2014	₹ in Crores 31/03/2013
Unamortized Issuance Expenses on Borrowings	100.21	26.69
Gratuity Account Balance	64.96	-
Bank deposits with more than twelve months maturity*	0.97	0.96
	166.14	27.65
Share of Interest in Joint Ventures	0.42	-
Total	166.56	27.65

* Includes deposit of ₹ 0.80 crores (previous year ₹ 0.80 crores) that have been pledged / deposited with local authorities.

19. CURRENT INVESTMENTS (CONSOLIDATED)

(Current Investments are valued at lower of cost or fair market value)

	31/03/2014	₹ in Crores 31/03/2013
INVESTMENT IN GOVERNMENT SECURITIES (Face value of ₹ 100/- each)		
NON-TRADE, QUOTED		
1. 6.35% Oil Marketing Companies GOI Special Bonds 2024	2,094.96	2,344.96
2. 6.90% Oil Marketing Companies GOI Special Bonds 2026 #	2,474.00	2,474.00
3. 7.59% Oil Marketing Companies GOI Special Bonds 2015	2.31	2.31
4. 7.61% Oil Marketing Companies GOI Special Bonds 2015	0.81	0.81
5. 7.95% Oil Marketing Companies GOI Special Bonds 2025	10.63	10.63
6. 8.20% Oil Marketing Companies GOI Special Bonds 2024	897.78	897.78
	5,480.49	5,730.49

19. CURRENT INVESTMENTS (CONSOLIDATED)(CONTD.)

	31/03/2014	₹ in Crores 31/03/2013
Less: Provision for diminution in value of investment		
In 6.35% Oil Marketing Companies GOI Special Bonds 2024	(405.09)	(321.99)
In 6.90% Oil Marketing Companies GOI Special Bonds 2026 #	(405.74)	(247.40)
In 7.59% Oil Marketing Companies GOI Special Bonds 2015	(0.02)	(0.01)
In 7.61% Oil Marketing Companies GOI Special Bonds 2015	(0.01)	-
In 7.95% Oil Marketing Companies GOI Special Bonds 2025	(0.91)	(0.19)
In 8.20% Oil Marketing Companies GOI Special Bonds 2024	(59.93)	-
	<u>(871.70)</u>	<u>(569.59)</u>
Investment in Mutual Funds	53.05	25.06
	<u>4,661.84</u>	<u>5,185.96</u>
Share of Interest in Joint Ventures	17.07	32.08
Total	<u><u>4,678.91</u></u>	<u><u>5,218.04</u></u>

Kept as Collateral Security with Clearing Corporation of India Limited for borrowing in CBLO (Face Value ₹ 2,450 crores; Previous year ₹ 2,450 crores)

20. INVENTORIES (CONSOLIDATED)

(Refer Note no. 1.10 for Valuation Policy)

	31/03/2014	₹ in Crores 31/03/2013
Raw materials	2,431.05	2,550.54
Raw materials in transit	1,365.01	657.88
	<u>3,796.06</u>	<u>3,208.42</u>
Stock in process	976.50	811.00
Finished goods	9,923.70	6,988.95
Stock-in-trade	5,106.70	5,951.34
Stock-in-trade in transit	262.81	320.60
	<u>5,369.51</u>	<u>6,271.94</u>
Stores and spares	401.54	508.12
Provision for Stores and spares	(81.45)	(78.58)
Stores and spares in transit	1.64	1.69
	<u>321.73</u>	<u>431.23</u>
Packing materials	10.91	9.37
	<u>20,398.41</u>	<u>17,720.91</u>
Share of Interest in Joint Ventures	2,771.06	2,235.78
Total	<u><u>23,169.47</u></u>	<u><u>19,956.69</u></u>

21. TRADE RECEIVABLES (CONSOLIDATED)

(Unsecured unless otherwise stated)

Outstanding for a period exceeding 6 months from due date of payment

	31/03/2014	₹ in Crores 31/03/2013
Considered good*	476.28	504.11
Considered doubtful	386.77	167.47
Less : Provision for doubtful debts	(386.77)	(167.47)
Other debts (considered good)	<u>3,532.51</u>	<u>3,499.77</u>
	<u>4,008.79</u>	<u>4,003.88</u>
Share of Interest in Joint Ventures	534.90	351.18
Total	<u><u>4,543.69</u></u>	<u><u>4,355.06</u></u>

* Includes ₹ 30.44 crores (previous year ₹ 16.01 crores) in respect of security deposit received.

22. CASH AND BANK BALANCES (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Cash on hand	47.08	48.06
Cheques and drafts on hand	55.68	74.46
Balance with banks :		
On Current Account	281.39	521.85
Demand deposits with banks with original maturity of less than three months	1,546.09	1,853.62
Cash and Cash equivalents	1,930.24	2,497.99
Earmarked balances*	2.89	2.38
	1,933.13	2,500.37
Share of Interest in Joint Ventures	378.21	349.46
Total	2,311.34	2,849.83

* Includes unpaid dividend

23. SHORT-TERM LOANS AND ADVANCES (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
(Unsecured, considered good unless otherwise stated)		
Loans and advances to related parties		
Petronet CCK Limited	-	26.55
Dues from Joint Venture Companies	4.48	5.37
Loans and advances to employees (secured)	69.76	66.85
Loans to Others	8.40	131.74
Loans to Others, Doubtful	1.20	1.04
Provision for Loans to Others, Doubtful	(1.20)	(1.04)
Advances:		
Advances Recoverable in cash, or in kind or for value to be received	466.95	581.49
Advances considered doubtful	6.81	5.64
Less : Provision for doubtful advances	(6.81)	(5.64)
	466.95	581.49
Advance Income Tax (net of provision for taxation)	142.77	96.99
MAT Credit Entitlement	-	-
Claims, considered good	161.87	275.92
Claims, doubtful	2.23	2.04
Less: Provision for Claims, doubtful	(2.23)	(2.04)
Balances With Customs, Excise, Port Trust, etc.	218.96	206.81
Others	4.37	5.55
	1,077.56	1,397.27
Share of Interest in Joint Ventures	121.73	98.84
Total	1,199.29	1,496.11

24. OTHER CURRENT ASSETS (CONSOLIDATED)

	31/03/2014	₹ in Crores 31/03/2013
Interest accrued on investments and bank deposits	79.31	127.62
Interest accrued on Loans to Related Parties	14.32	14.45
Receivable from Government of India	10,615.09	8,689.06
Deferred premium (foreign exchange forward contract)	1.78	141.36
Unamortized Issuance Expenses on Borrowings	32.77	30.20
Other receivable	15.13	3.13
	10,758.40	9,005.82
Share of Interest in Joint Ventures	166.88	179.10
Total	10,925.28	9,184.92

25. REVENUE FROM OPERATIONS (CONSOLIDATED)

	2013-14	2012-13
₹ in Crores		
i) a. Sales		
Petroleum Products	2,49,473.06	2,22,157.22
Crude Oil	937.36	3,044.24
	<u>2,50,410.42</u>	<u>2,25,201.46</u>
b. Subsidy on LPG (Domestic) & SKO (PDS)*	639.96	636.88
c. Subsidy from Government of India (Refer Note No 33(b))	18,374.28	21,896.65
	<u>2,69,424.66</u>	<u>2,47,734.99</u>
Less: Excise Duty	(11,598.49)	(11,104.59)
	<u>2,57,826.17</u>	<u>2,36,630.40</u>
ii) Other operating revenues	149.25	137.59
	<u>2,57,975.42</u>	<u>2,36,767.99</u>
Share of interest in Joint Ventures	6,431.18	5,412.99
Total	<u>2,64,406.60</u>	<u>2,42,180.98</u>

* As per the existing scheme of the Government of India

26. OTHER INCOME (CONSOLIDATED)

	2013-14	2012-13
₹ in Crores		
Income from Current Investments		
Interest on Oil Marketing Companies GOI Special Bonds	381.26	440.51
Dividend Income	12.10	5.10
Income from non current investments		
Dividend Income- Others	39.72	40.88
Income from Petroleum India International	1.13	1.21
Interest - Others (including on bank deposits)	324.91	318.74
Write back of liabilities no longer required	11.39	54.26
Reversal of provision for doubtful debts & advances	-	19.00
Less: Amount written off	-	(8.50)
	-	10.50
Profit / (Loss) on sale of Current Investments	-	(155.42)
Reversal towards diminution in value of current investments	-	450.16
Prior period income (net)	107.33	-
Others # (Refer Note No. 35)	480.89	335.03
	<u>1,358.73</u>	<u>1,500.97</u>
Share of interest in Joint Ventures	41.06	28.02
Total	<u>1,399.79</u>	<u>1,528.99</u>

Includes amortisation of capital grants ₹ 0.87 Crores (previous year ₹ 0.18 crores)

27. COST OF RAW MATERIALS CONSUMED (CONSOLIDATED)

	2013-14	2012-13
₹ in Crores		
Opening Stock	3,208.42	4,334.40
Add : Purchases (Refer Note No. 33(a))	1,17,546.16	1,02,840.22
Less: Closing Stock	(3,796.06)	(3,208.42)
Total	<u>1,16,958.52</u>	<u>1,03,966.20</u>
Share of interest in Joint Ventures	17,083.46	16,254.82
Total	<u>1,34,041.98</u>	<u>1,20,221.02</u>

28. PURCHASE OF STOCK-IN-TRADE (CONSOLIDATED)		₹ in Crores	
	2013-14	2012-13	
Petroleum Products (Refer Note No. 33(a))	1,05,272.75	1,01,631.29	
Crude Oil	1,022.69	3,044.26	
	1,06,295.44	1,04,675.55	
Share of interest in Joint Ventures	790.30	(2,364.09)	
Total	1,07,085.74	1,02,311.46	
29. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (CONSOLIDATED)		₹ in Crores	
	2013-14	2012-13	
Value of opening stock of			
Finished goods	6,988.62	7,801.79	
Stock-in-trade	6,271.94	4,552.98	
Stock in process	811.00	982.64	
	14,071.56	13,337.41	
Less : Value of closing stock of			
Finished goods	9,935.24	6,988.62	
Stock-in-trade	5,369.51	6,271.94	
Stock in process	976.50	811.00	
	16,281.25	14,071.56	
Net (Increase)/Decrease in Inventory	(2,209.69)	(734.15)	
Share of interest in Joint Ventures	231.95	(378.43)	
Total	(1,977.74)	(1,112.58)	
30. EMPLOYEE BENEFIT EXPENSES (CONSOLIDATED)		₹ in Crores	
	2013-14	2012-13	
Salaries and wages *	2,267.21	2,227.87	
Contribution to provident fund	139.04	125.53	
Contribution to other funds	228.35	223.30	
Staff Welfare expenses	288.19	317.82	
Voluntary Retirement Scheme	126.82	-	
	3,049.61	2,894.52	
Share of interest in Joint Ventures	65.65	55.93	
Total	3,115.26	2,950.45	
* includes estimated provision towards pay revision of non-management employees.			
31. FINANCE COSTS (CONSOLIDATED)		₹ in Crores	
	2013-14	2012-13	
Interest expense	550.81	913.78	
Interest on shortfall in payment of advance tax	61.93	42.40	
Other borrowing costs	51.72	180.87	
Applicable loss on foreign currency transactions and translations (net)	807.94	905.09	
	1,472.40	2,042.14	
Share of interest in Joint Ventures	509.74	476.15	
Total	1,982.14	2,518.29	

32. OTHER EXPENSES (CONSOLIDATED)

	₹ in Crores	
	2013-14	2012-13
Transportation	4,610.55	3,886.69
Excise Duty on Inventory differential	172.08	(34.33)
Rates, Taxes & other levies	968.15	1,140.21
Repairs and maintenance		
Machinery	837.35	647.86
Building	44.21	41.52
Others	192.06	173.85
Total for Repairs and Maintenance	1,073.62	863.23
Power and Fuel	5,545.28	5,525.44
Less: Consumption of fuel out of own production	(4,201.76)	(4,497.33)
Power and Fuel consumed (net)	1,343.52	1,028.11
Stores, spares and materials (net)	90.92	88.32
Rent	247.57	194.59
Utilities	199.80	177.25
Packages consumed	165.35	158.57
Terminalling and other charges	151.07	139.25
Travelling and conveyance	156.07	137.98
Insurance	58.08	51.55
Communication Expenses	25.24	26.54
Remuneration to auditors		
Audit fees	0.67	0.59
Fees for other services-certification.	0.47	0.39
Reimbursement of out of pocket expenses	-	0.01
Total for Audit Fees	1.14	0.99
Write Off		
Bad debts and claims	2.68	0.11
Other write offs (net)	5.16	428.95
Project cost Charged off	380.05	-
Provision for doubtful debts & advances	233.32	58.72
Provision for Impairment	86.40	-
Loss on sale of current Investments	29.45	-
Provision towards dimunition in value of Current investments	302.11	-
Provision towards dimunition in value of Non Current investments	3.36	-
Loss on sale of fixed assets (net)	12.98	36.88
Loss on foreign currency transactions and translations (net)(Refer Note no.41)	692.16	769.11
Prior Period Expenses(net)	-	128.86
Others	1,055.62	1,039.03
	12,066.45	10,320.61
Share of interest in Joint Ventures	715.96	817.76
Total	12,782.41	11,138.37

33. Consequent to non-revision in Retail Selling Prices corresponding to the international prices and applicable foreign exchange rates prevailing during the year, the Corporation has suffered Gross Under Recovery of **₹ 34,462.56 Crores** (Previous Year ₹ 38,990.43 Crores) on sale of sensitive petroleum products.

As advised by the Ministry of Petroleum & Natural Gas, the Corporation has accounted compensation towards sharing of under-recoveries on sale of sensitive petroleum products as follows:

- a) **₹ 15,576.78 Crores** (previous year ₹ 16,844.49 Crores) discount on crude oil/products purchased from ONGC/GAIL which has been adjusted against Purchase cost;
- b) **₹ 18,374.28 Crores** (previous year ₹ 21,896.65 Crores) subsidy from Government of India has been accounted as Revenue from operations.

After adjusting the above compensation, the net under recovery absorbed by the Corporation is **₹ 511.50 Crores** (previous year ₹ 249.29 Crores).

34. Pursuant to the Ministry of Corporate Affairs Notification G.S.R. 914 (E) dated 29th December 2011, the Corporation had exercised the option under Para 46 A of AS-11 (notified under the Companies (Accounting Standard) Rules, 2006 (as amended)) and has changed its accounting policy in the financial year 2011-12 and onwards for recognition of exchange differences arising on reporting of long term foreign currency monetary items. For the current financial year, the impact on account of this change (net of depreciation and amortisation) is increase in profit before tax of **₹ 301.44 Crores** including **₹ 91.68 Crores** pertaining to interest of Joint Ventures (previous year increase in profit before tax of ₹ 269.25 Crores including ₹ 34.46 Crores pertaining to interest of Joint Ventures).
35. As per the scheme of Amalgamation of the erstwhile Kochi Refineries Limited (KRL) with the Corporation approved by the Government of India, 3,37,28,737 equity shares of the Corporation were allotted (in lieu of the shares held by the Corporation in the erstwhile KRL) to a trust for the benefit of the Corporation in the financial year 2006-07. After the 1:1 Bonus issue in July 2012, presently the trust holds 6,74,57,474 equity shares of the Corporation. Accordingly the cost of the original investment of **₹ 659.10 Crores** is included in **Note No.16- Non Current Investments**. The income distributed by the trust during the year 2013-14 amounting to **₹ 74.20 Crores** (previous year ₹ 37.10 Crores) have been included in **Note No.26** - 'Other income'
36. **Impairment of Assets:** It is assumed that suitable mechanism would be in place, in line with earlier/ current year(s), to provide compensation towards under recoveries of margin, if any, on account of sale of sensitive petroleum products in subsequent years. Hence, there is no indication of impairment of assets of the Corporation as at 31st March 2014. In case of one subsidiary company, provision for impairment of capital work in progress of **₹ 86.40 Crores** has been made during FY 2013-14 (previous year Nil).
37. Bharat Petroleum Corporation Limited and Numaligarh Refinery Limited have numerous transactions with other oil companies. The outstanding balances from them including certain other outstanding credit and debit balances are subject to confirmation/reconciliation. Adjustments, if any, arising there from are not likely to be material on settlement and are accounted as when ascertained.
38. **Related Party Disclosures as per Accounting Standard 18 Key Management Personnel (Whole time directors):**
Shri S. Varadarajan, (Chairman & Managing Director), BPCL w.e.f. 01.10.2013 and Director (Finance), BPCL up to 31.03.2014
Shri R.K. Singh, (Chairman & Managing Director), BPCL up to 30.09.2013
Shri K.K. Gupta, Director (Marketing), BPCL
Shri B.K. Datta, Director (Refineries), BPCL
Shri S.P. Gathoo, Director (Human Resources), BPCL
Shri Dipak Chakravarty, (Managing Director), NRL
Shri Sona Ram Medhi, Director (Technical), NRL
Shri Saumendra Kumar Barua, Director (Finance), NRL
Shri D. Rajkumar (Managing Director), BPRL
Remuneration to Key Managerial Personnel: **₹ 4.51 Crores** (previous year ₹ 4.15 Crores)

39. Disclosure for Operating Leases as per AS-19

The Corporation has entered into cancellable operating leases arrangements for Office premises, Staff Quarters and others. The lease rentals paid for the same are charged to the Statement of Profit and Loss. The other disclosures as required under para 25 of AS-19, are in the process of the compilation.

40. Earnings per share

		2013-14	2012-13
Profit after Tax	₹ Crores	3,910.68	1,880.83
Weighted average number of shares outstanding during the year	Core nos.	72.31	72.31
Basic earnings per share	₹	54.08	26.01
Diluted earnings per share	₹	54.08	26.01

41. In line with the ICAI announcement of 29th March 2008 on Accounting for Derivatives and based on the concept of prudence, the mark to market losses of **₹ 324.35 Crores** on the outstanding forward contracts in respect of RBI SWAP window transactions has been recognised as expense and included under 'Loss on Foreign currency transactions and translations' (Refer Note No. 32) while the mark to market gains on the RBI SWAP window transactions amounting to **₹ 521.14 Crores** have not been recognized.

Further, the Corporation has raised Swiss Franc (CHF) 200 Million of 3% CHF Bonds 2019 on 20th March 2014, the proceeds of which were swapped into US\$ 228.29 Million on the same day. The mark to market losses of **₹ 15.41 Crores** in respect of this CHF-USD SWAP transaction have also been recognized as expense and included under 'Loss on Foreign currency transactions and translations' (Refer Note No. 32)

42. Disclosure as per requirements of Accounting Standard 15 - "Employee Benefits":

The group's contribution to the Provident Fund is remitted to a separate trust established for this purpose based on a fixed percentage of the eligible employee's salary and charged to Statement of Profit and Loss. Shortfall, if any, in the fund assets, based on the Government specified minimum rate of return, will be made good by the Corporation and charged to Statement of Profit and Loss.

Gratuity: The group has a defined benefit gratuity plan managed by a trust. The contribution based upon actuarial valuation is paid /payable to a trust which is invested as per investment pattern prescribed by the Government in plan assets. Gratuity is paid to a staff member who has put in a minimum qualifying period of 5 years of continuous service on superannuation, resignation, termination or to his nominee on death.

Leave Encashment: The Employees are entitled to accumulate Earned Leave and Sick Leave, which can be availed during the service period. Employees are also allowed to encash the accumulated earned leave during the service period. Further, the accumulated earned leave and sick leave can be encashed by the employees on superannuation, resignation, and termination or by nominee on death.

Other Defined Benefits: These are (a) Post Retirement Medical Scheme benefit (managed by a trust) to employees, spouse, dependent children and dependent parents; (b) Pension/ex-gratia scheme to the retired employees who are entitled to receive the monthly pension / ex-gratia for life; (c) Death in service / Permanent disablement given to employee, the spouse of the employee, provided the deceased's family/disabled employee deposits retirement dues such as PF, Gratuity, Leave encashment payable to them with the group; and (d) Resettlement allowance paid to employees to permanently settle down at a place other than the location of last posting at the time of retirement.

Disclosures as per requirements of Accounting Standard 15 continued:

a) Reconciliation of balances of Defined Benefit Obligations.	Gratuity - Funded		Post Retirement Medical - Funded		Leave Encashment - Non Funded		Burmah Shell Pension- Non Funded		Death / Permanent disablement - Non	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Defined Obligations at the beginning of the year	669.81	622.43	492.74	442.81	770.30	655.64	74.20	64.33	7.73	2.00
Interest Cost	53.58	52.91	41.28	39.16	59.84	55.62	5.41	4.83	0.37	-
Current Service Cost	4.37	4.71	21.42	26.75	38.97	46.13	-	-	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-
Benefits paid	(36.06)	(31.84)	(20.45)	(18.05)	(124.39)	(94.79)	(17.17)	(15.00)	(6.45)	-
Actuarial (Gains)/ Losses on obligations	(75.12)	21.60	33.06	2.07	69.24	107.70	26.02	20.04	7.10	-
Defined Obligations at the end of the year	616.58	669.81	568.05	492.74	813.96	770.30	88.46	74.20	8.75	-
b) Reconciliation of balances of Fair Value of Plan Assets in respect of Gratuity / Post Retirement Medical Fund										
Fair Value at the beginning of the year	580.00	530.19	475.22	393.21						
Expected Return (a)	50.29	42.51	41.81	39.14						
Actuarial gains/ (losses) (b)	(0.12)	24.55	13.46	(10.04)						
Actual Return on Plan assets (a+ b)	50.17	67.06	55.27	29.10						
Contribution by employer	91.24	14.59	37.68	70.85						
Benefits paid	(36.06)	(31.84)	(20.45)	(18.05)						
Fair Value of Plan Assets at the end of the year	685.35	580.00	547.72	475.11						
c) Amount recognised in Balance Sheet (a-b)	(68.77)	89.81	20.33	17.63	813.96	770.30	88.46	74.20	8.75	-
d) Amount recognised in Statement of Profit and Loss										
Current Service Cost	4.37	4.71	21.42	26.75	38.97	46.13	-	-	-	-
Past Service cost	-	-	-	-	-	-	-	-	-	-
Interest Cost	53.58	52.91	41.28	39.16	59.84	55.62	5.41	4.83	0.37	-
Expected Return on Plan Asset	(50.29)	(42.51)	(41.81)	(39.14)	-	-	-	-	-	-
Actuarial (Gains)/ Losses	(75.00)	(2.95)	19.60	12.11	69.24	107.70	26.02	20.04	7.10	-
Expenses for the year	(67.34)	12.16	40.49	38.88	168.05	209.45	31.43	24.87	7.47	-
e) Major Actuarial Assumptions										
Discount Rate (%)	9.31-9.25	8.00	9.31-9.27	8.25-8.00	9.31-9.25	8.00	9.27	8.25	9.27	-
Salary Escalation/ Inflation (%)	8.00	8.00-7.00	8.00-7.00	8.00-7.00	8.00	8.00-7.00	-	-	-	-
Expected Return on Plan assets (%)	9.31-8.70	8.70-8.00	8.60	8.60	-	-	-	-	-	-
f) Investment pattern for Fund as on										
Category of Asset	31.03.2014	31.03.2013	31.03.2014	31.03.2013						
	%	%	%	%						
Government of India Asset	24.29	28.99	10.00	4.68						
Corporate Bonds	18.83	23.05	6.73	48.83						
Insurer Managed funds	28.89	11.16	-	-						
State Government	7.65	10.13	59.91	17.91						
Others	20.34	26.67	23.36	28.58						
Total	100.00	100.00	100.00	100.00						
g) As per our best estimate, Nil is the expected contribution to b										
h) Effect of Increase / Decrease of 1% is assumed for medical cost										
Change in liability for 1% increase in Discount Rate										
Change in service cost for 1% increase in Discount Rate										
Change in liability for 1% decrease in Discount Rate										
Change in service cost for 1% decrease in Discount Rate										

The estimates for future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors
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

43. As indicated in Significant Accounting Policies, certain accounting policies of JVCs towards Depreciation, Inventory Valuation, Employee Benefits and classification of Income/ Expenses are not in line with that followed by parent company. However, considering the nature of transactions and amounts involved the impact is not expected to be material had the accounting policies of parent company been followed.
44. Capital Reserve on acquisition of subsidiaries includes ₹ 61.65 Crores being the share of the group out of grant of ₹ 100 Crores received by Numaligarh Refinery Limited from the Government of India during the project period.
45. In respect of certain Subsidiaries and JVCs, the following notes to accounts are disclosed:

Numaligarh Refinery Limited (Subsidiary)

- a) Loss on account of fire on 31st May 2013 amounting ₹ 8.98 Crores (previous year ₹ 12.89 crores) in the Crude Distillation Unit/Vacuum Distillation Unit of the Refinery resulted in partial damage to the unit. Against the said loss the Company has provisionally recognized an amount of ₹ 9.38 Crores as claim receivable against which an amount of ₹ 4.25 Crores was received during the period.
- b) Pending finalization of the Crude Oil Sales Agreement, purchases of Crude Oil from Oil India Limited (OIL) and Oil and Natural Gas Corporation Limited (ONGC) have been accounted for as per the Benchmark price of crude oil in financial year 2013-14 same as in the previous year.

To augment crude availability of North-East refineries, imported crude is brought in to IOCL Bongaigaon Refinery and the transportation cost and other incidentals thereof is being shared by all four north east (NE) refineries as per mutual agreement. The company's share of the transportation cost and other incidentals thereof has been included in crude cost as well as for valuation of the closing inventory.

Bharat PetroResources Limited (Subsidiary)

- c) In line with the revised guidance note on "Accounting for Oil and Gas Producing Activities", issued by Institute of Chartered Accountants of India, applicable from 1st April 2013, General & Administrative Expenses, which were earlier taken to Statement of Profit and Loss, have now been capitalized as Capital Work In Progress. The impact of the same for the year is ₹ 119.19 Crores.
- d) BPRL has entered into Standby Letter of Credit (SBLC) facility agreement with a number of Indian banks to the extent of \$ 1750 Million dollars (₹ 10,517.50 Crores). As per the SBLC facility agreement banks will issue SBLC's, on behalf of BPRL International BV, a wholly owned subsidiary, for loans taken by BPRL International BV in favour of the foreign currency lenders, to the extent of their respective commitments. As of the date of Balance Sheet, SBLC's to the tune of \$ 833.37 Million (₹ 5,008.55 Crores) has been issued.
- e) The borrowing cost on bank loan used by BPRL International to facilitate loan to its wholly owned subsidiaries for their project purposes is capitalized from the current year 2013-14. The Company's policy was to charge these borrowing costs to the Statement of Profit and Loss before adopting the above change in the accounting policy. As a result of this change in accounting policy, an amount of ₹ 151.15 crores has been capitalized. Out of this ₹ 50.18 crores is pertaining to previous year's (2012-13) interest which was shown under prior period item.
- f) In respect of blocks held in India, as per the Production Sharing Contracts signed by the Company with the Government of India (GOI), the Company is required to complete Minimum Work Programme (MWP) within stipulated time. In case of delay in completion of the MWP, Liquidated Damages (LD) is payable for extension of time to complete MWP. Further, in case the Company does not complete MWP or surrender the block without completing the MWP, the estimated cost of completing balance work programme is required to be paid to the GOI.

Bharat Oman Refineries Limited (Joint Venture Company)

- g) The Company has during the year recalculated the depreciation on Plant and Machinery, Storage Tanks and other assets related to refinery based on the estimated useful life of 25 years for such assets effective from the date of capitalization considering that the depreciation so computed would -
- Result in charging fair proportion of depreciation during the estimated useful life,
 - Reflect the true and fair view of the value of assets, and
 - Be in line with the useful life specified under Schedule II of the Companies Act, 2013, which is effective from 1st April, 2014.

The company has applied to the Ministry of Corporate Affairs seeking their permission to adopt the rate of depreciation based on the useful life of the aforesaid assets effective from the date of capitalization.

This recalculation in depreciation has resulted in lesser charge of depreciation for the year to the extent of ₹ 161.85 Crores and reversal of depreciation of the previous years to the extent of ₹ 301.14 Crores. Consequently, the accumulated depreciation and accumulated losses are lower to the extent of ₹ 462.99 Crores. The auditors of BORL have qualified their report for the above.

- h) The Company has changed the accounting policy with regard to amortization of right of way / right of use (ROU/ROW) for lying of pipelines. The ROU/ROW for lying of pipelines which hitherto was not amortized is now being amortized over the period of 99 years as it is perpetual and absolute in nature. This change in the policy of amortization has the effect of increasing the loss for the current year by ₹ 1.97 Crores (including the amortization relating to earlier year of ₹ 1.26 Crores)
- i) The Company by virtue of MOU entered into with the Government of Madhya Pradesh is entitled to fiscal assistance as given below:
- Entry Tax exemption on Project material and Crude Oil procured.
 - Reimbursement of Work Contract Tax paid for the purpose of construction (Adjusted against cost of asset).
 - Interest free VAT loan up to ₹ 250 Crores per annum for fifteen years. Principal repayable from 16th year onwards.
 - Central Sales Tax exemption on sale of finished goods for a period of fifteen years from the date of commercial production.
- j) The Company has obtained interim stay in the matter of demand raised by the M.P Government for Cess under Building and Other Construction Workers Welfare Cess Act 1996, amounting to ₹ 122.30 Crores (Previous year: ₹ 122.30 Crores) including interest of ₹ 22.30 Crores (Previous year: ₹ 22.30 Crores). The matter is pending for adjudication in the High Court of Madhya Pradesh.
- In the opinion of the Company, the primary responsibility of Building and Other Construction Workers' Welfare Cess (BOCW) is on the contractors. The company, therefore, on conservative basis has accounted for liability of ₹ 65.11 Crores (Previous year: ₹ 100.00 Crores) towards Cess after adjustment of the amount already recovered from the contractors and deposited with Secretary BOCW Welfare Board, Bhopal, Madhya Pradesh. In the event of claims from the BOCW Authority, the Company reserves the right of deduction/recovery of applicable BOCW from the Contractors. The BOCW Cess amount being expenditure incurred in relation to the construction work has been capitalized. The Interest amount demanded as above has been disclosed as contingent liability.
- k) Lease agreement for a period of 15 years with Bharat Petroleum Corporation Limited for Marketing Terminal constructed for storage and dispatch of its Finished Products. The lease agreement can be extended by entering into a mutual agreement after the expiry of 15 years. The Company has the first option to purchase in the event of termination.
- l) Other borrowing cost under Finance Costs includes prior period income of ₹ 21.48 Crores towards ancillary costs relating to arrangement of borrowings.
- m) BPCL holds 98.33% of the share warrants of BORL amounting to ₹ 1,585.68 Crores, out of which the amount of ₹ 792.84 Crores is appearing as investments of the group after eliminating 50% of the total amount of the share warrants upon consolidations.
- n) The Company is in the process of determining the usability of the surplus materials generated during execution of project.
- o) Deferred Tax Asset on unabsorbed depreciation and unabsorbed business losses available as per the Income Tax Act, 1961 has been recognized, since the Company is virtually certain that sufficient future taxable income will be available to adjust such losses considering the following:
- The company has entered into a binding agreement with parent company for off take of products at prices determined with reference to international product prices.
 - Since the products will be sold at prices with reference to international prices, the Gross Refinery Margin is also linked to margins prevailing in the international markets. The company expects its GRM to be more than the GRM prevailing in international markets because of location advantage and superior refinery configuration.
 - The refinery will operate at the designed capacity.
 - Unabsorbed depreciation which forms major portion of the Deferred Tax Asset, can be carried forward and set off against profits for unlimited number of years under the Indian Income Tax Act, 1961.

- p) The company has incurred a net loss of ₹ 296.51 Crores (Previous year: ₹ 247.86 Crores) during the year ended 31st March 2014 and the accumulated losses are ₹ 1,827.21 Crores (Previous year: ₹ 1,530.70 Crores) as on that date. Considering various factors as enumerated below, the financial statements have been drawn up on going concern basis and no adjustments are required to the carrying value of the assets and liabilities:-
- i. The losses in the current year are mainly on account of currency fluctuations and fluctuations in the prices of crude and finished products in the international market.
 - ii. The Company has not incurred operating losses and there is no impairment in the value of assets used to generate Cash Flows.
 - iii. Expected infusion of additional Equity funds in the near future.
 - iv. The Company is able to pay creditors, loan instalments and interest in respect of such loans on due dates.
 - v. The Bankers continue to extend support to the Company.

Petronet LNG Limited (Joint Venture Company)

- q) Customs duty on import of Project materials / equipments has been assessed provisionally (current and previous years) and additional liability, if any, on this account will be provided on final assessment.
- r) The company has claimed deduction under section 80IA of the Income Tax Act 1961 in respect of Power generation and Port Undertaking in its tax returns. However provision for income tax has been made without considering the aforesaid deduction pending final assessment with income tax authorities.
- s) The company has long term LNG purchase commitments against which back to back sale agreements have been made.

Indraprastha Gas Limited (Joint Venture Company)

- t) Petroleum and Natural Gas Regulatory Board (PNGRB) vide its order no. TO/03/2012 dated 9th April, 2012 has determined the per unit network tariff and compression charge for the CGD Network of IGL for Delhi, based on submission of data by the company in May 2009 and certain assumptions taken by PNGRB in this regard. The tariffs determined by PNGRB are much lower than the rates submitted by the company. Further, PNGRB has made the determined tariffs applicable with retrospective effect from 01.04.2008. In its order PNGRB has stated that the modalities and time frame for refund of differential Network Tariff and Compression Charge shall be decided subsequently. IGL has filled a writ petition on 10.04.2012 against the order of PNGRB dated 09.04.2012 before the Hon'ble Delhi High Court. The Hon'ble High Court of Delhi has passed the judgment in this case on 01.06.2012 and has quashed the PNGRB order dated 09.04.2012. PNGRB has filed special leave petition before the Hon'ble Supreme Court of India against the order dated 01.06.2012 of Hon'ble Delhi High Court. Matter is still pending in the Hon'ble Supreme Court of India.
- u) The Company has installed various CNG Stations on land leased from various Government authorities under leases for periods ranging from one to five years. However, assets constructed/installed on such land are depreciated generally at the rates specified in Schedule XIV of Companies Act, 1956 as the management does not foresee non-renewal of the above lease arrangements by the Authorities.
- v) Security deposits from customers of Natural Gas, refundable on termination/alteration of the gas sales agreements, are considered as short term liabilities.
- w) Transfer pricing regulations have been extended by Finance Act 2012 to cover transactions between domestic related parties. The management is of the opinion that its domestic transactions are at arm's length prices and the aforesaid legislation will not have any material impact on the financial statement, particularly on the amount of tax expense and that of provision for taxation.

GSPL India Transco Limited (Joint Venture Company)

- x) The Company has signed Rupee Loan Facility Agreement for Term Loan of ₹ 5,080 Crores with a consortium of 14 banks on 29th June, 2012 with Bank of India as the Lead Bank. However disbursement of loan is not yet taken by the company.

46. The following Oil and Gas blocks are held by Bharat Petro Resources Limited / its subsidiaries and joint ventures as on 31.03.2014:

Name	Company	Country	Participating Interest of the Group	
			31/03/2014	31/03/2013
NELP – IV				
CY/ONN/2002/2	BPRL	India	40.00%	40.00%
NELP – VI				
KG/DWN/2004/2 (a)	BPRL	India	0.00%	10.00%
KG/DWN/2004/5 (a)	BPRL	India	0.00%	10.00%
CY/ONN/2004/1	BPRL	India	20.00%	20.00%
CY/ONN/2004/2	BPRL	India	20.00%	20.00%
RJ/ONN/2004/1 (a)	BPRL	India	0.00%	11.11%
NELP – VII				
RJ/ONN/2005/1	BPRL	India	33.33%	33.33%
NELP – IX				
CB/ONN/2010/11	BPRL	India	25.00%	25.00%
AA/ONN/2010/3	BPRL	India	20.00%	20.00%
CB/ONN/2010/8	BPRL	India	25.00%	25.00%
MB/OSN/2010/2	BPRL	India	20.00%	20.00%
Blocks outside India				
JPDA 06-103 (c)	BPRL JPDA	Australia / Timor	20.00%	20.00%
EP-413	BPRL	Australia	27.80%	27.80%
Sergipe and Alagoas				
SEAL-M-349	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
SEAL-M-426	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
SEAL-M-497	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
SEAL-M-569	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
Espirito Santo				
ES-24-588 (d)	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	0.00%	30.00%
ES-24-661 (d)	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	30.00%	30.00%
ES-24-663	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	0.00%	30.00%
Campos				
C-M-30-101	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	25.00%	25.00%
Portiguar				
POT-16-663	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	20.00%	20.00%
POT-16-760	IBV (Brazil) Petroleo Pvt Ltda.	Brazil	20.00%	20.00%
Mozambique Rovuma Basin	BPRL Ventures Mozambique	B.V. Mozambique	10.00%	10.00%
Nunukan PSC, Tarakan Basin	BPRL Ventures Indonesia	B.V. Indonesia	12.50%	12.50%

(a) On completion of Minimum Work Programme Commitments and based on analysis of seismic and well drilling results indicating poor prospectivity, as assessed by the Management, the Company has withdrawn in respect of Blocks: KG/DWN/2004/2, KG/DWN/2004/5 and RJ/ONN/2004/1. Consequently an amount ₹ 50.59 Crores has been written off to the Statement of Profit and Loss.

(b) In the previous year, the Company has withdrawn from the permit in respect of blocks: KG/DWN/2002/1, MN/DWN/2002/1, ACP/32, WA/388/P and 48/1b & 2c. Consequent to that an amount of ₹ 336 Crores has been written off to the Statement of Profit and Loss net of provision of ₹ 30 Crores in 2012-13. Provision of ₹ 16.28 Crores have been accounted towards estimated abandonment in 2012-13.

- (c) Group has a participating interest of 20% in JPDA 06-103 block. The continuation of activities in the block has been adversely affected due to dispute between the Government of Timor Leste and the Government of Australia with respect to the Certain Maritime Arrangements in the Timor Sea Treaty (CMATS) for which the Timor Leste Government has initiated arbitration proceedings against the Government of Australia.

These developments have created significant commercial uncertainty which has negatively impacted the ability of the Joint Venture partners to meet the obligations under the PSC. The consortium partners have requested ANP to terminate the PSC with all parties remaining in good standing. The decision of authority is awaited.

In light of the uncertainties, the management has provided ₹ 86.40 crores being the cumulative expenditure accounted under capital work in progress in the financial statements for the year.

- (d) On completion of Minimum Work Programme Commitments and based on analysis of G&G data indicating limited prospectivity, as assessed by the Management, the group has withdrawn the participating in respect of Blocks ES-M-588 and ES-M-663 in BM-ES-24 concession, Brazil. Consequently an amount of ₹ 329.46 Crores have been written off in the books of the accounts. IBV Brazil, Joint Venture of holding company does not follow the same accounting policy as the holding company. The amount of ₹ 329.46 Crores written off has been determined, using best judgment, on the basis of billing statement received by the holding company and adjustments if any, in respect of these blocks. In the opinion of the management there are no significant difference arising on account of using judgment. The auditors of BPRL have relied upon the computation prepared by the management.
- (e) The group has 10% participating interest in exploration and production concession contract signed by Anadarko Mozambique Area 1 Limitada with Empresa Nacional de Hidrocarbonetos E.P and the Government of Mozambique.

As per the obligations contained in Exploration & Production Concession Contract (EPCC) entered with Mozambique Government, BPRL Ventures Mozambique B.V. is taking over its proportionate share of the EMPRESA NACIONAL DE HIDROCARBONETOS, E.P.(ENH) carry of 1.765%. The carry shall be limited to all costs incurred by the Concessionaire in discharging its obligations under this EPC, up to and including the date upon which the first development plan has been approved. From the date of commencement of Commercial Production, ENH shall reimburse in full the Carry in cash or in kind. All Carry amount owed by ENH up to approval of the first development plan shall be subject to payment of interest compounded quarterly calculated at the 3 months LIBOR plus one percentage point. However if there is no commercial success no such reimbursement will be applicable.

47. Interest in Joint Ventures

The Group's Interest in Joint Ventures, accounted for using proportionate consolidation are:

	As at 31/03/2014	₹ in Crores As at 31/03/2013
I ASSETS		
Non-current Assets		
Fixed Assets		
Tangible Fixed Assets	6,449.49	5,878.90
Intangible Assets	215.43	226.85
Capital Work-in-Progress	361.20	750.37
Non-current Investments	26.81	17.49
Deferred Tax (Assets)	419.00	348.95
Long Term Loans & Advances	137.02	94.75
Other non-current assets	0.42	-
	7,609.37	7,317.31
Current Assets		
Current investments	17.07	32.08
Inventories	2,771.06	2,235.78
Trade receivables	1,370.34	1,361.11
Cash and cash equivalents	377.25	345.01
Short-term loans and advances	121.73	98.85
Other current assets	166.13	172.11
	4,823.58	4,244.96

II EQUITY AND LIABILITIES		
Shareholder's Funds	1,217.81	1,198.88
Reserves & Surplus	298.88	240.22
Money received against share warrants	806.29	806.29
	<u>2,322.98</u>	<u>2,245.39</u>
Share Application Money pending allotment	-	0.61
Non-Current Liabilities		
Long term borrowings	5,409.24	4,784.58
Deferred tax liabilities (Net)	117.29	85.53
Other long-term liabilities	44.57	13.50
Long-term provisions	5.89	5.17
	<u>5,576.99</u>	<u>4,888.78</u>
Current Liabilities		
Short-term borrowings	2,357.82	1,772.80
Trade payables	1,258.69	1,368.85
Other current liabilities	812.86	1,132.82
Short-term provisions	103.61	153.02
	<u>4,532.98</u>	<u>4,427.48</u>
III INCOME	2013-14	2012-13
Revenue from Operations	22,874.10	19,511.57
Other Income	39.07	28.14
Total Revenue	<u>22,913.17</u>	<u>19,539.71</u>
IV EXPENSES		
Cost of Raw materials consumed	17,083.46	16,254.82
Purchase of Stock-in-trade	3,957.52	2,038.81
Changes in inventories of finished goods, Work-in-progress and stock-in-trade	220.41	(378.43)
Employee benefits expense	64.97	56.95
Finance costs	574.69	572.59
Depreciation and amortization expenses	183.71	355.06
Other expenses	707.38	773.99
Total expenses	<u>22,792.14</u>	<u>19,673.79</u>
Profit before Tax	121.03	(134.08)
Tax expense		
Current Tax	85.64	110.51
Less : MAT credit Entitlement	(12.05)	-
Deferred Tax (Net)	(38.85)	(337.50)
Short provision for Taxation in earlier years provided for	(1.40)	(0.29)
Total Tax expense	<u>33.34</u>	<u>(227.27)</u>
Profit after Tax	87.69	93.19
V OTHER MATTERS		
Contingent Liabilities	259.55	183.90
Capital Commitments	548.23	337.74
VI In addition to the above , BPRL's Share of interest in Joint Ventures accounted for using proportionate consolidation are		
Current Assets	1.71	27.56
Non -Current Assets	2,503.24	2,843.22
Current Liabilities	217.10	59.33
Income	0.03	0.57
Expenses	409.55	95.62

48. In compliance with Accounting Standard - 17, "Segment Reporting", the segment information is as under:

I The group is engaged in the following business segments:

- a) Downstream petroleum i.e. Refining and Marketing of Petroleum Products
- b) Exploration and Production of Hydrocarbons (E&P) Segments have been identified taking into account the nature of activities and its risks and returns.

II There are no geographical segments.

III Segment-wise details are as follows:

₹ in Crores

	Year Ended 31 st March 2014			Year Ended 31 st March 2013		
	Downstream petroleum	E&P	Total	Downstream petroleum	E&P	Total
Revenue						
External Revenue	2,64,884.46	53.44	2,64,937.90	2,42,901.96	1.57	2,42,903.53
Inter Segment Revenue	-	-	-	-	-	-
Total Revenue	2,64,884.46	53.44	2,64,937.90	2,42,901.96	1.57	2,42,903.53
Results						
Segment Results	8,420.50	(466.49)	7,954.01	5,143.96	(506.59)	4,637.37
Unallocated Corporate Expenses						
Operating Profit	8,420.50	(466.49)	7,954.01	5,143.96	(506.59)	4,637.37
Add :						
Interest/Dividend Income			868.49			806.44
Less :						
a) Finance Cost			1,982.14			2,518.29
b) Loss on sale of current Investment			29.45			155.42
c) Provision/(Reversal) towards Diminution in value of investments			305.47			(450.16)
d) MTM Losses on derivative contracts			339.76			0.00
e) Income Tax (including deferred Tax)			2,112.70			1,284.11
Profit after tax			4,052.98			1,936.15
Other Information						
Segment Assets	73,929.39	6,124.11	80,053.50	66,352.82	4,688.33	71,041.15
Unallocated Corporate Assets			8,706.79			8,508.64
Total Assets			88,760.29			79,549.79
Segment Liabilities	29,947.66	237.97	30,185.63	24,156.10	246.33	24,402.43
Unallocated Corporate Liabilities			37,988.08			37,295.24
Total Liabilities			68,173.71			61,697.67
Capital Expenditure	6,589.05	1,805.25	8,394.30	4,005.37	1,347.92	5,353.29
Depreciation/Amortisation	2,609.54	1.38	2,610.92	2,461.29	1.41	2,462.70
Non-Cash Expenses other than depreciation	233.32	86.40	319.72	58.72	-	58.72

49. Capital Commitments and Contingent Liabilities :

	31/03/2014	₹ in Crores 31/03/2013
(a) Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	11,150.15	4,333.72
Other Commitments	24.61	0.07
Share of interest in Joint Venture	548.23	337.74
Total	11,722.99	4,671.53
(b) Contingent Liabilities :		
In respect of Income Tax matters	84.13	112.98
Other Matters :		
i) Claims against the Corporation not acknowledged as debts :		
Excise, Service and customs matters	1,412.27	1,093.17
Sales tax matters	3,253.32	2,872.62
Land Acquisition cases for higher compensation	139.87	156.02
Others	715.37	584.52
These include ₹ 1,065.60 Crores (previous year ₹ 725.54 Crores) against which BPCL has a recourse for recovery and ₹ 224.63 Crores (previous year ₹ 174.42 Crores) which are on capital account.		
ii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	13.28	15.36
iii) Guarantees given on behalf of Subsidiaries/JV's	763.34	939.64
Share of interest in Joint Ventures	259.55	183.90

50. Figures of the previous year have been regrouped wherever necessary, to confirm to current period presentation.

Signature to Notes '1' to '50'

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
S.VARADARAJAN
Chairman and Managing Director

CNK & ASSOCIATES LLP
Chartered Accountants
FR No. 101961W

HARIBHAKTI & CO.
Chartered Accountants
FR No. 103523W

Sd/-
P. BALASUBRAMANIAN
Director (Finance)

Sd/-
S.V. KULKARNI
Company Secretary

Sd/-
HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Sd/-
CHETAN DESAI
Partner
Membership No. 17000

Place : Mumbai
Dated : 29th May, 2014

CONSOLIDATED FINANCIAL STATEMENT OF BHARAT PETROLEUM CORPORATION LTD. AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To The Board of Directors of
Bharat Petroleum Corporation Limited

We have audited the accompanying consolidated financial statements of **Bharat Petroleum Corporation Limited** ("the Company"), its subsidiaries and its interest in joint venture companies (collectively referred as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2013, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

1. We report that consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21 on "Consolidated Financial Statements" and Accounting Standard (AS) 27 on "Financial Reporting of Interests in Joint Ventures", notified by the National Accounting Standards Board. However, we would like to draw attention that the Company has not used uniform accounting policies nor has disclosed together with the proportions of items to which the different accounting policies have been applied.
2. Attention is drawn to Note no.42 (g) wherein the auditors of Bharat Oman Refineries Limited (one of the joint venture companies) have drawn attention towards recognition of deferred tax assets of Rs. 697.89 Crores, considering the binding agreement entered into by the Company with one of the promoters (BPCL) for off-take of the products manufactured by the refinery at the prices determined with reference to the International prices and other factors as stated, the Company is virtually certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.
3. In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of the other auditors on the separate financial statements / consolidated financial statements of the subsidiaries and joint venture companies as noted below, the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2013;

- ii) in case of the Consolidated Statement of Profit & Loss, of the consolidated profit of the Group for the year ended on that date; and
- iii) in case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

Other Matters:

We have relied on the audited financial statements / consolidated financial statements of two subsidiaries and seven joint venture companies, whose financial statements / consolidated financial statements reflect total assets (net) of Rs. 18,174.26 Crores as at March 31, 2013 / December 31, 2012, total revenues (net) of Rs. 23,579.23 Crores and net cash flows amounting to Rs. 2,551.51 Crores for the year ended on that date. These financial statements / consolidated financial statements have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports of the other auditors.

We have relied on the unaudited financial statements of six joint venture companies whose financial statements / consolidated financial statements reflect total assets (net) of Rs. 813.38 crores as at March 31, 2013, total revenues (net) of Rs. 1,059.58 Crores and net cash inflows amounting to Rs. 2.03 Crores for the year ended on that date. These unaudited financial statements as approved by the respective management of these companies have been furnished to us and our report in so far as it relates to the amounts included in respect of the joint venture companies as mentioned above is based solely on such approved unaudited financial statements.

For and on behalf of
T R CHADHA & Co.
Chartered Accountants
FR No: 006711N

Sd/-
Vikas Kumar
Partner
Membership No: 75363

Place : Mumbai
Dated: 29th May, 2013

For and on behalf of
K. VARGHESE & Co.
Chartered Accountants
FR No:004525S

Sd/-
Sam Varghese
Partner
Membership No: 216979

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2013

₹ Crores

	Note no.	As at 31/03/2013	As at 31/03/2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	723.08	361.54
Reserves and Surplus	3	16,052.46	15,518.37
		16,775.54	15,879.91
Minority Interest		1,076.58	1,035.14
Non-current liabilities			
Long-term borrowings	4	12,702.18	6,189.06
Deferred tax liabilities (Net)	5	1,605.86	1,677.80
Other long-term liabilities	6	78.13	109.83
Long-term provisions	7	608.91	578.20
		14,995.08	8,554.89
Current liabilities			
Short-term borrowings	8	20,158.20	22,192.52
Trade payables	9	8,930.11	13,292.48
Other current liabilities	10	15,071.23	15,368.02
Short-term provisions	11	2,558.91	1,490.63
		46,718.45	52,343.65
TOTAL		79,565.65	77,813.59
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	23,962.96	24,232.61
Intangible assets	13	300.77	322.12
Goodwill (on consolidation)		457.63	433.43
Intangible assets under development	14	2.53	2.53
Capital work-in-progress	15	7,460.72	4,531.70
Non-current investments	16	2,251.77	1,857.51
Long-term loans and advances	17	2,041.47	2,008.43
Other non-current assets	18	16.93	6.55
		36,494.78	33,394.88
Current assets			
Current investments	19	5,218.04	6,033.11
Inventories	20	19,956.69	21,097.09
Trade receivables	21	4,355.06	5,201.04
Cash and cash equivalents	22	2,849.83	1,326.33
Short-term loans and advances	23	1,568.17	943.92
Other current assets	24	9,123.08	9,817.22
		43,070.87	44,418.71
TOTAL		79,565.65	77,813.59
Significant Accounting Policies	1		
Other Notes to Accounts	32 to 46		

For and on behalf of the Board of Directors

As per our attached report of even date

For and on behalf of

Sd/-

R.K. SINGH

Chairman and Managing Director

Sd/-

S. VARADARAJAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

T.R CHADHA & CO.

Chartered Accountants

FR No: 006711N

Sd/-

VIKAS KUMAR

Partner

Membership No.75363

K.VARGHESE & CO.

Chartered Accountants

FR No: 004525S

Sd/-

SAM VARGHESE

Partner

Membership No. 216979

Place: Mumbai

Dated: 29th May, 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31st MARCH, 2013

	Note No.	2012-13	2011-12
			₹ Crores
Revenue from Operations	25	2,42,180.98	2,12,139.56
Other Income	26	1,528.99	1,456.67
Total Revenue		<u>2,43,709.97</u>	<u>2,13,596.23</u>
Less : Expenses			
Cost of materials consumed	27	1,20,221.02	1,04,318.38
Purchases of stock-in-trade		1,02,311.46	91,878.63
Changes in inventories of finished goods, work-in-progress and stock-in-trade	28	(1,112.58)	(1,269.66)
Employee benefits expense	29	2,950.45	2,428.06
Finance costs	30	2,518.29	2,259.06
Depreciation and Amortisation expenses	12, 13	2,462.70	2,410.83
Other expenses	31	11,138.37	9,971.50
Total expenses		<u>2,40,489.71</u>	<u>2,11,996.80</u>
Profit before tax		3,220.26	1,599.43
Tax Expense:			
Current tax		1,398.88	511.28
Less: MAT Credit entitlement		-	(101.93)
Net Current Tax		1,398.88	409.35
Deferred Tax		(72.65)	331.63
Short/ (Excess) provision of current tax relating to earlier years		(42.12)	7.17
Total Tax		<u>1,284.11</u>	<u>748.15</u>
Profit after tax		1,936.15	851.28
Minority Interest		55.32	70.45
Net Income of the Group		<u>1,880.83</u>	<u>780.83</u>
Basic and Diluted Earnings per Share		26.01	10.80
Significant Accounting Policies	1		
Other Notes to Accounts	32 to 46		

For and on behalf of the Board of Directors

Sd/-
R.K. SINGH
Chairman and Managing Director

Sd/-
S. VARADARAJAN
Director (Finance)

Sd/-
S.V. KULKARNI
Company Secretary

Place: Mumbai
Dated: 29th May, 2013

As per our attached report of even date

For and on behalf of

T.R CHADHA & CO.
Chartered Accountants
FR No: 006711N

Sd/-
VIKAS KUMAR
Partner
Membership No.75363

K.VARGHESE & CO.
Chartered Accountants
FR No: 004525S

Sd/-
SAM VARGHESE
Partner
Membership No. 216979

CONSOLIDATED CASH FLOW STATEMENT

	2013	₹ Crores 2012
For the year ended 31st March		
A Cash Flow from Operating Activities		
Net Profit Before tax	3,220.26	1,599.43
Adjustments for :		
Depreciation	2,462.70	2,410.83
Interest	2,473.72	2,227.96
Foreign Exchange Fluctuations (Refer Explanatory Note No. 3)	157.90	1,105.92
(Profit) / Loss on Sale of fixed assets	36.61	(69.90)
(Profit) / Loss on Sale of investments	155.43	140.94
Income from Investments	(775.70)	(738.97)
Dividend Received	(49.24)	(41.93)
Other Non-Cash items (Refer Explanatory Note No. 4)	278.61	(1.43)
Operating Profit before Working Capital Changes	7,960.29	6,632.85
(Invested in) / Generated from :		
Trade Receivables	2,417.42	(3,826.60)
Other receivables	790.69	(2,049.74)
Inventory	1,095.97	(2,859.26)
Current Liabilities & Payables	(5,431.36)	4,697.56
Cash generated from Operations	6,833.01	2,594.81
Direct Taxes paid	(915.60)	(688.12)
Cash flow before Prior Period Items	5,917.41	1,906.69
Non Cash Items	6.27	0.00
Net Cash from Operating Activities	5,923.68	1,906.69
B Cash Flow from Investing Activities		
Purchase of fixed assets	(5,524.60)	(4,217.50)
Sale of fixed assets	63.61	143.78
Capital Grant Received	0.30	0.00
(Investment)/Sale of Investment in associate companies	(31.20)	(61.21)
Purchase of Investment	(34.99)	(14.86)
Sale of Investments	1,145.29	1,089.26
Income from Investment	731.01	737.10
Dividend Received	49.27	47.58
Net Cash Flow on Investing Activities	(3,601.31)	(2,275.85)
C Cash Flow on Financing Activities		
Equity Investment	(665.84)	0.00
Long term Borrowings	7,850.74	1,450.56
Repayment of loans	(3,646.52)	(2,935.75)
Interest paid	(2,553.80)	(2,194.00)
Interim Dividend Paid	0.00	(6.43)
Dividend Paid	(430.92)	(551.92)
Corporate Dividend Tax	(71.86)	(91.83)
Exchange difference on forward contracts	(251.74)	(49.34)
Net Cash Flow on Financing Activities	230.06	(4,378.71)
D Net Increase / (Decrease) in Cash and Cash equivalents (A + B + C)	2,552.43	(4,747.87)

CONSOLIDATED CASH FLOW STATEMENT (CONTD.)

	₹ Crores	
Cash and Cash equivalents as at 31st March	2012	2011
Cash in Hand / in transit	78.53	134.54
Cash at Bank	1,247.80	662.00
Cash Credit from scheduled banks	(210.11)	(2,021.55)
Unsecured loans from scheduled banks / ICDs / CPs	(18,877.24)	(11,788.14)
	<u>(17,761.02)</u>	<u>(13,013.15)</u>
Cash and Cash equivalents as at 31st March	2013	2012
Cash in Hand / in transit	127.20	78.53
Cash at Bank	2,722.63	1,247.80
Cash Credit from scheduled banks	(660.47)	(210.11)
Unsecured loans from scheduled banks / ICDs / CPs	(16,775.95)	(18,877.24)
CBLs	(622.00)	-
	<u>(15,208.59)</u>	<u>(17,761.02)</u>
Net change in Cash and Cash equivalents	<u>2,552.43</u>	<u>(4,747.87)</u>

Explanatory Notes to Cash Flow Statement

- 1 The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 as notified by the Central Government.
- 2 In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
- 3 The net profit / loss arising due to conversion of current assets / current liabilities / receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations" .
- 4 "Other Non-Cash items" include excess provisions written back, foreign exchange adjustments, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
- 5 "Cash at Bank" includes a balance of ₹ **2.38 Crores** (previous year ₹ 2.41 Crores) towards unclaimed dividend.
- 6 Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

For and on behalf of the Board of Directors

Sd/-

R.K. SINGH

Chairman and Managing Director

Sd/-

S. VARADARAJAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

As per our attached report of even date

For and on behalf of

T.R CHADHA & Co.

Chartered Accountants

FR No: 006711N

Sd/-

VIKAS KUMAR

Partner

Membership No.75363

K.VARGHESE & Co.

Chartered Accountants

FR No: 004525S

Sd/-

SAM VARGHESE

Partner

Membership No. 216979

Place: Mumbai

Dated: 29th May, 2013

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013 (CONSOLIDATED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONSOLIDATED)

1.1 BASIS OF CONSOLIDATION:

The Consolidated Financial Statements relate to Bharat Petroleum Corporation Limited (BPCL or Parent Company), its subsidiary companies and interest in joint ventures.

- (a) Basis of accounting: The Financial Statements of the subsidiary companies and the Joint Venture Companies (JVCs) used in the preparation of the Consolidated Financial Statements are drawn upto the same reporting date as that of BPCL i.e. 31st March 2013, except for Matrix Bharat Pte. Ltd. whose accounts are drawn for the period ended 31st December 2012. There are no significant transactions or other events that have occurred between 31st December 2012 to 31st March 2013. The financial statements of Matrix Bharat Pte. Ltd. have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).
- (b) Principles of Consolidation: The Consolidated Financial Statements have been prepared on the following basis:-
- The Financial Statements of BPCL and its subsidiary companies (which are not in the nature of joint ventures) have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, contingent liabilities and capital commitments. The intra group balances and intra group transactions and unrealised profits or losses resulting from intra group transactions are fully eliminated.
 - The Consolidated Financial Statements include the interest of the Corporation in JVCs, which has been accounted for using the proportionate consolidation method of accounting and reporting whereby the Corporation’s share of assets, liabilities, income and expenses, contingent liabilities and capital commitments of a jointly controlled entity is considered as a separate line item in the Consolidated Financial Statements. The exchange rate used for conversion in case of Matrix Bharat Pte. Ltd. is of 2012 / as at 31st December 2012.
 - The share of equity in the subsidiary Company as on the date of investment, if in excess of the cost of investment, the difference is recognised as “Capital Reserve on Acquisition of Subsidiaries” and if the cost of investment in the subsidiary Company exceeds share of equity, the difference is recognised as “Goodwill”.
 - Minority interest in the Net Assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders as on the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity subsequent to the dates of investments as stated above.
- (c) The subsidiary companies and the JVCs which are included in consolidation and the percentage of ownership interest therein of the Corporation as on 31st March 2013 are as under :

	Percentage of ownership interest as on		Country of Incorporation
	31/03/2013	31/03/2012	
Subsidiaries			
Numaligarh Refinery Limited (NRL)	61.65	61.65	India
Bharat PetroResources Limited (BPRL)	100.00	100.00	India
Bharat PetroResources JPDA Limited (Note i)	100.00	100.00	India
BPRL International BV (Note i)	100.00	100.00	Netherlands
BPRL Ventures BV (Note ii)	100.00	100.00	Netherlands
BPRL Ventures Mozambique BV (Note ii)	100.00	100.00	Netherlands
BPRL Ventures Indonesia BV (Note ii)	100.00	100.00	Netherlands
Joint Venture Companies (JVC)			
Indraprastha Gas Limited	22.50	22.50	India
Petronet CCK Limited	49.00	49.00	India
Petronet LNG Limited	12.50	12.50	India
Bharat Oman Refineries Limited (BORL)	50.00	50.00	India
Central UP Gas Limited	25.00	25.00	India
Maharashtra Natural Gas Limited	22.50	22.50	India
Sabarmati Gas Limited	25.00	25.00	India
Bharat Stars Services Private Limited	50.00	50.00	India
Bharat Renewable Energy Limited	33.33	33.33	India
Matrix Bharat Pte Ltd.	50.00	50.00	Singapore

	Percentage of ownership interest as on		Country of Incorporation
	31/03/2013	31/03/2012	
Delhi Aviation Fuel Facility Private Limited	37.00	37.00	India
IBV (Brasil) Petroleo Ltda. (Note iii)	50.00	50.00	Brazil
Petronet CI Limited (Note iv)	11.00	11.00	India
Petronet India Limited (Note iv)	16.00	16.00	India
GSPC India Gasnet Limited	11.00	-	India
GSPC India Transco Limited	11.00	-	India
Kannur International Airport Limited (Note v)	21.68	-	India

Notes:

- (i) Bharat PetroResources JPDA Limited and BPRL International BV are 100% subsidiaries of BPRL.
- (ii) BPRL Ventures BV, BPRL Ventures Mozambique BV and BPRL Ventures Indonesia BV are wholly owned subsidiaries of BPRL International BV which have been incorporated outside India.
- (iii) BPRL Ventures BV holds 50% equity in Joint Venture Company IBV (Brasil) Petroleo Ltda., incorporated in Brazil.
- (iv) Proportionate consolidation in respect of Investment in Petronet India Limited and Petronet CI Limited have not been considered in the preparation of Consolidated Financial Statements as the Management has decided to exit from these Joint Ventures and has provided for full diminution in the value of Investment.
- (v) Kannur International Airport Limited is a newly formed Joint Venture Company which has not yet started operations. Hence, the same has not been considered for consolidation.
- (vi) The accounts of Joint Venture Companies Central UP Gas Limited, Sabarmati Gas Limited, Maharashtra Natural Gas Limited, Bharat Stars Services Private Limited, and Bharat Renewable Energy Limited are yet to be audited and hence the unaudited accounts have been considered for the purpose of preparation of Consolidated Financial Statements. The auditors of Indraprastha Gas Limited have completed the Limited Review of the Financial Statements for the year 2012-13 and the same have been considered for preparation of Consolidated Financial Statements.
- (vii) BPCL's ownership in Maharashtra Natural Gas Limited has been considered at 22.50% as per the Joint Venture Agreement. The actual percentage of Share Capital as on 31st March 2013 held by BPCL is marginally higher. The management is of the opinion that it is a temporary phase and the other joint venture partners will contribute their share of the equity capital as per the Joint Venture Agreement. This excess contribution by BPCL in the Equity Share Capital amounting to ₹ 1.13 crores (previous year ₹ 1.13 crores) is included in "Advances Recoverable in cash or in kind or for value to be received". (Refer Note No. 23.)

1.2 BASIS FOR PREPARATION:

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis (unless otherwise stated) and under historical cost convention. The accounting policies are consistent with those used in previous year except for the policy in respect of amortisation of Right of Way referred to in para 1.4.(b) (ii) and depreciation on Paver blocks and Canopy referred to in para 1.7 (a) (iv).

1.3 USE OF ESTIMATES:

The preparation of financial statements requires the management of the Company to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences, if any, between actual amounts and estimates are recognised in the period in which the results are known.

1.4 FIXED ASSETS

(a) Tangible Fixed Assets

- (i) Fixed Assets are stated at cost net of accumulated depreciation.
- (ii) Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.
- (iii) Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding ₹ 1,000 per item are charged to revenue.
- (iv) Machinery spares that are specific to a fixed asset are capitalised along with the fixed asset. Replacement of such spares is charged to revenue.
- (v) Land acquired on lease where period of lease exceeds 99 years is treated as freehold land.
- (vi) Expenditure during construction period: Direct expenses including borrowing cost incurred during construction period on capital projects are capitalised. Indirect expenses of the project group are also capitalised and are

allocated to projects costing ₹ 5 crores and above. Crop compensation expenses incurred in the process of laying pipelines are capitalised as part of pipeline cost. Expenditure incurred during construction period of projects on assets like electricity transmission lines, roads, culverts etc. the ownership of which is not with the Company are charged to revenue in the accounting period of incurrence of such expenditure.

(b) Intangible Assets

- (i) Intangible assets are carried at cost less accumulated amortisation.
- (ii) Cost of right of way is amortised over the period of 99 years as it is perpetual and absolute in nature.
- (iii) Expenditure incurred for creating/acquiring other intangible assets of ₹ 0.50 crores and above and ₹ 0.02 crores in case of Joint Venture Company Petronet CCK Limited, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or 5 years, whichever is lower, from the time the intangible asset starts providing the economic benefit.
- (iv) Expenditure incurred on intangible assets is capitalised and amortised over a period of 5 years by Indraprastha Gas Limited and Central UP Gas Limited and over a period of 3 years by Petronet LNG Limited. Product Marketing Rights are amortised over 15 years by Sabarmati Gas Limited and other intangible assets over 3 to 5 years.
- (v) Bharat Oman Refineries Limited - Expenditure incurred on construction of facilities such as SPM, Sub-sea Pipeline etc., the ownership of which is not with the Company but for which the Company has license to use, is capitalised as "Intangible Asset". Intangible assets are amortised over their estimated economic useful lives as estimated by the management, but not exceeding the period given hereunder:
 - Computer software – 5 years
 - Single Point Mooring System and Sub-sea Pipeline – 25 years
 - Others – 5 years
- (vi) GSPL India Transco Limited – Software is amortised at 40% of WDV method.
- (vii) In case of GSPL India Transco Limited, Bharat Oman Refineries Limited the cost of right of way is treated as perennial in nature and is not amortised.
- (viii) In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

1.5 IMPAIRMENT OF ASSETS

The values of tangible and intangible assets of respective Cash Generating Units are reviewed by the management for impairment at each Balance Sheet date, if events or circumstances indicate that the carrying values may not be recoverable. If the carrying value is more than the net selling price of the asset or present value, the difference is recognised as an impairment loss.

1.6 BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets till the month in which the asset is ready for use. All other borrowing costs are charged to revenue.

1.7 DEPRECIATION

- (a) Depreciation on fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956, except in following cases:
 - (i) Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.
 - (ii) Fixed assets costing not more than ₹ 5,000 each, LPG cylinders and pressure regulators are depreciated @ 100 percent in the year of acquisition.
 - (iii) Computer equipments and peripherals, and mobile phones are depreciated over a period of 4 years. Furniture provided at the residence of management staff is depreciated over a period of 7 years.
 - (iv) Paver Blocks and Canopy capitalised under Buildings are depreciated based on the estimated useful life of 30 years.
- (b) Indraprastha Gas Limited - Depreciation in case of the following assets has been provided using the straight line method over the useful life of the assets:
 - (i) Mother compressors, Online compressors and Booster compressors – 10 years
 - (ii) Bunkhouses – 5 years
 - (iii) Signages - 10 years
- (c) Bharat Stars Services Private Limited - Depreciation is provided at full year basis on additions up to 30th September and at 50% on assets after 30th September.
- (d) Maharashtra Natural Gas Limited: Depreciation in case of the following assets has been provided using the straight line method over the useful life of the assets:
 - (i) Mother compressors, Online compressors and Booster compressors – 7 years
 - (ii) Computer and Mobile Phones - 4 years

- (iii) Intangible assets – 3 years
- (iv) Signages – 10 years
- (e) Sabarmati Gas Limited: Vehicles- 4 years, Pipeline @ 3.17%
- (f) Bharat Renewable Energy Limited - Depreciation has been provided under written down value method and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
- (g) Petronet CCK Limited – Furniture and Fixtures provided at the residence of employees is depreciated @ 15%.
- (h) IBV Brasil Petroleo Pvt Ltda - Depreciation is calculated on straight line method, in accordance with the rates as described below:

(i) Furniture and Fixtures	10%
(ii) Vehicles	20%
(iii) IT Equipments	20%
(iv) Machinery & Communication equipment	35%
(v) Installations	10%
- (i) Depreciation is charged on addition / deletion on pro-rata monthly basis including the month of addition / deletion.

1.8 INVESTMENTS

- i. Current investments are valued at lower of cost or fair value determined on an individual investment basis.
- ii. Long-term investments are valued at cost. Provision for diminution in value is made to recognise a decline, other than of temporary nature, in the value of such investments.

1.9 INVENTORY

- i. Inventories are stated at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing inventories to their present location including appropriate overheads apportioned on a reasonable and consistent basis.
- ii. The net realizable value of finished goods and stock-in-trade are based on the inter-Company transfer prices and final selling prices (applicable at the location of stock) for sale to oil companies and retail consumers respectively. For the purpose of stock valuation, the proportion of sales to oil companies and retail sales are determined on all India basis and considered for stock valuation at all locations.
- iii. The cost of stock-in-process is determined at raw material cost plus cost of conversion.
- iv. Obsolete, slow moving, surplus and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.
- v. Finished products are valued at weighted average cost or at net realisable value, whichever is lower. In case of Indraprastha Gas Limited, Maharashtra Natural Gas Limited and Central UP Gas Limited the cost is determined on first-in-first-out basis. In case of Matrix Bharat Pte. Ltd. inventories are valued at fair value less cost to sell.
- vi. Stores are valued at weighted average cost except in case of Maharashtra Natural Gas Limited and Petronet CCK Limited where the valuation is on FIFO basis.
- vii. The cost of raw materials in case of Petronet LNG Ltd. is determined on FIFO basis.

1.10 REVENUE RECOGNITION

- i. Sales represents invoiced value of goods supplied net of trade discounts, and include applicable excise duty, surcharge and other elements as are allowed to be recovered as part of the price but excludes VAT / Sales Tax. Further, it includes other elements allowed by the Government from time to time.
- ii. Claims including subsidy on LPG and SKO from Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after necessary audit, as stipulated.
- iii. Other claims are booked when there is a reasonable certainty of recovery. Claims are reviewed on a periodical basis and if recovery is uncertain, provision is made in the accounts.
- iv. Income from sale of scrap is accounted for on realisation.
- v. Dividend income is recognised when the Company's right to receive the dividend is established.
- vi. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

1.11 CLASSIFICATION OF INCOME/EXPENSES

- i. Expenditure on Research, other than capital expenditure, is charged to revenue in the year in which the expenditure is incurred.
- ii. Income/expenditure upto ₹ 0.05 crore in each case pertaining to prior years is charged to the current year by the parent Company Bharat Petroleum Corporation Limited and Numaligarh Refinery Limited. No such policy exists in other group companies.

- iii. Prepaid expenses upto ₹ 0.05 crore in each case, are charged to revenue as and when incurred by the parent Company Bharat Petroleum Corporation Limited and Numaligarh Refinery Limited and upto ₹ 10,000 by Bharat PetroResources Limited and Petronet CCK Limited. No such policy exists in other group companies.

1.12 EMPLOYEE BENEFITS

- i. Contributions to defined contribution schemes such as Pension, Superannuation, Provident Fund, etc. are charged to the Statement of Profit and Loss as and when incurred.
- ii. The Company also provides for retirement/ post-retirement benefits in the form of gratuity, leave encashment, post retirement benefits and other long term benefits. Such defined benefits are charged to the Statement of Profit and Loss based on valuations made by independent actuaries using the Projected Unit Credit Method, as at the balance sheet date.
- iii. Payments made under Voluntary Retirement Scheme are charged to Statement of Profit and Loss as and when incurred.

1.13 DUTIES ON BONDED STOCKS

- i. Customs duty on Raw materials/Finished goods lying in bonded warehouses are provided for at the applicable rates except where liability to pay duty is transferred to consignee.
- ii. Excise duty on finished stocks lying in bond is provided for, at the assessable value applicable at each of the locations at maximum rates based on end use.

1.14 FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

- i. Transactions in foreign currency are accounted in the reporting currency at the exchange rate prevailing on the date of transaction.
- ii. Monetary items denominated in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet.
- iii. Foreign Exchange differences arising at the time of translation or settlement are recognised as income or expense in the Statement of Profit & Loss either under foreign exchange fluctuation or interest as the case may be.
- iv. However, foreign exchange differences on long term foreign currency monetary items relating to acquisition of depreciable assets are adjusted to the carrying cost of the assets and depreciated over the balance life of the asset and in other cases, if any, accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of the asset or liability.
- v. Premium/discount arising at the inception of the forward exchange contracts entered into to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of Profit & Loss.
- vi. Gains / losses arising on settlement of Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures on account of fluctuations in interest rates and foreign exchange are recognised in the Statement of Profit & Loss. Provision for losses in respect of outstanding contracts as on balance sheet date is made based on mark-to-market valuations of such contracts.
- vii. All the subsidiaries and joint ventures incorporated outside India are considered to be "non-integral foreign operations" in terms of Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates". Consequently, the assets and liabilities, monetary and non-monetary of such subsidiaries and joint ventures have been translated at the closing rates. Income and expense items of the non-integral foreign operation are translated at average exchange rate prevailing during the period.

1.15 GOVERNMENT GRANTS

- i. When the grant relates to an expense item or depreciable fixed assets, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. The grant relating to future years are treated as Deferred Income and reflected as Capital Reserve in Balance Sheet.
- ii. Government grants of the nature of promoters' contribution or relating to non depreciable assets are credited to capital reserve and treated as a part of shareholders' funds.

1.16 PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- i. A provision is recognised when an enterprise has a present obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made.
- ii. Contingent Liabilities are not recognised but are disclosed in the Notes. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.
- iii. Capital commitments and Contingent liabilities disclosed are in respect of items which exceed ₹ 0.05 crore in each case. No such policy exists in other group companies.
- iv. Contingent liabilities are considered only on conversion of show cause notices issued by various Government authorities into demand.

1.17 TAXES ON INCOME

- i. Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
- ii. Deferred tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date.
- iii. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future. However, in respect of unabsorbed depreciation or carry forward losses, the deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realized in future.
- iv. The carrying amount of deferred tax assets and unrecognised deferred tax assets are reviewed at each balance sheet date.

1.18 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity share holders (after deducting preference dividends, if any, and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

1.19 OIL AND GAS EXPLORATION ACTIVITIES

- i. BPRL follows the “Full Cost” method of accounting for its oil and natural gas exploration and production activities. Accordingly, all acquisition, exploration and development costs are treated as capital work-in-progress and are accumulated in a cost centre. The cost centre is not normally smaller than a country except where warranted by major difference in economic, fiscal or other factors in the country. When any well in a cost centre is ready to commence commercial production, these costs are capitalised from capital work-in-progress to the gross block of assets regardless of whether or not the results of specific costs are successful.
- ii. The net quantities of the Group’s interests in proved reserves and proved developed reserves of oil and gas at the beginning and additions, deductions, production and closing balance for the year and disclosure of quantities on the geographical basis are not mentioned as the Group is in exploratory phase.
- iii. Surrender of field / disposal of participation interest: If BPRL were to surrender a field, the accumulated acquisition, exploration and development costs in respect of such field are deemed to be fully depreciated. If the remainder of the wells in the cost centre continue to produce oil or gas, gain or loss is recognised only when the last well in the cost centre ceases to produce and the entire cost centre is abandoned. Also, in the event BPRL assigns or farms out the whole or any part of its participating interest, the corresponding carrying value of the capitalised amount is adjusted against the consideration and the net amount is credited or, as the case may be, is charged to the profit and loss account in the year in which BPRL’s participating interest is assigned or farmed out.
- iv. Depletion: Depletion charge is calculated on the capitalised cost according to the unit of production method. The depreciation charge or the unit of production (UOP) charge for all costs within a cost centre is calculated by multiplying the UOP rate with the production for the period. The unit of production rate is arrived at by dividing the depreciation base of the cost centre by the Proved Oil and Gas Reserves. The depreciation base of a cost centre includes gross block of the cost centre, estimated future development expenditure and estimated site restoration expenditure and is reduced by the accumulated depreciation and accumulated impairment charge of the cost centre. The estimates of proved reserves used are based on the latest technical assessment available with BPRL.
- v. Site restoration costs: Liabilities for site restoration costs (net of salvage values) are recognised when the Group has an obligation to dismantle and remove a facility such as oil and natural gas production or transportation facility or an item of plant and to restore the site on which it is located and when a reasonable estimate of that liability can be made. Where an obligation exists for a new facility, the liability is recognised on construction or installation. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognised is the value of estimated future expenditure determined in accordance with local conditions and requirements. The corresponding amount is added to the cost of the tangible fixed asset and is subsequently depleted as part of the capital costs of the facility or item of plant. Any change in the value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding tangible fixed assets.

2 SHARE CAPITAL (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
i Authorised		
2,50,00,00,000 equity shares	<u>2,500.00</u>	<u>450.00</u>
(previous year 45,00,00,000 equity shares)		
ii Issued, subscribed and paid-up		
72,30,84,248 (previous year 36,15,42,124) equity shares fully paid-up	<u>723.08</u>	<u>361.54</u>
Total	<u><u>723.08</u></u>	<u><u>361.54</u></u>
iii The Corporation has only one class of shares namely equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Corporation, the holders of equity shares will be entitled to receive the remaining assets of the Corporation in proportion to the number of equity shares held.		
iv During the period, the Corporation has issued bonus shares in the ratio of 1:1. The total number of bonus shares issued is 36,15,42,124 equity shares having face value of ₹ 10 each.		
v Reconciliation of No. of Equity Shares		

	31/03/2013	31/03/2012
A. Opening Balance	36,15,42,124	36,15,42,124
B. Shares Issued		
- Bonus Shares	36,15,42,124	-
C. Shares Bought Back	-	-
D. Closing Balance	<u><u>72,30,84,248</u></u>	<u><u>36,15,42,124</u></u>

vi Shareholders holding more than 5% shares

Name of shareholder	31/03/2013		31/03/2012	
	% Holding	No. of shares	% Holding	No. of shares
Government of India	54.93	39,72,00,120	54.93	19,86,00,060
BPCL Trust for Investment in shares	9.33	6,74,57,474	9.33	3,37,28,737
Life Insurance Corporation of India	5.14	3,71,73,606	6.80	2,45,86,734

3. RESERVES AND SURPLUS (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Capital Reserve		
As per last Balance Sheet	54.50	54.67
Add/(Less): Grant received / (reversed) during the year	0.30	-
Less : Amortisation of Capital Grant	<u>(0.18)</u>	<u>(0.17)</u>
	54.62	54.50
Capital Reserve on acquisition of subsidiaries	<u>66.45</u>	<u>66.45</u>
	66.45	66.45
Debenture Redemption Reserve		
As per last Balance Sheet	1,000.00	1,000.00
Less: Transfer from / (to) General Reserve	<u>(873.70)</u>	<u>-</u>
	126.30	1,000.00
Foreign Currency Translation Reserve	<u>(20.88)</u>	<u>2.38</u>
General Reserve		
As per last Balance Sheet	<u>14,899.80</u>	<u>13,945.19</u>

3. RESERVES AND SURPLUS (CONSOLIDATED) - (CONTD.)

Add : Transfer from / (to) Debenture Redemption Reserve	873.70	-
Add : Transfer from Statement of Profit & Loss	1,778.24	954.62
Less : Utilised towards issue of Bonus Shares	(361.54)	-
	<u>17,190.20</u>	<u>14,899.81</u>
Surplus as per Statement of Profit & Loss *	(576.25)	207.37
Sub-total	16,840.44	16,230.51
Less: Minority Interest	794.49	753.05
	<u>16,045.95</u>	<u>15,477.46</u>
Share of interest in Joint Ventures		
General Reserve	114.76	72.38
Surplus as per Statement of Profit & Loss *	(334.96)	(258.13)
Securities Premium Reserve	224.39	224.38
Foreign Currency Translation Reserve	2.32	2.28
	<u>6.51</u>	<u>40.91</u>
Total	16,052.46	15,518.37
* Surplus as per Statement of Profit & Loss		
As per last Balance Sheet	(50.76)	571.49
Add : Profit for the year	1,936.15	851.28
Less : Proposed Dividend	(823.60)	(425.91)
Less : Corporate Dividend Tax	(153.69)	(73.06)
Less : Transfer to General Reserve	(1,819.31)	(974.56)
Total	(911.21)	(50.76)

4. LONG-TERM BORROWINGS (CONSOLIDATED)

	31/03/2013		31/03/2012	
	Current #	Non-Current	Current #	Non-Current
Debtures				
Secured				
8.65% Secured Non-Convertible Debtures*	-	700.00	-	-
7.73% Secured Non-Convertible Debtures 2012 **	-	-	1,000.00	-
Other Loans	-	3,045.80	-	-
Unsecured				
Loan from Oil Industry Development Board	296.48	361.73	271.48	561.21
External Commercial Borrowings (ECB)	-	1,767.65	-	1,662.59
4.625% International Bonds	-	2,719.47	-	-
Inter-corporate deposit	-	-	500.00	-
	<u>296.48</u>	<u>8,594.65</u>	<u>1,771.48</u>	<u>2,223.80</u>
Share of interest in Joint Ventures	-	4,107.53	-	3,965.26
Total	<u>296.48</u>	<u>12,702.18</u>	<u>1,771.48</u>	<u>6,189.06</u>

Classified under other current liabilities (Refer Note No. 10)

4. LONG-TERM BORROWINGS (CONSOLIDATED) - (CONTD.)

Terms of Repayment Schedule of Long Term Borrowings as on 31/03/2013:

	₹ Crores	Date of Maturity
Non-Current		
8.65% Secured Non-Convertible Debentures 2017	700.00	08-Oct-2017
Loan from Oil Industry Development Board - 2017	172.00	30-Mar-2017
Loan from Oil Industry Development Board - 2015	38.50	20-Apr-2015
Loan from Oil Industry Development Board - 2014	110.75	15-Sep-2014
4.625% International Bonds	2,719.47	25-Oct-2022
	543.89	3-Feb-2017
External Commercial Borrowings	1,087.79	20-Feb-2016
	135.97	25-Nov-2014
Current		
Loan from Oil Industry Development Board - 2017	25.00	31-Mar-2014
Loan from Oil Industry Development Board - 2013	19.25	20-Apr-2013
Loan from Oil Industry Development Board - 2014	110.75	Apr-Sep 2013
Loan from Oil Industry Development Board - 2015	117.25	Sep 2013

* The Corporation had allotted redeemable non-convertible 8.65% Debentures of face value of ₹ 700 crores on 8th October 2012. These are secured by first legal mortgage in English form by way of a Registered Debenture Trust Deed over the fixed assets of the Company, mainly Plant and Machinery at Mumbai Refinery.

** The Corporation had allotted redeemable non-convertible 7.73% Debentures of face value of ₹ 1,000 crores on 12th October 2009. These are secured by first legal mortgage in English form by way of a Registered Debenture Trust Deed over the fixed assets of the Company, mainly Plant and Machinery at Mumbai Refinery. The same have been repaid in October 2012.

5. DEFERRED TAX LIABILITIES (NET) (CONSOLIDATED)

	₹ Crores	₹ Crores
	31/03/2013	31/03/2012
Deferred Tax Liability –		
On account of depreciation	2,794.88	2,602.76
Deferred tax Asset:		
Disallowance u/s 43B of the Income Tax Act, 1961 including employee benefits.	642.46	557.85
Provisions for mark-to-market for investments & loans, doubtful debts, claims, etc.	256.79	409.20
Voluntary Retirement Scheme & Long term Capital loss	26.36	31.28
Total Deferred Tax Asset	925.61	998.33
Net Deferred Tax Liability	1,869.27	1,604.43
Share of interest in Joint Ventures	(263.41)	73.37
Total	1,605.86	1,677.80

6. OTHER LONG-TERM LIABILITIES (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Security/Earnest Money Deposits	19.37	15.84
Others	45.26	47.54
	<u>64.63</u>	<u>63.38</u>
Share of interest in Joint Ventures	13.50	46.45
Total	<u>78.13</u>	<u>109.83</u>

7. LONG-TERM PROVISIONS (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Contingencies for probable obligations	144.53	144.53
Provision for employee benefits	459.21	429.13
	<u>603.74</u>	<u>573.66</u>
Share of interest in Joint Ventures	5.17	4.54
Total	<u>608.91</u>	<u>578.20</u>

8. SHORT-TERM BORROWINGS (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Loans repayable on demand		
Secured		
Working capital loans / Cash Credit *	797.47	428.69
Collateralized Borrowing and Lending Obligation **	622.00	-
Term Loans	-	1,353.68
Unsecured		
Rupee Loans	70.00	200.10
Foreign Currency Loans	16,491.44	18,677.24
Commercial Paper	430.00	-
	<u>18,410.91</u>	<u>20,659.71</u>
Share of interest in Joint Ventures	1,747.29	1,532.81
Total	<u>20,158.20</u>	<u>22,192.52</u>

* Secured in favour of the participating banks ranking pari passu inter-alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future.

** Secured by Oil Marketing Companies GOI Special Bonds 2026 of ₹ 2,450 crores and a bank guarantee of ₹ 500 crores issued in favour of Clearing Corporation of India Limited.

9. TRADE PAYABLES (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Dues to micro and small enterprises	0.22	1.54
Dues to subsidiaries	-	-
Dues to others	7,678.21	13,086.87
	<u>7,678.43</u>	<u>13,088.41</u>
Share of interest in Joint Ventures	1,251.68	204.07
Total	<u>8,930.11</u>	<u>13,292.48</u>

10. OTHER CURRENT LIABILITIES (CONSOLIDATED)

	₹ Crores	
	31/03/2013	31/03/2012
Current maturities of long-term borrowings (Refer Note No. 4)	296.48	1,771.48
Interest accrued but not due on borrowings	130.82	191.86
Deposits from Customers	28.54	29.18
Deposits for Containers	5,590.79	4,938.09
Advances from Customers	487.62	517.02
Unclaimed Dividend *	2.38	2.41
Unclaimed Deposits *	0.15	0.19
Unclaimed Interest on Deposits *	0.07	0.08
Sales tax, Excise, Customs, etc.	2,129.04	1,844.47
Contractual obligations	3,221.73	2,544.73
Dues to micro and small enterprises	0.96	-
Others #	1,884.75	1,885.78
	<u>13,773.33</u>	<u>13,725.29</u>
Share of interest in Joint Ventures	1,297.90	1,642.73
Total	<u>15,071.23</u>	<u>15,368.02</u>

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

Includes ₹ 21,000 Share Application Money Suspense Account

11. SHORT TERM PROVISIONS (CONSOLIDATED)

	₹ Crores	
	31/03/2013	31/03/2012
Provision for Taxation (Net of Tax paid)	636.24	262.31
Provision for Liquidated Damages	1.44	-
Proposed dividend	823.60	425.91
Corporate Dividend Tax on proposed dividend	139.97	69.09
Provision for employee benefits	838.40	727.47
	<u>2,439.65</u>	<u>1,484.78</u>
Share of interest in Joint Ventures	119.26	5.85
Total	<u>2,558.91</u>	<u>1,490.63</u>

12 TANGIBLE ASSETS (CONSOLIDATED)

PARTICULARS	GROSS BLOCK					DEPRECIATION		
	AS AT 01-04-2012	ADDITIONS	OTHER AD- JUST- MENTS	RECLASSIFICATIONS/ DEDUCTIONS ON ACCOUNT OF RE- TIREMENT/DISPOSAL	AS AT 31-03-2013	UPTO 31-03-2012	THIS YEAR	RECLASSI- FI- ON ACCO- UNTMENT
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1. LAND								
(a) Freehold	487.69	8.14	-	(2.93)	498.76	-	-	
(b) Leasehold	181.35	15.18	-	0.50	196.03	26.99	4.27	
2. BUILDINGS	5,717.10	517.24	36.27	143.48	6,127.13	849.64	249.96	
3. PLANT and MACHINERY	11,857.41	261.93	-	139.25	11,980.09	5,400.55	585.11	
4. FURNITURE and FITTINGS	245.85	28.95	(0.01)	5.23	269.56	106.41	15.95	
5. VEHICLES	191.94	16.98	(0.02)	10.59	198.31	131.32	13.10	
6. OFFICE EQUIPMENT	522.39	29.35	(0.02)	57.04	494.68	358.66	50.80	
7. RAILWAY SIDINGS	346.04	6.44	-	-	352.48	163.03	15.45	
8. TANKS and PIPELINES	6,227.22	165.25	-	8.31	6,384.16	2,961.10	379.93	
9. DISPENSING PUMPS	1,957.39	296.47	24.37	23.99	2,254.24	560.11	119.30	
10. LPG CYLINDERS & ALLIED EQUIPMENT	5,405.25	612.47	36.23	10.83	6,043.12	5,405.25	648.70	
11. OTHERS #	2,055.87	230.10	8.16	(4.26)	2,298.39	813.44	121.48	
TOTAL	35,195.50	2,188.50	104.98	392.03	37,096.95	16,776.50	2,204.05	
Share of interest in Joint Ventures	6,472.13	151.82	60.73	1.35	6,683.33	658.52	362.71	
Grand Total	41,667.63	2,340.32	165.71	393.38	43,780.28	17,435.02	2,566.76	
Previous Year	32,816.88	2,459.13	160.25	240.76	35,195.50	14,838.78	2,057.77	
Share of interest in Joint Ventures	1,324.73	5,045.58	111.27	9.45	6,472.13	326.46	336.51	
Grand Total	34,141.61	7,504.71	271.52	250.21	41,667.63	15,165.24	2,394.28	

OTHERS mainly include electrical and mechanical equipments, firefighting equipments and servers.

* Paver blocks and Canopy, capitalised under Buildings, have been depreciated based on the revised estimated useful life of 30 years. This has resulted in additional depreciation.

Additional information in respect of Note No. 12

- Other adjustments include capitalisation of foreign exchange differences of ₹ **147.67 crores** (previous year ₹ 261.01 crores) which includes Share in Joint Venture ₹ **42.65 crores** (previous year ₹ 111.28 crores) and borrowing costs of ₹ **Nil crores** (previous year ₹ 10.51 crores).
- Land:-
 - Freehold land of the group includes ₹ **71.34 crores** (previous year ₹ 158.70 crores) for which conveyance deed / registration / execution of title deeds / mutation are pending.
 - Leasehold land of the group includes gross block ₹ **2.62 crores** (previous year ₹ 1.42 crores) which though in possession, the lease deeds are yet to be registered.
 - Freehold land of BPCL includes land costing ₹ **2.20 crores** (previous year ₹ 2.20 crores) which is in the process of being surrendered to competent authority.
- Buildings include Ownership flats of ₹ **47.88 crores** (previous year ₹ 48.16 crores) in proposed / existing co-operative societies and others.
- Land, Plant & Machinery, Tanks & Pipeline in varying extent with other Oil Companies in previous year ₹ 187.83 crores), Cumulative Depreciation ₹ 105.50 crores (previous year ₹ 88.43 crores) and Net Block ₹ **88.43 crores** (previous year ₹ 105.50 crores) which are identified as held for disposal due to obsolescence of ₹ **42.27 crores** (previous year ₹ 5.29 crores) on disposal.
- Gross Block of the group includes ₹ **105.50 crores** which are identified as held for disposal due to obsolescence of ₹ **42.27 crores** (previous year ₹ 5.29 crores) on disposal.
- Paver blocks and Canopy, capitalised under Buildings, have been depreciated based on the revised estimated useful life of 30 years. This has resulted in additional depreciation of ₹ **105.50 crores**.
- Share of Interest in Joint Ventures include ₹ **362.71 crores** (previous year ₹ 336.51 crores) on land obtained under perpetual lease for which depreciation is ₹ **362.71 crores** (previous year ₹ 336.51 crores).

13. INTANGIBLE ASSETS (CONSOLIDATED)

PARTICULARS	USEFUL LIFE	GROSS BLOCK				AMORTISATION		
	(NO. OF MONTHS)	AS AT 01-04-2012	ADDITIONS	RECLASSIFICATIONS/ DELETIONS	AS AT 31-03-2013	UPTO 31-03-2012	THIS YEAR	RECLASSIFICATIONS/ DELETIONS
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 RIGHT OF WAY	1,188	35.93	0.26	-	36.19	-	2.16 *	
2 SOFTWARE	24 - 60	64.18	6.76	(0.21)	71.15	43.92	8.61	
3 DEVELOPMENT RIGHTS	60	1.50	-	-	1.50	1.50	-	
4 PROCESS LICENSE	60	88.32	0.25	0.51	88.06	56.47	10.38	
TOTAL		189.93	7.27	0.30	196.90	101.89	21.15	
Share of interest in Joint Ventures		258.63	5.17	-	263.80	24.55	12.40	
GRAND TOTAL		448.56	12.44	0.30	460.70	126.44	33.55	
PREVIOUS YEAR		153.92	31.51	(4.50)	189.93	78.86	22.83	
Share of interest in Joint Ventures		235.63	52.10	29.11	258.62	14.46	10.09	
Grand Total		389.55	83.61	24.61	448.55	93.32	32.92	

* The Company has assessed the useful life of Right of Way at 99 years, based on the perpetual and absolute nature of the right, which was considered as indefinite. The Amortisation impact from the date of capitalisation till March 2013 is ₹ 2.16 crores.

14 INTANGIBLE ASSETS UNDER DEVELOPMENT (CONSOLIDATED) *

PARTICULARS	USEFUL LIFE	GROSS BLOCK				AMORTISATION		
	(NO. OF MONTHS)	AS AT 01-04-2012	ADDITIONS	CAPITALISATIONS/ DELETIONS	AS AT 31-03-2013	UPTO 31-03-2012	THIS YEAR	DELETIONS/ RECLASSIFICATIONS
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. SOFTWARE		2.53	-	-	2.53	-	-	
TOTAL		2.53	-	-	2.53	-	-	
PREVIOUS YEAR		2.53	-	-	2.53	-	-	

* To be amortised from the time the Intangible Asset starts providing economic benefits.

There are no internally generated Intangible Assets

15. CAPITAL WORK-IN-PROGRESS (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Capital work-in-progress (at cost)		
Work-in-progress	3,809.85	2,269.96
Capital stores including lying with contractors	535.02	325.91
Capital goods in transit	30.10	2.92
Construction period expenses		
Opening balance	54.63	45.56
Add: Expenditure during the year		
Establishment charges	47.08	36.31
Interest	12.73	13.60
Foreign Exchange Fluctuations	38.14	-
Others	3.47	3.46
	<u>156.05</u>	<u>98.93</u>
Less: Allocated to assets capitalised during the year/ charged off	(22.96)	(44.30)
Closing balance	<u>133.09</u>	<u>54.63</u>
	4,508.06	2,653.42
Share of interest in Joint Ventures	2,952.66	1,878.28
Total	<u>7,460.72</u>	<u>4,531.70</u>

16. NON-CURRENT INVESTMENTS (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
LONG TERM		
(a) TRADE		
INVESTMENT IN EQUITY INSTRUMENTS, WARRANTS & DEBENTURES		
QUOTED	561.76	561.76
UNQUOTED	1,006.76	613.71
Less : Provision for diminution in value of investment	(17.58)	(17.58)
	<u>1,550.94</u>	<u>1,157.89</u>
OTHERS		
UNQUOTED (BPCL Trust for Investment in shares) (Refer Note No. 34)	659.10	659.10
(b) NON-TRADE		
INVESTMENT IN DEBENTURES		
UNQUOTED	0.01	0.01
IN ASSOCIATION OF PERSONS		
UNQUOTED		
Capital Contribution in Petroleum India International	10.00	10.00
Share in accumulated surplus of Petroleum India International	14.24	13.03
	<u>24.24</u>	<u>23.03</u>
Share of interest in Joint Ventures	17.48	17.48
Total	<u>2,251.77</u>	<u>1,857.51</u>

Aggregate value of Unquoted Securities ₹ **6,250.09 crores** (₹ 4,278.28 crores)

Aggregate value of Quoted Securities ₹ **692.01 crores** (₹ 692.01 crores)

Market value of Quoted Securities ₹ **2,820.86 crores** (₹ 3,452.32 crores)

17. LONG TERM LOANS AND ADVANCES (CONSOLIDATED)

(Unsecured, considered good unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Capital advances	113.19	94.34
Security deposits	30.85	30.02
Loans and advances to related parties		
Bharat Oman Refineries Limited	677.05	677.19
GSPL India Gasnet Limited *	1.89	-
GSPL India Transco Limited *	3.08	-
Petronet CCK Limited	-	18.32
Bharat Renewable Energy Limited *	0.50	-
Advance for investments	21.10	17.95
Loans and advances to employees (secured)	573.41	560.29
Loans to others	37.11	42.62
Less : Provision for doubtful loans	(0.10)	(0.10)
Claims :		
Considered good	292.01	297.21
Considered doubtful	38.17	34.46
Less : Provision for doubtful claims	(38.17)	(34.46)
Advance Income Tax	54.37	54.63
Deposit Others	127.72	127.95
	1,932.18	1,920.42
Share of interest in Joint Ventures	109.29	88.01
Total	2,041.47	2,008.43

* Advance against equity shares (pending allotment)

18. OTHER NON-CURRENT ASSETS (CONSOLIDATED)

(Unsecured, considered good unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Foreign Currency Monetary Item Translation Difference	-	0.42
Discount on issue of Bonds	15.97	-
Bank deposits with more than twelve months maturity **	0.96	5.85
	16.93	6.27
Share of interest in Joint Ventures	0.00	0.28
Total	16.93	6.55

** Includes deposit of ₹ 0.80 crores (previous year ₹ 0.80 crores) that have been pledged / deposited with local authorities.

19. CURRENT INVESTMENTS (CONSOLIDATED)

(Current Investments are valued at lower of cost or fair market value)

	31/03/2013	₹ Crores 31/03/2012
INVESTMENT IN GOVERNMENT SECURITIES (Face Value Rs 100/- each)		
NON TRADE - QUOTED		
1 6.35% Oil Marketing Companies GOI Special Bonds 2024	2,344.96	2,999.96
2 6.90% Oil Marketing Companies GOI Special Bonds 2026 #	2,474.00	2,839.00
3 7.00% Oil Marketing Companies GOI Special Bonds 2012	-	67.70
4 7.59% Oil Marketing Companies GOI Special Bonds 2015	2.31	2.31
5 7.61% Oil Marketing Companies GOI Special Bonds 2015	0.81	0.81
6 7.95% Oil Marketing Companies GOI Special Bonds 2025	10.63	10.63
7 8.00% Oil Marketing Companies GOI Special Bonds 2026	-	113.00
8 8.20% Oil Marketing Companies GOI Special Bonds 2024	897.78	997.79
	5,730.49	7,031.20
Less : Provision for diminution in value of investment		
in 6.35% Oil Marketing Companies GOI Special Bonds 2024	(321.99)	(549.72)
in 6.90% Oil Marketing Companies GOI Special Bonds 2026	(247.40)	(420.62)
in 7.00% Oil Marketing Companies GOI Special Bonds 2012	-	(0.49)
in 7.59% Oil Marketing Companies GOI Special Bonds 2015	(0.01)	(0.05)
in 7.61% Oil Marketing Companies GOI Special Bonds 2015	-	(0.02)
in 7.95% Oil Marketing Companies GOI Special Bonds 2025	(0.19)	(0.66)
in 8.00% Oil Marketing Companies GOI Special Bonds 2026	-	(6.84)
in 8.20% Oil Marketing Companies GOI Special Bonds 2024	-	(41.83)
	(569.59)	(1,020.23)
Investments in Mutual Funds (Non-Trade, Quoted)	25.06	-
	5,185.96	6,010.97
Share of interest in Joint Ventures	32.08	22.14
Total	5,218.04	6,033.11

Kept as Collateral Security with Clearing Corporation of India Limited for borrowing in CBLO (face Value ₹ 2,450 crores)
Market value of Quoted Securities ₹ **5,160.90 crores** (₹ 5,947.13 crores)

20. INVENTORIES (CONSOLIDATED)

(Refer Note No. 1.9 for valuation policy)

	31/03/2013	₹ Crores 31/03/2012
Raw materials	3,208.42	4,334.40
[including in transit ₹ 657.88 crores (previous year ₹ 70.29 crores)]		
Stock in process	811.00	982.64
Finished goods	6,988.95	7,801.79
Stock-in-trade	6,271.94	4,552.98
[including in transit ₹ 320.60 crores (previous year ₹ 273.27 crores)]		
Stores and spares	431.23	282.21
[including in transit ₹ 1.22 crores (previous year ₹ 0.10 crores)]		
Packages	9.37	9.00
	17,720.91	17,963.02
Share of interest in Joint Ventures	2,235.78	3,134.07
Total	19,956.69	21,097.09

21. TRADE RECEIVABLES (CONSOLIDATED)

(Unsecured unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Outstanding for a period exceeding 6 months from due date of payment		
Considered good *	504.11	670.05
Considered doubtful	167.47	144.02
Less: Provision for doubtful debts	(167.47)	(144.02)
Other debts (considered good)	3,499.77	4,159.19
	4,003.88	4,829.24
Share of interest in Joint Ventures	351.18	371.80
Total	# 4,355.06	5,201.04

* Includes ₹ 16.01 crores (previous year ₹ 14.14 crores) which are secured.

Includes an amount of ₹ 787.71 crores out of which, overdue amount ₹ 400.60 crores (previous year ₹ 645.78 crores out of which, overdue amount ₹ 427.59 crores) from a loss making Public Sector Undertaking (PSU). The PSU has assured to settle the dues and as such the management is confident of recovery.

22. CASH & CASH EQUIVALENTS (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Cash on hand	1.14	1.10
Cheques and Drafts on hand	121.38	73.91
Balances with Banks:		
On Current accounts	521.85	169.99
Demand Deposits with Banks with original maturity of less than three months *	1,853.62	800.19
Unpaid Dividend	2.38	2.41
	2,500.37	1,047.60
Share of interest in Joint Ventures	349.46	278.73
Total	2,849.83	1,326.33

* The Corporation raised \$ 500 million (₹ 2,719.47 crores as on 31-03-2013) through an International Bond issue in FY 2012-13, for funding the specific capex requirements of the Corporation. Out of the total proceeds, an amount of ₹ 1,778.62 crores remains unutilised as on 31st March 2013.

23. SHORT TERM LOANS AND ADVANCES (CONSOLIDATED)

(Unsecured, considered good unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Loans and advances to related parties		
Petronet CCK Limited	26.55	24.58
Interest accrued on loans	14.45	29.22
Dues from JVCs	6.43	9.05
Loans and advances to employees (secured)	66.85	61.92
Loans to Others	131.74	23.60
Advances:		
Advances Recoverable in cash, or in kind or for value to be received	619.49	209.12
Advances considered doubtful	5.64	4.78
Less : Provision for doubtful advances	(5.64)	(4.78)
	865.51	357.49
Advance Income Tax (Net of provision for taxation)	96.99	56.94
MAT Credit Entitlement	-	101.93
Claims (Net)	275.92	118.12
Balances With Customs, Excise, Port Trust, etc.	206.31	187.85
Others	24.60	6.96
	1,469.33	829.29
Share of interest in Joint Ventures	98.84	114.63
Total	1,568.17	943.92

24. OTHER CURRENT ASSETS (CONSOLIDATED)

	31/03/2013	₹ Crores 31/03/2012
Interest accrued on investments	126.88	90.43
Interest accrued on bank deposits	0.74	0.02
Subsidy receivable from Government of India	8,670.01	9,153.23
Deferred premium (foreign exchange forward contract)	141.36	156.98
Discount on issue of bonds	1.86	-
Other Receivables	3.13	38.04
	8,943.98	9,438.70
Share of interest in Joint Ventures	179.10	378.52
Total	9,123.08	9,817.22

25. REVENUE FROM OPERATIONS (CONSOLIDATED)

	2012-13	₹ Crores 2011-12
(i) a) Sale of products	2,25,201.46	1,97,814.99
b) Subsidy on LPG(Domestic) & SKO (PDS) *	636.88	664.50
c) Subsidy from Government Of India (Refer Note No. 32)	21,896.65	19,671.39
	2,47,734.99	2,18,150.88
Less : Excise Duty	(11,104.59)	(11,175.08)
	2,36,630.40	2,06,975.80
(ii) Other operating revenues	137.59	175.75
	2,36,767.99	2,07,151.55
Share of interest in Joint Ventures	5,412.99	4,988.01
Total	2,42,180.98	2,12,139.56

* As per the existing scheme of the Government of India

26. OTHER INCOME (CONSOLIDATED)

	2012-13	₹ Crores 2011-12
Interest on Oil Marketing Companies GOI Special Bonds	440.51	520.85
Interest on bank deposits and others	318.74	137.55
Income from Petroleum India International	1.21	0.75
Dividend Income	45.98	36.21
Write back of liabilities no longer required	54.26	15.01
Profit on sale of fixed assets (net)	-	42.67
Reversal of provision for doubtful debts & advances (net of write off)	19.00	69.00
Less: Amount Written Off	(8.50)	-
	10.50	69.00
Profit / (Loss) on sale of current Investments	(155.42)	-
Reversal towards diminution in value of investments	450.16	-
Prior Period Income (net)	-	65.73
Others # (Refer Note No. 34)	335.03	544.25
	1,500.97	1,432.02
Share of interest in Joint Ventures	28.02	24.65
Total	1,528.99	1,456.67

Includes amortisation of capital grants ₹ 0.18 crores (previous year ₹ 0.17 crores)

27. COST OF MATERIALS CONSUMED (CONSOLIDATED)

	₹ Crores	
	2012-13	2011-12
Opening Stock	4,334.40	4,261.57
Add : Purchases	1,02,840.22	98,015.45
Less: Closing Stock	<u>(3,208.42)</u>	<u>(4,334.40)</u>
	1,03,966.20	97,942.62
Share of interest in Joint ventures	16,254.82	6,375.76
Total	<u>1,20,221.02</u>	<u>1,04,318.38</u>

28. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (CONSOLIDATED)

	₹ Crores	
	2012-13	2011-12
Value of opening stock of		
Finished goods	7,801.79	6,699.87
Stock-in-trade	4,552.98	4,564.19
Stock in process	<u>982.64</u>	<u>1,163.33</u>
	13,337.41	12,427.39
Less :		
Value of closing stock of		
Finished goods	6,988.62	7,801.79
Stock-in-trade	6,271.94	4,552.98
Stock in process	<u>811.00</u>	<u>982.64</u>
	14,071.56	13,337.41
	(734.15)	(910.02)
Share of interest in Joint Ventures	(378.43)	(359.64)
Total	<u>(1,112.58)</u>	<u>(1,269.66)</u>

29 EMPLOYEE BENEFITS EXPENSE (CONSOLIDATED)

	₹ Crores	
	2012-13	2011-12
Salaries and wages *	2,227.87	1,749.61
Contribution to provident fund	125.53	114.60
Contribution to gratuity fund	12.31	32.51
Contribution to other funds	210.99	149.43
Welfare expenses	317.82	258.74
Voluntary Retirement Scheme	<u>-</u>	<u>94.32</u>
	2,894.52	2,399.21
Share of interest in Joint Ventures	55.93	28.85
Total	<u>2,950.45</u>	<u>2,428.06</u>

* Includes estimated provision towards pending pay revision of non-management employees which is under negotiation.

30. FINANCE COSTS (CONSOLIDATED)

	2012-13	2011-12
Interest expense	948.18	1,023.15
Interest on shortfall in payment of advance tax	42.40	6.24
Other borrowing costs	146.47	84.62
Applicable net gain / loss on foreign currency transactions and translations	905.09	744.07
	<u>2,042.14</u>	<u>1,858.08</u>
Share of interest in Joint Ventures	476.15	400.98
Total	<u>2,518.29</u>	<u>2,259.06</u>

31. OTHER EXPENSES (CONSOLIDATED)

	2012-13	2011-12
Transportation	3,886.69	3,451.16
Excise Duty on Inventory differential	(34.33)	(244.31)
Taxes & other levies	1,140.21	1,109.48
Repairs and maintenance :		
Machinery	647.86	524.17
Building	41.52	40.61
Others	173.85	149.93
	<u>863.23</u>	<u>714.71</u>
Power and Fuel	5,525.44	3,831.63
Less: Consumption of fuel out of own production	(4,497.33)	(2,985.70)
Power and Fuel consumed (net)	1,028.11	845.93
Stores, spares and materials consumed (net)	88.32	70.66
Rent	194.59	196.28
Utilities	177.25	154.50
Packages consumed	158.57	156.26
Charges paid to other oil companies	139.25	157.16
Travelling and conveyance	137.98	130.28
Insurance	51.55	46.78
Communication Expenses	26.54	25.28
Remuneration to auditors		
Audit fees	0.59	0.49
Fees for other services-certification	0.39	0.19
Reimbursement of out of pocket expenses	0.01	0.01
	<u>0.98</u>	<u>0.69</u>
Bad debts and claims (net of provisions)	0.11	1.70
Write off Others	428.95	41.63
Provision for doubtful debts and advances	58.72	3.63
Loss on sale of current Investments	-	141.30
Provision/(Reversal) towards diminution in value of investments	-	45.54
Loss on sale of fixed assets (net)	36.88	7.20
Foreign Exchange fluctuations (net)	769.11	1,421.22
Prior Period expenses (net)	128.86	-
Others	1,039.03	1,044.44
	<u>10,320.61</u>	<u>9,521.52</u>
Share of interest in Joint Ventures	817.76	449.98
Total	<u>11,138.37</u>	<u>9,971.50</u>

32. Consequent to non-revision in Retail Selling Prices corresponding to the international prices and applicable foreign exchange rates prevailing during the year, the Corporation has suffered Gross Under-Recovery of ₹ **38,990.43 crores** (previous year ₹ 32,638.27 crores) on sale of sensitive petroleum products.

As advised by the Ministry of Petroleum & Natural Gas, the Corporation has accounted compensation towards sharing of under-recoveries on sale of sensitive petroleum products as follows:

- a) ₹ **16,844.49 crores** (previous year ₹ 12,957.20 crores) discount on crude oil/products purchased from ONGC/GAIL/NRL which has been adjusted against Purchase cost;
- b) ₹ **21,896.65 crores** (previous year ₹ 19,671.39 crores) subsidy from Government of India has been accounted as Revenue from operations.

After adjusting the above compensation, the net under-recovery absorbed by the Corporation is ₹ **249.29 crores** (previous year ₹ 9.68 crores).

33. Pursuant to the Ministry of Corporate Affairs Notification G.S.R. 914 (E) dated 29th December 2011, the Corporation had exercised the option under Para 46 A of AS-11 (notified under the Companies (Accounting Standards) Rules, 2006) and has changed its accounting policy in 2011-12 for recognition of exchange differences arising on reporting of long term foreign currency monetary items. For the current financial year, the impact on account of this change (net of depreciation) is increase in profit before tax of ₹ **269.25 crores** including ₹ **34.46 crores** pertaining to interest in Joint Ventures (previous year increase in profit before tax of ₹ 408.01 crores including ₹ 108.13 crores pertaining to interest in Joint Ventures).

34. As per the scheme of Amalgamation of the erstwhile Kochi Refineries Limited (KRL) with the Corporation approved by the Government of India, 3,37,28,737 equity shares of the Corporation were allotted (in lieu of the shares held by the Corporation in the erstwhile KRL) to a trust for the benefit of the Corporation in the financial year 2006-07. After the 1:1 Bonus issue in July 2012, presently the trust holds 6,74,57,474 equity shares of the Corporation. Accordingly the cost of the original investment of ₹ 659.10 crores is included in Note No.16 - Non Current Investments. The income distributed by the trust during the year 2012-13 amounting to ₹ **37.10 crores** (previous year ₹ 47.22 crores) have been included in 'Other income' in Note No.26.

One shareholder of erstwhile KRL has challenged the amalgamation before Delhi High Court, which is pending adjudication.

35. Short/(Excess) provision for earlier years accounted in current year includes MAT Credit Entitlement of ₹ **36.37 crores** pertaining to assessment year 2012-13.

36. **Impairment of Assets:** It is assumed that suitable mechanism would be in place, in line with earlier/ current year(s), to provide compensation towards under-recoveries of margin, if any, on account of sale of sensitive petroleum products in subsequent years. Hence, there is no indication of impairment of assets of the Corporation. Accordingly, impairment is not considered as at 31st March 2013.

37. Bharat Petroleum Corporation Limited and Numaligarh Refinery Limited have numerous transactions with other oil companies. The outstanding balances from them including certain other outstanding credit and debit balances are subject to confirmation/reconciliation. Adjustments, if any, arising therefrom are not likely to be material on settlement as and when ascertained and are accounted as when ascertained.

38. Related Party Disclosures as per Accounting Standard 18

Key Management Personnel (Whole time directors):

Shri R.K. Singh (Chairman & Managing Director)

Shri K.K. Gupta, Director (Marketing)

Shri B.K. Datta, Director (Refineries)

Shri S. Varadarajan, Director (Finance)

Shri S.P. Gathoo, Director (Human Resources)

Remuneration to Key Managerial Personnel: ₹ **2.19 crores** (previous year ₹ 2.78 crores)

39. Earnings per share

		2012-13	2011-12
Profit / (Loss) after Tax	₹ Crores	1,880.83	780.83
Weighted average number of shares outstanding during the year	Cre no.	72.31	72.31*
Basic earnings per share	₹	26.01	10.80*
Diluted earnings per share	₹	26.01	10.80*

* Adjusted for 1:1 bonus issue in July, 2012

40. As indicated in Significant Accounting Policies, certain accounting policies of JVCs towards Depreciation, Inventory Valuation, Employee Benefits and Classification of Income/ Expenses are not in line with that followed by BPCL. However, considering the nature of transactions and amounts involved the impact is not expected to be material had the accounting policies of BPCL been followed.

41. Capital Reserve on acquisition of subsidiaries includes ₹ 61.65 crores being the share of the group out of grant of ₹ 100 crores received by Numaligarh Refinery Limited from the Government of India during the project period.
42. In respect of certain Subsidiaries and JVCs, the following notes to accounts are disclosed:

Numaligarh Refinery Limited (Subsidiary)

- a) Pending finalization of the Crude Oil Sales Agreement purchases of Crude Oil from Oil India Limited (OIL) and Oil and Natural Gas Corporation Limited (ONGC) have been accounted for as per the Benchmark price of crude oil in 2012-13 as in the previous year.

Bharat PetroResources Limited (Subsidiary)

- b) In respect of blocks held in India, as per the Production Sharing Contracts signed by the Company with the Government of India (GOI), the Company is required to complete Minimum Work Programme (MWP) within stipulated time. In case of delay in completion of the MWP, Liquidated Damages (LD) is payable for extension of time to complete MWP. Further, in case the Company does not complete MWP or surrender the block without completing the MWP, the estimated cost of completing balance work programme is required to be paid to the Government of India.

Bharat Oman Refineries Limited (Joint Venture Company)

- c) The Ministry of Corporate Affairs vide its notification no. 45/4/2012-CL-111 dated 11.01.2012 has approved the proposal of the Company to provide depreciation at the rate of 3.17% p.a. on Crude Oil Pipelines between Vadinar and Bina based on useful life of 30 years with effect from 30.06.2011. Accordingly the Company has changed the rate of depreciation from 10.34% to 3.17% for the said pipelines w.e.f. 30.06.2011.

The change in the rate of depreciation has resulted in lesser charge of depreciation for the year to the extent of ₹ 85.07 crores and reversal of depreciation of the previous year to the extent of ₹ 70.90 crores.

- d) The Company has obtained interim stay in the matter of Cess under Building and Other Construction Workers Welfare Cess Act 1996, demanded by the Deputy Labour Commissioner amounting to ₹ 122.30 crores including interest of ₹ 22.30 crores. The matter is pending for adjudication in the High Court of Madhya Pradesh.

In the opinion of the Company, the primary responsibility of Cess is on the contractors. The Company, therefore, on a conservative basis has accounted for liability of ₹ 110.87 crores towards Cess payable to contractors in the event of claims from contractors. The said Cess amount being expenditure incurred in relation to the construction work has been capitalised.

The Interest amount demanded as above has been disclosed under contingent liability.

- e) BPCL holds 98.33% of the share warrants of BORL amounting to ₹ 1585.68 crores, out of which the amount of ₹ 779.39 crores is appearing as investments of the group after eliminating 50% of the total amount of the share warrants upon consolidations.

- f) Deferred tax asset on unabsorbed depreciation and unabsorbed business losses available as per the Income Tax Act has been recognised, since the Company is virtually certain that sufficient future taxable income will be available to adjust such losses considering the following:

- a. The Company has entered into a binding agreement with BPCL (one of the promoters) for off take of the products at prices determined with reference to international product prices;
- b. Since the products will be sold at prices with reference to international prices, the Gross Refinery Margin is also linked to margins prevailing in the international markets. The Company expects its GRM to be more than the GRM prevailing in international market because of location advantage and superior refinery configuration;
- c. The refinery will operate at the designed capacity considering that the refinery operations have been stabilized.
- d. Unabsorbed depreciation which forms major portion of the deferred tax asset, can be carried forward and set off against profits for unlimited number of years under the Indian Income Tax Act.

Petronet LNG Limited (Joint Venture Company)

- g) Customs duty on import of Project materials /equipments has been assessed provisionally (current and previous years) and additional liability, if any, on this account will be provided on final assessment.

- h) The Company has an unquoted trade investment in equity instruments of ₹ 90 crores in Adani Petronet (Dahej) Port Pvt. Ltd – a Joint Venture, which is under lock-in for a period of 5 years from the date of commercial operation (i.e. 01.09.2010) of the investee Company as per the Dahej LNG Port Terminal Concession Agreement dated 20th December 2005 with Gujarat Maritime Board.

Indraprastha Gas Limited (Joint Venture Company)

- i) Petroleum and Natural Gas Regulatory (PNGRB) vide its order no. TO/03/2012 dated 9th April, 2012 has determined the per unit network tariff and compression charge for the CGD Network of IGL for Delhi, based on submission of data by the Company in May 2009 and certain assumptions taken by PNGRB in this regard. The

tariffs determined by PNGRB are much lower than the rates submitted by the Company.

Further, PNGRB has made the determined tariffs applicable with retrospective effect from 01.04.2008. In its order PNGRB has stated that the modalities and time frame for refund of differential Network Tariff and Compression Charge shall be decided subsequently.

IGL has been advised that validity of such order and refund lacks legal authority. IGL has filed a writ petition on 10.04.2012 against the order of PNGRB dated 09.04.2012 before the Hon'ble Delhi High Court. The Hon'ble High Court of Delhi has passed the judgment in this case on 01.06.2012 and has quashed the PNGRB order dated 09.04.2012 holding that the PNGRB is not empowered to fix any component of network tariff or compression charge.

PNGRB has filed special leave petition before the Hon'ble Supreme Court of India against the order dated 01.06.2012 of Hon'ble High Court of Delhi. Matter is still pending in the Hon'ble Supreme Court of India.

- j) The Company has installed various CNG Stations on land leased from various Government authorities under leases for periods ranging from one to five years. However, assets constructed/installed on such land are depreciated generally at the rates specified in Schedule XIV of Companies Act, 1956, as the management does not foresee non-renewal of the above lease arrangements by the Authorities.

Petronet CCK Limited (Joint Venture Company)

- k) Prior period Depreciation: The Company was charging depreciation on Pipelines (underground) under SLM method without considering extra shift depreciation since Note 6(6) of Schedule XIV "hydraulic works, pipelines and sluices" warrant single shift rate only. Similarly in the case of selected items used by mineral oil concerns single shift rate is prescribed. However the items prescribed for single shift depreciation in the case of Mineral Oil Concerns in Schedule XIV do not include Pipelines (underground). Based on the above and expert/ legal opinion, it is considered more appropriate and prudent to charge extra shift depreciation on pipelines (underground) since inception. Accordingly, extra shift depreciation has been charged on pipelines with retrospective effect amounting to ₹ 63.17 crores.

The Company has also revisited the rates applied on certain other assets resulting in withdrawal of depreciation amounting to ₹ 1.77 crores.

Net effect of the above changes amounting to ₹ 61.40 crores has been included in prior period depreciation.

Bharat Renewable Energy Limited (Joint Venture Company)

- l) BREL has incurred cash losses during the year and net worth is eroded more than fifty percent. However accounts have been prepared on the basis of going concern in view of continuity of operations and business plan for the foreseeable future. As a matter of prudence, the Deferred Tax Assets have not been recognised.

Matrix Bharat Pte. Ltd. (Joint Venture Company)

- m) The Company incurred a net loss of ₹ 21.30 crores (2011 profit: ₹ 1.52 crores) during the financial year ended 31st December 2012 and as at that date, the Company's current and total liabilities exceeded its current and total assets by ₹ 0.25 crores.

However, during the quarter Jan-March 2013, the Company has earned a net profit of ₹ 0.56 crores consequent to which the Company's current and total assets exceeds the current and total liabilities by ₹ 0.31 crores.

43. The following Oil and Gas blocks are held by Bharat PetroResources Limited / its subsidiaries and joint ventures as on 31.03.2013:

Name	Company	Country	Participating Interest of the Group	
			31.03.2013	31.03.2012
NELP – IV				
KG/DWN/2002/1	BPRL	India	- (c)	10.00%
MN/DWN/2002/1	BPRL	India	- (c)	10.00%
CY/ONN/2002/2	BPRL	India	40.00%	40.00%
NELP – VI				
KG/DWN/2004/2	BPRL	India	10.00%	10.00%
KG/DWN/2004/5	BPRL	India	10.00%	10.00%
CY/ONN/2004/1	BPRL	India	20.00%	20.00%
CY/ONN/2004/2	BPRL	India	20.00%	20.00%
RJ/ONN/2004/1	BPRL	India	11.11%	11.11%
NELP – VII				
RJ/ONN/2005/1	BPRL	India	33.33% (a)	25.00%
NELP – IX				
CB/ONN/2010/11	BPRL	India	25%	25%
AA/ONN/2010/3	BPRL	India	20%	20%
CB/ONN/2010/8	BPRL	India	25%	-
MB/OSN/2010/2	BPRL	India	20%	-

Name	Company	Country	Participating Interest of the Group	
Blocks outside India				
WA/388/P	BPRL	Australia	-(c)	8.40%
ACP/32	BPRL	Australia	-(c)	20.00%
48/1b & 2c – North Sea	BPRL	U.K.	-(b)	25.00%
JPDA 06-103	BPR JPDA	Australia / Timor	20.00%	20.00%
EP-413	BPRL	Australia	27.80%	27.80%
Sergipe and Alagoas				
SEAL-M-349	IBV Brazil Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
SEAL-M-426	IBV Brazil Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
SEAL-M-497	IBV Brazil Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
SEAL-M-569	IBV Brazil Petroleo Pvt Ltda.	Brazil	40.00%	40.00%
Espirito Santo				
ES-24-588	IBV Brazil Petroleo Pvt Ltda.	Brazil	30.00%	30.00%
ES-24-661	IBV Brazil Petroleo Pvt Ltda.	Brazil	30.00%	30.00%
ES-24-663	IBV Brazil Petroleo Pvt Ltda.	Brazil	30.00%	30.00%
Campos				
C-M-30-101	IBV Brazil Petroleo Pvt Ltda.	Brazil	25.00%	25.00%
Portiguar				
POT-16-663	IBV Brazil Petroleo Pvt Ltda.	Brazil	20.00%	20.00%
POT-16-760	IBV Brazil Petroleo Pvt Ltda.	Brazil	20.00%	20.00%
Mozambique Rovuma Basin	BPRL Ventures Mozambique B.V.	Mozambique	10.00% (d)	10.00%
Nunukan PSC, Tarakan Basin	BPRL Ventures Indonesia B.V.	Indonesia	12.50%	12.50%

- (a) Based on Operating Committee resolution dated 24th March, 2010 the participating interest of a defaulting party was to be shared by the remaining parties in equal share, in accordance with the provisions of Production Sharing Contract and Joint Operating Agreement. In this regard approval from Directorate General of Hydrocarbon and Ministry of Petroleum & Natural Gas was received on 15th January 2013 confirming the participating interest in the Block as 33.33%.
- (b) The Holding Company had a participating interest of 25% in blocks 48/1b & 2c (off shore UK). On completion of the phase as per the terms of the joint operation agreement, in view of the project risks, the consortium members have on December 1, 2012 withdrawn from the exploration license. Accordingly ₹ **49.73 crores** (previous year Nil) being amount incurred on these blocks have been written-off to the Statement of Profit and Loss. In addition to the above, a provision of ₹ 15.50 crores (previous year Nil) has been accounted towards estimated abandonment costs being the prospective costs for restoration of the area in terms of the joint operation agreement.
- (c) On completion of Minimum Work Programme Commitments, and based on analysis of seismic and well drilling results indicating poor prospectivity, as assessed by the Management, the Company has withdrawn from the permit in respect of Blocks: ACP/32, WA/388/P, KG/ DWN/2002/1 and MN/DWN/2002/1. Consequently an amount of ₹ **286.26 crores** has been written off to the Statement of Profit and Loss net of provision ₹ 30.00 crores. In addition to the above, a provision of ₹ 0.78 Crores (previous year Nil) has been accounted towards estimated abandonment costs being the prospective costs for restoration of the area in terms of the joint operation agreement.
- (d) The group has 10% participating interest in exploration and production concession contract signed by Anadarko Mozambique Area 1 Limitada with Empresa Nacional de Hidrocarbonetos E.P. and the Government of Mozambique. As per the obligations contained in Exploration & Production Concession Contract (EPCC) entered with Mozambique Government, BPRL Ventures Mozambique B.V. is taking over its proportionate share of the EMPRESA NACIONAL DE HIDROCARBONETOS, E.P.(ENH) carry of 1.765%. The carry shall be limited to all costs incurred by the Concessionaire in discharging its obligations under this EPC, up to and including the date upon which the first development plan has been approved. From the date of commencement of Commercial Production, ENH shall reimburse in full the carry in cash or in kind. All carry amount owed by ENH up to approval of the first development plan shall be subject to payment of interest compounded quarterly calculated at the 3 months LIBOR plus one percentage point. However, if there is no commercial success no such reimbursement will be applicable.

44. Interest in Joint Ventures

A. The Group's Interest in Joint Ventures, accounted for using proportionate consolidation are :

	As at 31/03/2013	₹ Crores As at 31/03/2012
I ASSETS		
Non -Current Assets		
Fixed Assets		
Tangible Assets	5,878.90	6,039.79
Intangible Assets	226.85	234.07
Capital work-in-progress	750.37	602.69
Non-Current Investments	17.49	17.49
Deferred Tax (Assets)	348.95	-
Long Term Loans & Advances	94.75	62.38
Other non-current assets	0.00	0.28
	7,317.31	6,956.70
Current Assets		
Current investments	32.08	22.14
Inventories	2,235.78	3,134.07
Trade receivables	1,361.11	768.13
Cash and cash equivalents	345.01	273.12
Short-term loans and advances	98.85	114.63
Other current assets	172.11	371.20
	4,244.96	4,683.29
II EQUITY AND LIABILITIES		
Shareholders Funds	1,198.88	1,185.58
Reserves & Surplus	240.22	243.31
Money received against share warrants	806.29	481.29
	2,245.39	1,910.18
Share Application Money pending allotment	0.61	-
Non-Current Liabilities		
Long term borrowings	4,784.58	4,659.91
Deferred tax liabilities (Net)	85.53	73.37
Other long-term liabilities	13.50	46.45
Long-term provisions	5.17	4.54
	4,888.78	4,784.27
Current Liabilities		
Short-term borrowings	1,772.80	1,556.43
Trade payables	1,368.85	1,825.89
Other current liabilities	1,132.82	1,532.93
Short-term provisions	153.02	30.29
	4,427.48	4,945.54
III INCOME	2012-2013	2011-2012
Revenue from Operations	19,511.57	9,645.32
Other Income	28.14	23.78
Total Revenue	19,539.71	9,669.10

IV EXPENSES

Cost of Raw materials consumed	16,254.82	6,375.77
Purchase of Stock-in-trade	2,038.81	2,507.71
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(378.43)	(359.64)
Employee benefits expense	56.95	38.66
Finance costs	572.59	482.09
Depreciation and Amortisation expenses	355.06	350.37
Other expenses	773.99	486.04
Total expenses	19,673.79	9,881.00

Profit before Tax (134.08) (211.90)

Tax expense

Current Tax	110.51	98.26
Deferred Tax (Net)	(337.50)	12.20
Short provision for Taxation in earlier years provided for	(0.29)	0.02
	(227.27)	110.48

Profit after Tax 93.19 (322.38)

V OTHER MATTERS

Contingent Liabilities	183.90	137.23
Capital Commitments	337.74	314.50

VI In addition to the above, BPRL's Share of interest in joint ventures accounted for using proportionate consolidation are:

Current Assets	27.56	13.04
Non-current assets	2,843.22	1,301.21
Current Liabilities	59.33	113.89
Income	0.57	0.14
Expenses	95.62	296.78

B. In compliance with Accounting Standard – 17, “Segment Reporting” issued by the Institute of Chartered Accountants of India, the segment information is as under:

I. The group is engaged in the following business segments:

- a) Downstream petroleum i.e., Refining and Marketing of Petroleum Products
- b) Exploration and Production of Hydrocarbons (E&P)

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

II. There are no geographical segments.

III. Segment wise details are as follows:

	Year ended 31 st March 2013			Year ended 31 st March 2012		
	Downstream Petroleum	E&P	Total	Downstream Petroleum	E&P	Total
	(₹ Crores)					
Revenue						
External Revenue	2,42,901.96	1.57	2,42,903.53	2,12,899.76	1.20	2,12,900.96
Inter Segment Revenue	-	-	-	-	-	-
Total Revenue	2,42,901.96	1.57	2,42,903.53	2,12,899.76	1.20	2,12,900.96
Result						
Segment Results	5,143.96	(506.59)	4,637.37	3,535.42	(185.36)	3,350.06
Unallocated Corporate Expenses	-	-	-	-	-	-
Operating profit	5,143.96	(506.59)	4,637.37	3,535.42	(185.36)	3,350.06
Add:						
Interest / Dividend Income			806.44			695.27
Profit on sale of Long term Investments			-			-
Less:						
a) Finance Cost			2,518.29			2,259.06
b) Loss on sale of current Investments			155.42			141.30
c) Provision / (Reversal) towards diminution in value of investments			(450.16)			45.54
d) Income Tax (including deferred Tax)			1,284.11			748.15
Profit after Tax			1,936.15			851.28
Other Information						
Segment Assets	67,255.41	4,689.07	71,944.48	67,671.53	2,139.87	69,811.40
Unallocated Corporate Assets			7,621.17			8,002.19
Total Assets			79,565.65			77,813.59
Segment Liabilities	23,536.67	246.33	23,783.00	26,825.71	173.14	26,998.85
Unallocated Corporate Liabilities			37,930.53			33,899.68
Total Liabilities			61,713.53			60,898.54
Capital Expenditure	3,712.61	1,347.92	5,060.53	2,826.10	941.50	3,767.61
Depreciation / Amortisation	2,461.29	1.42	2,462.70	2,409.22	1.61	2,410.83
Non-cash expenses other than depreciation	-	-	-	-	-	-

45. **Capital Commitments and Contingent Liabilities :**

	31/03/2013	₹ Crores 31/03/2012
(a) Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	4,333.72	1,516.87
Other Commitments	0.07	32.24
Share of interest in Joint Ventures	337.74	314.50
Total	4,671.53	1,863.61
(b) Contingent Liabilities :		
In respect of Income Tax matters	112.98	122.74
Other Matters :		
i) Claims against the Corporation not acknowledged as debts :		
Excise and customs matters	1,048.46	879.38
Sales tax matters	2,872.62	2,802.22
Land Acquisition cases for higher compensation	156.02	93.72
Others	629.22	496.11
These include ₹ 725.54 crores (previous year ₹ 1234.00 crores) against which BPCL has a recourse for recovery and ₹ 174.42 crores (previous year ₹ 160.83 crores) on capital account.		
ii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases	15.36	13.44
iii) Guarantees given on behalf of Subsidiaries/JV's	939.64	383.67
(c) Share of interest in Joint Ventures	183.90	137.23

46. Figures of the previous year have been regrouped, wherever necessary, to confirm to current period presentation.

Signature to Notes '1' to '46'

For and on behalf of the Board of Directors

As per our attached report of even date

For and on behalf of

Sd/-

R.K. SINGH

Chairman and Managing Director

T.R CHADHA & CO.

Chartered Accountants

FR No: 006711N

K.VARGHESE & CO.

Chartered Accountants

FR No: 004525S

Sd/-

S. VARADARAJAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

Sd/-

VIKAS KUMAR

Partner

Membership No.75363

Sd/-

SAM VARGHESE

Partner

Membership No. 216979

Place: Mumbai

Dated: 29th May, 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHARAT PETROLEUM CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying Financial Statements of Bharat Petroleum Corporation Limited ("the Corporation"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Corporation as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter:

We draw attention to Note 49(c) to the financial statements regarding recognition of marked to market loss of Rs. 324.35 crore on swap contracts. However, the marked to market gain of Rs. 521.14 crore to cover the risk on above transaction is not recognised for reasons stated in the Note. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 Corporation so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, except some disclosures as required under Accounting Standard 19, 'Accounting for Leases' are not made (Refer Note 43 of attached financial statements);
 - e. In view of exemption given vide notification no. G.S.R. 829 (E) dated 21st October, 2003 issued by Ministry of Corporate Affairs, provisions of clause (g) of sub-section (1) of Section 274 of the Act are not applicable to the Corporation.

For CNK & ASSOCIATES LLP
Chartered Accountants
Firm Registration No. 101961W

Sd/-
Himanshu Kishnadwala
Partner
Membership No.: 37391

Place : Mumbai
Dated : 29th May, 2014

For HARIBHAKTI & CO.
Chartered Accountants
Firm Registration No.103523W

Sd/-
Chetan Desai
Partner
Membership No.: 17000

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of Bharat Petroleum Corporation Limited ("the Corporation") on the financial statements for the year ended March 31, 2014)

- (i) (a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As per information and explanations given to us, physical verification of fixed assets (except as stated below) has been carried out by the Management during the year in accordance with the phased programme of verification of all assets over three years which, in our opinion, is reasonable having regard to the size of the Corporation and the nature of its assets. As informed, no material discrepancies were noticed on such verification. LPG Cylinders and pressure regulators with customers are not physically verified by the Management.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Corporation during the year.
- (ii) (a) The inventory (excluding stocks with third parties and inventories in transit) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Corporation and the nature of its business.
- (c) The Corporation is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- (iii) (a) As informed, the Corporation has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ("the Act"). Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the order are not applicable.
- (b) As informed, the Corporation has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions stated in paragraph 4 (iii)(f) and (g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists generally an adequate internal control system commensurate with the size of the Corporation and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Corporation.
- (v) According to the information and explanations given to us, we are of the opinion that there have been no contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under said Section.
- (vi) In our opinion and according to the information and explanations given to us, the Corporation has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Corporation has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Corporation in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Corporation is 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, customs duty, excise duty, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Corporation, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as per Annexure A.

- (x) The Corporation has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Corporation has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Corporation has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Corporation is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Corporation.
- (xiv) In our opinion, the Corporation is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Corporation.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Corporation, for loans taken by subsidiary companies and others from banks or financial institutions during the year, are not prejudicial to the interest of the Corporation.
- (xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Corporation, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us, the Corporation has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.
- (xix) According to the information and explanations given to us, no debentures have been issued by the Corporation during the year.
- (xx) The Corporation has not raised money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Corporation, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Corporation, noticed or reported during the year, except for following instances of fraud identified by the Management :
- a) The incident of an irregularity of Rs. 0.60 crore by a Corporation Owned Corporation Operated retail outlet operator. The amount has since been recovered.
- b) The incident of an irregularity of Rs. 0.15 crore relating to the Retail Territory by an officer. The amount has since been recovered.
- c) The fraud of Rs. 0.01 crore in respect of procurement of services committed by an officer at a Retail Territory. Disciplinary action has been taken against the officer concerned.

For CNK & ASSOCIATES LLP
Chartered Accountants
Firm Registration No. 101961W

Sd/-
Himanshu Kishnadwala
Partner
Membership No.: 37391

Place : Mumbai
Dated : 29th May, 2014

For HARIBHAKTI & CO.
Chartered Accountants
Firm Registration No.103523W

Sd/-
Chetan Desai
Partner
Membership No.: 17000

Annexure A
₹ in Crores

Nature of Statute/ Nature of Dues	Period Block	Forum where Dispute is pending						Grand Total
		Joint Secretary, MOF	Supreme Court	High Court	Appellate Tribunal *	Appellate Authority**	Adjudicating Authority ***	
Bombay Provincial Municipal Corporation Act, 1949	1995 to 2000			22.15				22.15
	2010 to 2014						0.70	0.70
Bombay Provincial Municipal Corporation Act, 1949 Total		-	-	22.15		-	0.70	22.85
Central Excise Act, 1944	1985 to 1990				0.07	0.07		0.14
	1990 to 1995				0.20	0.64		0.84
	1995 to 2000			0.13	45.39	31.12	0.45	77.09
	2000 to 2005	1.63	582.89	2.53	225.92	3.83	53.73	870.53
	2005 to 2010		126.47	28.21	369.61	3,410.12	983.40	4,917.81
	2010 to 2014				256.74	51.76	0.39	308.89
Excise Duty Total		1.63	709.36	30.87	897.93	3,497.54	1,037.97	6,175.30
Customs Act, 1962	1995 to 2000				69.26	103.50	3.25	176.01
	2000 to 2005				11.12	16.52	3.84	31.48
	2005 to 2010				0.68		5.22	5.90
	2010 to 2014						0.55	0.55
Customs Act, 1962 Total		-	-	-	81.06	120.02	12.86	213.94
Finance Act, 1994 (Service Tax)	2000 to 2005				2.23	0.27		2.50
	2005 to 2010				158.70	4.57	236.32	399.59
	2010 to 2014				4.11	0.00	32.60	36.71
Service Tax Total		-	-	-	165.04	4.84	268.92	438.80
Income Tax Act, 1961	1990 to 1995			4.41	0.22			4.63
	1995 to 2000			0.27	0.48	1.35		2.10
	2000 to 2005			2.98	5.51			8.49
	2005 to 2010					9.48		9.48
	2010 to 2014					4.19		4.19
Income Tax Act, Total		-	-	7.66	6.21	15.02	-	28.89
Sales Tax / VAT Legislations	1985 to 1990		1.51	22.31	4.69	9.48	1.19	39.18
	1990 to 1995		12.95		2.03	0.84	64.44	80.26
	1995 to 2000		5.32	13.35	195.42	855.82	210.49	1,280.40
	2000 to 2005		1.02	10.80	1,843.64	597.96	371.56	2,824.98
	2005 to 2010		132.68	29.92	2.93	468.36	185.96	819.85
	2010 to 2014			11.97	14.11	150.70	1.01	177.79
Sales Tax Total		-	153.48	88.35	2,062.82	2,083.16	834.65	5,222.46
Grand Total		1.63	862.84	149.03	3,213.06	5,720.58	2,155.10	12,102.24

Note - Dues Including Penalty & Interest, wherever applicable

* Appellate Tribunal includes Sales Tax Tribunal, CESTAT and ITAT.

** Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals.

*** Adjudicating Authority includes Collector of Sales Tax, Sales Tax Officer and Deputy Commissioner Sales Tax, Joint / Deputy / Additional Commissioner of Commercial Taxes.

BALANCE SHEET AS AT 31ST MARCH 2014

	Note No.	As at 31/03/2014	₹ in Crores As at 31/03/2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2	723.08	723.08
(b) Reserves and Surplus	3	18,735.68	15,910.94
		<u>19,458.76</u>	<u>16,634.02</u>
(2) Non-current liabilities			
(a) Long-term borrowings	4	11,808.36	5,508.37
(b) Deferred tax liabilities (Net)	5	1,360.90	1,655.72
(c) Other long-term liabilities	6	60.74	60.82
(d) Long-term provisions	7	1,157.31	1,092.01
		<u>14,387.31</u>	<u>8,316.92</u>
(3) Current liabilities			
(a) Short-term borrowings	8	8,183.70	18,058.42
(b) Trade payables	9	12,034.96	8,784.89
(c) Other current liabilities	10	15,694.09	13,515.98
(d) Short-term provisions	11	2,668.59	1,661.30
		<u>38,581.34</u>	<u>42,020.59</u>
TOTAL		<u><u>72,427.41</u></u>	<u><u>66,971.53</u></u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	12	18,968.83	16,624.03
(ii) Intangible assets	13	70.68	66.38
(iii) Capital work-in-progress	15	3,065.10	2,417.21
(iv) Intangible assets under development	14	-	2.53
(b) Non-current investments	16	7,238.10	6,942.10
(c) Long-term loans and advances	17	3,266.66	2,512.04
(d) Other non-current assets	18	166.14	27.65
		<u>32,775.51</u>	<u>28,591.94</u>
(2) Current assets			
(a) Current investments	19	4,608.79	5,160.90
(b) Inventories	20	19,071.13	16,690.37
(c) Trade receivables	21	4,080.16	4,025.13
(d) Cash and Bank Balances	22	203.76	2,328.86
(e) Short-term loans and advances	23	941.35	1,158.48
(f) Other current assets	24	10,746.71	9,015.85
		<u>39,651.90</u>	<u>38,379.59</u>
TOTAL		<u><u>72,427.41</u></u>	<u><u>66,971.53</u></u>
Significant Accounting Policies	1		
Other Notes to Accounts	33 to 54		

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
S.VARADARAJAN
Chairman and Managing Director

CNK & ASSOCIATES LLP
Chartered Accountants
FR No. 101961W

HARIBHAKTI & CO.
Chartered Accountants
FR No. 103523W

Sd/-
P. BALASUBRAMANIAN
Director (Finance)

Sd/-
S.V. KULKARNI
Company Secretary

Sd/-
HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Sd/-
CHETAN DESAI
Partner
Membership No. 17000

Place : Mumbai
Dated : 29th May, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

₹ in Crores

	Note No.	2013-14	2012-13
I) Revenue from operations	25	2,60,060.53	2,40,115.75
II) Other income	26	1,468.66	1,680.23
III) Total Revenue (I + II)		2,61,529.19	2,41,795.98
IV) Expenses			
1) Cost of raw materials consumed	27	1,09,197.43	97,489.49
2) Purchases of stock-in-trade	28	1,30,897.87	1,25,819.60
3) Changes in inventories of finished goods, work-in-progress and stock-in-trade	29	(2,030.30)	(1,471.79)
4) Employee benefits expense	30	2,896.35	2,768.87
5) Finance costs	31	1,359.08	1,825.24
6) Depreciation and amortization expense	12,13	2,246.82	1,926.10
7) Other expenses	32	11,012.96	9,402.78
Total expenses		2,55,580.21	2,37,760.29
V) Profit / (Loss) before tax (III - IV)		5,948.98	4,035.69
VI) Tax expense			
1) Current tax		2,275.00	1,173.29
2) Deferred tax		(294.82)	255.16
3) Short / (Excess) provision in earlier years provided for		(92.08)	(35.66)
Total tax expense		1,888.10	1,392.79
VII) Profit / (Loss) after tax for the year (V-VI)		4,060.88	2,642.90
VIII) Basic and Diluted Earnings per share (Face value ₹ 10) (Refer Note No. 44)		56.16	36.55
Significant Accounting Policies	1		
Other Notes to Accounts	33 to 54		

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
S.VARADARAJAN
Chairman and Managing Director

CNK & ASSOCIATES LLP
Chartered Accountants
FR No. 101961W

HARIBHAKTI & CO.
Chartered Accountants
FR No. 103523W

Sd/-
P. BALASUBRAMANIAN
Director (Finance)

Sd/-
S.V. KULKARNI
Company Secretary

Sd/-
HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Sd/-
CHETAN DESAI
Partner
Membership No. 17000

Place : Mumbai

Dated : 29th May, 2014

CASH FLOW STATEMENT

₹ in Crores

For the Year ended

A Cash Flow from Operating Activities

	31/03/2014	31/03/2013
Net Profit Before tax & Prior Period Items	5,900.96	4,035.69
Adjustments for :		
Depreciation	2,246.82	1,926.10
Interest	1,297.15	1,782.84
Foreign Exchange Fluctuations (Refer explanatory note 3)	328.62	151.82
(Profit) / Loss on Sale of fixed assets	12.98	23.85
(Profit) / Loss on Sale of investments	29.45	155.42
Income from Investments	(818.32)	(876.74)
Dividend Received	(139.22)	(147.44)
Other Non-Cash items (Refer explanatory note 4)	577.52	(118.82)
Operating Profit before Working Capital Changes	9,435.95	6,932.72
(Invested in) / Generated from :		
Trade Receivables	(310.79)	2,307.39
Other receivables	(1,788.40)	(115.42)
Inventory	(2,380.76)	(742.31)
Current Liabilities & Payables (Refer explanatory note 5)	5,188.56	(2,255.42)
Cash generated from Operations	10,144.56	6,126.96
Direct Taxes paid	(1,788.48)	(646.51)
Cash flow before prior period items	8,356.08	5,480.45
Prior Period Items	48.02	-
Net Cash Flow from Operating Activities	8,404.10	5,480.45

CASH FLOW STATEMENT (CONTD.)

₹ in Crores

For the Year ended	31/03/2014	31/03/2013
B Cash Flow from Investing Activities		
Purchase of fixed assets	(4,743.87)	(3,386.95)
Sale of fixed assets	7.10	3.53
Capital advances	(293.36)	(2.65)
Capital Grant Received	6.30	0.30
Investment, Loans and Advances to Joint Venture Companies		
Bharat Oman Refineries Limited	-	(650.00)
Bharat Renewable Energy Ltd.	(0.61)	(0.50)
Petroleum India International	(1.13)	(1.21)
GSPC India Gasnet Ltd.	(6.59)	(8.48)
GSPC India Transco Ltd.	(4.95)	(7.70)
Kannur International Airport Limited	(30.00)	(40.00)
Investment, Loans and Advances to Subsidiaries		
Bharat PetroResources Ltd. (Investment)	(250.00)	(1,270.00)
Bharat PetroResources Ltd. (Loan)	(300.00)	906.85
Sale of Investments	220.55	1,080.98
Income from Investment	971.45	841.23
Dividend Received	139.22	147.44
Net Cash used in Investing Activities	(4,285.89)	(2,387.16)
C Cash Flow from Financing Activities		
Long term Borrowings	6,351.23	3,478.33
Repayment of loans	(10,227.61)	(2,703.94)
Interest paid	(1,472.33)	(1,855.10)
Dividend Paid	(795.39)	(397.70)
Corporate Dividend Tax	(127.47)	(57.16)
Realised gains of exchange differences on foreign currency loans	27.83	(207.68)
Net Cash used in Financing Activities	(6,243.73)	(1,743.25)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+ B+ C)	(2,125.52)	1,350.04

CASH FLOW STATEMENT (CONTD.)

₹ in Crores
31/03/2012

Cash and Cash equivalents as at

	31/03/2013	31/03/2012
Cash in Hand	48.05	26.64
Cheques & drafts on hand	74.46	48.36
Cash at Bank	2,204.77	901.49
Effect of Exchange difference on Translation of Foreign Currency cash and cash equivalents	(0.80)	(0.05)
	<u>2,326.48</u>	<u>976.44</u>

Cash and Cash equivalents as at

	31/03/2014	31/03/2013
Cash in Hand	47.07	48.05
Cheques & drafts on hand	55.68	74.46
Cash at Bank	100.32	2,204.77
Effect of Exchange difference on Translation of Foreign Currency cash and cash equivalents	(2.11)	(0.80)
	<u>200.96</u>	<u>2,326.48</u>

Net change in Cash and Cash equivalents

	<u>(2,125.52)</u>	<u>1,350.04</u>
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Explanatory notes to Cash Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 as notified by the Central Government.
2. In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
3. The net profit / loss arising due to conversion of current assets / current liabilities, receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations".
4. "Other Non-Cash items" include excess provisions written back, diminution in value of investment, amortisation of Capital grant, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. "Current Liabilities and Payables" may include Payables in respect of Purchase of Fixed Assets, if any.
6. Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
S.VARADARAJAN
Chairman and Managing Director

CNK & ASSOCIATES LLP
Chartered Accountants
FR No. 101961W

HARIBHAKTI & CO.
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FR No. 103523W

Sd/-
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Director (Finance)

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Company Secretary

Sd/-
HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Sd/-
CHETAN DESAI
Partner
Membership No. 17000

Place : Mumbai

Dated : 29th May, 2014

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

Company Overview

Bharat Petroleum Corporation Limited referred to as "BPCL" or "the Corporation" was incorporated on 3rd November, 1952. BPCL is a Government of India Enterprise listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Corporation is engaged in the business of refining of crude oil and marketing of petroleum products. It has refineries at Mumbai and Kochi, LPG bottling plants and Lube blending plants. The Corporation's marketing infrastructure includes vast network of Installations, Depots, Retail Outlets, Aviation Service Stations and LPG distributors.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1. BASIS FOR PREPARATION

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Corporation has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 (which continue to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs). The financial statements have been prepared on an accrual basis (unless otherwise stated) and under historical cost convention. The accounting policies are consistent with those used in previous year except for the policy in respect of depreciation on computer equipments and mobile phones provided at the residence of management staff referred to in para 1.6.1 (c).

1.2. USE OF ESTIMATES

The preparation of financial statements requires the management of the Corporation to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences, if any, between actual amounts and estimates are recognised in the period in which the results are known.

1.3. FIXED ASSETS

1.3.1. TANGIBLE FIXED ASSETS

- a) Fixed Assets are stated at cost net of accumulated depreciation.
- b) Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.
- c) First time procurement cost of catalyst is capitalized along with the project cost and the cost of subsequent replacements are charged off in the year of issuance to consumption.
- d) Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding ₹ 1,000 per item are charged to revenue.
- e) Machinery spares that are specific to a fixed asset are capitalised along with the fixed asset. Replacement of such spares is charged to revenue.
- f) Land acquired on lease where period of lease exceeds 99 years is treated as freehold land.
- g) **Expenditure during construction period** : Direct expenses including borrowing cost incurred during construction period on capital projects are capitalised. Indirect expenses of the project group which are allocated to projects costing ₹ 5 crores and above are also capitalised. Crop compensation expenses incurred in the process of laying pipelines are capitalised as part of pipeline cost. Expenditure incurred during construction period on projects like electricity transmission lines, roads, culverts etc. the ownership of which is not with the Corporation are charged to revenue in the accounting period of incurrence of such expenditure.

1.3.2 INTANGIBLE ASSETS

- a) Intangible assets are carried at cost less accumulated amortization.
- b) Cost of Right of Way which is perpetual and absolute in nature is amortised over a period of 99 years and in other cases, over its estimated useful life.
- c) Expenditure incurred for creating/acquiring other intangible assets of ₹ 0.50 Crore and above, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit. In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

1.4. IMPAIRMENT OF ASSETS

The values of tangible and intangible assets of respective Cash Generating Units are reviewed by the management for impairment at each Balance Sheet date, if events or circumstances indicate that the carrying values may not be recoverable. If the carrying value is more than higher of net selling price of the asset or present value of estimated future cash flows, the difference is recognized as an impairment loss.

1.5. BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of the cost of such assets till the month in which the asset is ready for use. All other borrowing costs are charged to revenue.

1.6. DEPRECIATION

1.6.1. Depreciation on fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956, except in following cases:

- a) Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.
- b) Fixed assets costing not more than ₹ 5,000 each, LPG cylinders and pressure regulators are depreciated at 100 percent in the year of acquisition.
- c) Computer equipments are depreciated over a period of 4 years. Mobile phones are depreciated over a period of 3 years. Furniture, other than computer equipments and mobile phones, provided at the residence of management staff is depreciated over a period of 7 years.
- d) Paver Blocks and Canopy capitalised under Buildings are depreciated based on the estimated useful life of 30 years.

1.6.2. Depreciation is charged on addition / deletion on pro-rata monthly basis including the month of addition / deletion.

1.7. INVESTMENTS

1.7.1. Current investments are valued at lower of cost or fair value determined on an individual investment basis.

1.7.2. Long-term investments are valued at cost. Provision for diminution in value is made to recognise a decline, other than of temporary nature, in the value of such investments.

1.8. INVENTORY

1.8.1. Inventories are stated at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis (determined on periodical basis as appropriate) and comprises of expenditure incurred in the normal course of business in bringing inventories to their present location including appropriate overheads apportioned on a reasonable and consistent basis.

1.8.2. The net realizable value of finished goods and stock-in-trade are based on the inter-company transfer prices and final selling prices (applicable at the location of stock) for sale to oil companies and retail consumers respectively. For the purpose of stock valuation, the proportion of sales to oil companies and retails sales are determined on all India basis and considered for stock valuation at all locations.

1.8.3. The cost of Stock-in-Process is determined at raw material cost plus cost of conversion.

1.8.4. Obsolete, slow moving, surplus and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.

1.9. REVENUE RECOGNITION

1.9.1. Revenue is recognised when, sufficient risks and rewards incidental to ownership are transferred to the customer, it can be reliably measured and it is reasonable to expect ultimate collection.

1.9.2. Sales represents invoiced value of goods supplied net of trade discounts, and include applicable excise duty, surcharge and other elements as are allowed to be recovered as part of the price but excludes VAT / Sales Tax. Further, it includes other elements allowed by the Government from time to time.

1.9.3. Claims including subsidy on LPG and SKO from Government of India are booked on in principle acceptance thereof on the basis of available instructions/clarifications subject to final adjustments after necessary audit, as stipulated.

- 1.9.4. Other claims are booked when there is a reasonable certainty of recovery. Claims are reviewed on a periodical basis and if recovery is uncertain, provision is made in the accounts.
- 1.9.5. Income from sale of scrap is accounted for on realisation.
- 1.9.6. Dividend income is recognized when the Corporation's right to receive the dividend is established.
- 1.9.7. Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

1.10. CLASSIFICATION OF INCOME / EXPENSES

- 1.10.1. Expenditure on Research, other than capital expenditure, is charged to revenue in the year in which the expenditure is incurred.
- 1.10.2. Income/expenditure upto ₹ 0.05 crore in each case pertaining to prior year(s) is charged to the current year.
- 1.10.3. Prepaid expenses upto ₹ 0.05 crore in each case, are charged to revenue as and when incurred.
- 1.10.4. Deposits placed with Government agencies / local authorities which are perennial in nature are charged to revenue in the year of payment.

1.11. EMPLOYEE BENEFITS

- 1.11.1. Contributions to defined contribution schemes such as Pension, Superannuation, Provident Fund, etc. are charged to the Statement of Profit and Loss as and when incurred.
- 1.11.2. The Corporation also provides for retirement / post-retirement benefits in the form of gratuity, leave encashment, post retirement benefits and other long term benefits. Such defined benefits are charged to the Statement of Profit and Loss based on valuations made by independent actuary using the Projected Unit Credit Method, as at the Balance Sheet date.
- 1.11.3. Expenditure on account of Voluntary Retirement Scheme are charged to Statement of Profit and Loss as and when incurred.

1.12. DUTIES ON BONDED STOCKS

- 1.12.1. Customs duty on Raw materials / Finished goods lying in bonded warehouse are provided for at the applicable rates except where liability to pay duty is transferred to consignee.
- 1.12.2. Excise duty on finished stocks lying at manufacturing locations is provided for at the assessable value applicable at each of the locations based on end use.

1.13. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

- 1.13.1. Transactions in foreign currency are accounted in the reporting currency at the exchange rate prevailing on the date of transaction.
- 1.13.2. Monetary items denominated in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet.
- 1.13.3. Foreign Exchange differences arising at the time of translation or settlement are recognised as income or expense in the Statement of Profit and Loss either as Profit or Loss on Foreign Currency transactions and translations or Finance Cost, as the case may be.
- 1.13.4. However, foreign exchange differences on long term foreign currency monetary items relating to acquisition of depreciable assets are adjusted to the carrying cost of the assets and depreciated over the balance life of the asset and in other cases, if any, accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of the asset or liability.
- 1.13.5. Premium / discount arising at the inception of the forward exchange contracts to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of Profit and Loss.
- 1.13.6. Gains / losses arising on settlement of Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures on account of fluctuations in interest rates and foreign exchange are recognised in the Statement of Profit and Loss. Provision for losses in respect of outstanding contracts as on Balance Sheet date is made based on mark to market valuations of such contracts.

1.14. GOVERNMENT GRANTS

- 1.14.1. When the grant relates to an expense item or depreciable fixed assets, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. The grant relating to future years are treated as Deferred Income and reflected as Capital Reserve in Balance Sheet.
- 1.14.2. Government grants of the nature of promoters' contribution or relating to non-depreciable assets are credited to Capital Reserve in Balance Sheet.

1.15. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- 1.15.1. A provision is recognized when the Corporation has a present obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made.
- 1.15.2. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.
- 1.15.3. Capital commitments and Contingent liabilities disclosed are in respect of items which exceed ₹ 0.05 crore in each case.

1.16. TAXES ON INCOME

- 1.16.1. Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
- 1.16.2. Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date.
- 1.16.3. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future. However, in respect of unabsorbed depreciation or carry forward losses, the deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the assets will be realized in future.
- 1.16.4. The carrying amount of deferred tax assets and unrecognized deferred tax assets are reviewed at each Balance Sheet date.

1.17. EARNINGS PER SHARE

- 1.17.1 Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity share holders (after deducting preference dividends, if any, and attributable taxes) by the weighted average number of equity shares outstanding during the period.
- 1.17.2 For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

1.18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and on hand. The Corporation considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.19. CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT AND NON-CURRENT

All assets and liabilities are classified as current or non-current as per the Corporation's normal operating cycle (determined at 12 months) and other criteria set out in Revised Schedule VI to the Companies Act, 1956.

1.20. ACCOUNTING FOR LEASES

For operating leases, rentals are expensed with reference to lease terms and other relevant considerations.

2. SHARE CAPITAL

₹ in Crores

	31/03/2014	31/03/2013
i Authorised		
2,50,00,00,000 equity shares (previous year 2,50,00,00,000 equity shares)	2,500.00	<u>2,500.00</u>
ii Issued, subscribed and paid-up		
72,30,84,248 (previous year 72,30,84,248) equity shares fully paid-up	723.08	<u>723.08</u>
Total	723.08	<u>723.08</u>

iii The Corporation has only one class of shares namely equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Corporation, the holders of equity shares will be entitled to receive the remaining assets of the Corporation in proportion to the number of equity shares held.

The Corporation declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

iv During the period ended 31st March 2014, proposed dividend per share is ₹ 17 (previous year ₹ 11). The total dividend appropriation for the year ended 31st March 2014 amounted to ₹ 1,425.82 crores (previous year ₹ 922.86 crores) including Corporate Dividend Tax of ₹ 196.58 crores (previous year ₹ 127.47 crores)

v During Financial Year 2012-13, the Corporation had issued Bonus Shares in the ratio of 1:1 by capitalisation of General Reserve. The total number of Bonus Shares issued is 36,15,42,124 equity shares having face value of ₹ 10 each.

vi Reconciliation of No. of Equity Shares

	31/03/2014	31/03/2013
A. Opening Balance	72,30,84,248	36,15,42,124
B. Shares Issued		
- Bonus Shares	-	36,15,42,124
C. Shares Bought Back	-	-
D. Closing Balance	72,30,84,248	72,30,84,248

vii Details of shareholders holding more than 5% shares

Name of Shareholder	31/03/2014		31/03/2013	
	% Holding	No. of shares	% Holding	No. of shares
Government of India	54.93	39,72,00,120	54.93	39,72,00,120
BPCL Trust for Investment in shares	9.33	6,74,57,474	9.33	6,74,57,474
Life Insurance Corporation of India	5.42	3,91,62,846	5.14	3,71,73,606

3. RESERVES AND SURPLUS

	₹ in Crores	
	31/03/2014	31/03/2013
Capital Reserve		
As per last Balance Sheet	16.27	16.15
Add: Grant received during the year	6.30	0.30
Less : Amortisation of Capital Grant during the year	(0.87)	(0.18)
	<u>21.70</u>	<u>16.27</u>
Debenture Redemption Reserve		
As per Last Balance Sheet	126.30	1,000.00
Add : Transfer from Surplus	196.84	-
Less : Transfer to General Reserve	-	(873.70)
	<u>323.14</u>	<u>126.30</u>
General Reserve		
As per last Balance Sheet	15,268.37	13,036.17
Add : Transfer from Debenture Redemption Reserve	-	873.70
Add : Transfer from Surplus	2,438.22	1,720.04
Less : Utilised towards issue of Bonus Shares	-	(361.54)
	<u>17,706.59</u>	<u>15,268.37</u>
Foreign Currency Monetary Item Translation Difference Account (Refer Note No. 34)		
As per last Balance Sheet	-	-
Add : Additions during the year	191.84	-
Less : Amortization during the year	(7.59)	-
	<u>184.25</u>	<u>-</u>
Surplus		
As per last Balance Sheet	500.00	500.00
Add : Profit / (Loss) for the year as per Statement of Profit and Loss	4,060.88	2,642.90
Less : Proposed Dividend	(1,229.24)	(795.39)
Less : Corporate Dividend Tax	(196.58)	(127.47)
Less : Transfer to Debenture Redemption Reserve	(196.84)	-
Less : Transfer to General Reserve	(2,438.22)	(1,720.04)
	<u>500.00</u>	<u>500.00</u>
Total	<u>18,735.68</u>	<u>15,910.94</u>

4. LONG-TERM BORROWINGS

	31/03/2014		31/03/2013	
	Current #	Non-Current	Current #	Non-Current
Secured				
From others				
Debentures				
8.65% Secured Non-Convertible Debentures 2017*	-	700.00	-	700.00
Unsecured				
From banks				
Foreign Currency Loans - Syndicated	150.25	6,610.98	-	1,767.65
From Others				
Bonds				
4.625% US Dollar International Bonds 2022	-	3,004.99	-	2,719.47
3% Swiss Franc International Bonds 2019	-	1,350.39	-	-
Term Loan				
Loan from Oil Industry Development Board	179.25	142.00	272.25	321.25
Total	<u>329.50</u>	<u>11,808.36</u>	<u>272.25</u>	<u>5,508.37</u>

Classified under other current liabilities (Refer Note No. 10)

4. LONG-TERM BORROWINGS (CONTD.)

Terms of Repayment Schedule of Long-term borrowings as on 31/03/2014 :

Non-Current	₹ in Crores	Maturity
8.65% Secured Non-Convertible Debentures 2017	700.00	08-Oct-17
Foreign Currency Loans - Syndicated	991.65	07-Nov-19
	1,021.70	07-Nov-18
	991.65	07-Nov-17
	1,802.99	09-Mar-17
	600.99	03-Feb-17
	1,202.00	26-Feb-16
4.625% US Dollar International Bonds 2022	3,004.99	25-Oct-22
3% Swiss Franc International Bonds 2019	1,350.39	20-Dec-19
Loan from Oil Industry Development Board - 2017	122.75	30-Mar-17
Loan from Oil Industry Development Board - 2015	19.25	20-Apr-15

Current	₹ in Crores	Maturity
Foreign Currency Loans - Syndicated	150.25	25-Nov-14
Loan from Oil Industry Development Board - 2017	25.00	31-Mar-15
Loan from Oil Industry Development Board - 2017	24.25	30-Sep-14
Loan from Oil Industry Development Board - 2015	19.25	20-Apr-14
Loan from Oil Industry Development Board - 2014	110.75	Apr-Sep 14

* The Corporation had allotted redeemable non-convertible 8.65% Debentures of face value of ₹ 700 crores on 8th October 2012 redeemable on 8th October 2017 with a put call option on 8th October 2015. These are secured by first legal mortgage by way of a Registered Debenture Trust Deed over the fixed assets of the Corporation, mainly Plant and Machinery at Mumbai Refinery.

5. DEFERRED TAX LIABILITIES (NET)

The net deferred tax asset of ₹ 294.82 crores (previous year deferred tax liability of ₹ 255.16 crores) is recognised during the year in the Statement of Profit & Loss. The breakup of components of deferred tax assets / liabilities are as under:

	31/03/2014	₹ in Crores 31/03/2013
Deferred Tax Liabilities		
On account of depreciation	2,574.80	2,489.29
Total Deferred Tax Liabilities	2,574.80	2,489.29
Deferred Tax Assets		
Disallowances under Income Tax Act, 1961	556.52	550.42
Provisions for mark to market for investments & loans, doubtful debts, claims, etc.	611.16	256.79
Voluntary Retirement Scheme & Long Term Capital Loss	46.22	26.36
Total Deferred Tax Assets	1,213.90	833.57
Deferred Tax Liabilities (Net)	1,360.90	1,655.72

6. OTHER LONG-TERM LIABILITIES

	31/03/2014	31/03/2013
Security / Earnest Money Deposits	13.93	15.56
Retiral Dues	46.81	45.26
Total	60.74	60.82

7. LONG-TERM PROVISIONS

	31/03/2014	31/03/2013
Provision for employee benefits (Refer Note No. 39)	1,157.31	1,092.01
Total	1,157.31	1,092.01

8. SHORT-TERM BORROWINGS

	31/03/2014	31/03/2013
Loans repayable on demand		
Secured		
From banks		
Working capital loans / Cash Credit *	1,723.91	660.47
From others		
Collateralized Borrowings and Lending Obligation **	1,101.25	622.00
Unsecured		
From banks		
Rupee Loans	-	70.00
Foreign Currency Loans	5,358.54	16,275.95
From others		
Commercial Papers	-	430.00
Total	8,183.70	18,058.42

* Secured in favour of the participating banks ranking pari passu inter-alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future.

** Secured by Oil marketing Companies GOI Special Bonds 2026 of ₹ 2,450 crores (previous year ₹ 2,450 crores) and a bank guarantee of ₹ 500 crores (previous year ₹ 500 crores) issued in favour of Clearing Corporation of India Limited.

9. TRADE PAYABLES

	31/03/2014	31/03/2013
Dues to subsidiaries	191.45	610.81
Dues to others (Refer Note No. 38)	11,843.51	8,174.08
Total	12,034.96	8,784.89

10. OTHER CURRENT LIABILITIES

	31/03/2014	31/03/2013
Current maturities of long-term borrowings (Refer Note No.4)	329.50	272.25
Interest accrued but not due on borrowings	137.79	129.69
Deposits from Customers	30.44	26.53
Deposits for Containers	6,494.96	5,590.79
Advances from Customers	590.80	486.90
Unclaimed Dividend *	2.80	2.38
Unclaimed Deposits *	0.14	0.15
Unclaimed Interest on Deposits *	0.07	0.07
Statutory Liabilities (Refer Note No. 46)	3,045.86	2,174.20
Dues to micro and small enterprises (Refer Note No. 40)	131.87	98.39
Other Liabilities	4,929.86	4,734.63
Total	15,694.09	13,515.98

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

11. SHORT TERM PROVISIONS

	31/03/2014	31/03/2013
Provision for employee benefits (Refer Note No. 39)	153.01	147.89
Provision for Taxation (Net of Advance tax paid)	1,089.76	590.55
Proposed dividend	1,229.24	795.39
Corporate Dividend Tax on Proposed Dividend	196.58	127.47
Total	2,668.59	1,661.30

12. TANGIBLE ASSETS

Particulars	Gross Block					Depreciation		
	As at 01/04/2013	Additions	Other Adjustments (Refer Note 34)	Reclassifications /Deductions on account of Retirement/Disposal	As at 31/03/2014	Up to 31/03/2013	For the year	Recla /De On Retire
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1. Land								
(a) Freehold	469.38	288.37	-	1.23	756.52	-	-	
(b) Leasehold	195.87	3.86	-	1.39	198.34	31.07	4.51	
2. Buildings	5,739.37	568.12	65.79	39.02	6,334.26	1,007.65	144.73*	
3. Plant and Equipments #	11,089.26	1,951.50	158.31	30.16	13,168.91	4,986.73	577.23	
4. Furniture and Fixtures	259.82	30.95	-	4.60	286.17	112.36	18.88**	
5. Vehicles	176.05	12.98	-	5.08	183.95	117.63	12.88	
6. Office Equipment #	823.95	104.92	-	10.67	918.20	613.48	76.14	
7. Railway Sidings	304.40	7.78	-	1.24	310.94	157.17	12.66	
8. Tanks and Pipelines	6,150.46	215.31	0.07	15.72	6,350.12	3,143.65	362.82	
9. Dispensing Pumps	2,253.83	262.62	43.10	33.41	2,526.14	668.62	112.98	
10. LPG Cylinders and Allied Equipment	6,043.12	849.33	64.03	12.16	6,944.32	6,043.12	913.36	
Total	33,505.51	4,295.74	331.30	154.68	37,977.87	16,881.48	2,236.19	
Previous Year	31,564.44	2,128.81	105.02	292.76	33,505.51	15,028.20	2,020.09	

* Paver blocks and Canopy, capitalized under Buildings, are being depreciated based on the revised estimated useful life of 30 years w.e.f. financial year 2012-13. depreciation of ₹ 139.62 Crores in financial year 2012-13.

** Computer equipments (under Furniture On Hire Scheme) and Mobile Phones provided at the residence of the Management Staff have been depreciated over 4 years and 3 years respectively w.e.f. financial year 2013-14. The effect of this change is increase in depreciation for the year by ₹ 0.64 Crores.

The assets under the category 'Others' presented till financial year 2012-13 (Gross Block as at 31st March 2013 ₹ 2,228.54 Crores and Net Block ₹ 1,114.27 Crores) are now presented under category 'Plant and Equipments' (Gross Block ₹ 1,859.76 Crores and Net Block ₹ 1,225.82 Crores) and 'Office Equipment' (Gross Block ₹ 368.78 Crores and Net Block ₹ 183.95 Crores) upon the nature of the assets.

Additional information in respect of Note No. 12:

a) Other adjustments include capitalization of foreign exchange differences of ₹ 288.02 Crores (previous year ₹ 105.02 Crores) and borrowing costs of ₹ 43.28 Crores (previous year Nil).

b) Land:

- Freehold land includes ₹ 32.04 Crores (previous year ₹ 32.07 Crores) with more than 99 years lease period.
- Freehold land includes ₹ 339.34 Crores (previous year ₹ 60.34 Crores) capitalised at various locations for which conveyance deeds are yet to be executed and/or mutation is pending.
- Freehold land includes ₹ 2.20 Crores (previous year ₹ 2.20 Crores) which is in the process of being surrendered to the Competent Authority.
- Leasehold land includes the following which though in the possession of Corporation, the lease deeds are yet to be registered :

- Land acquired on lease for a period exceeding 99 years (Gross Block ₹ 0.91 Crores).

- Other leasehold land - Gross Block ₹ 198.34 Crores (previous year ₹ 195.87 Crores) and Net Block ₹ 0.32 Crores (previous year ₹ 0.31 Crores).

c) Buildings include Ownership flats of ₹ 47.43 Crores (previous year ₹ 47.43 Crores) existing co-operative societies and others.

d) Land, Plant & Machinery, Tanks & Pipelines, Railways and other assets (Gross Block ₹ 196.02 Crores), Cumulative Depreciation ₹ 116.02 Crores, Net Block ₹ 82.35 Crores (previous year ₹ 88.43 Crores).

e) Gross Block includes ₹ 42.41 Crores (previous year ₹ 42.27 Crores) which are currently in active use during the period in which they were acquired. Net Block ₹ 17.82 Crores (previous year ₹ 42.27 Crores) has been disposed.

13. INTANGIBLE ASSETS

Particulars	Useful Life (No. Of Months)	Gross Amount				Amortisation			
		As at 01/04/2013	Additions	Other Adjustments	Reclassifications/ Deletions	As at 31/03/2014	Up to 31/03/2013	For the year	Recla
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Right of Way	1,188	36.18	0.28	-	-	36.46	2.16	0.37	
2. Software / License	24 - 60	54.78	19.93	-	0.01	74.70	40.12	6.88	
3. Development Rights	60	1.50	-	-	-	1.50	1.50	-	
4. Process Licenses	60	76.81	8.89	0.24	12.69	73.25	59.11	6.98	
Total		169.27	29.10	0.24	12.70	185.91	102.89	14.23	
Previous Year		162.35	7.22	-	0.30	169.27	86.21	16.74	

Other adjustments include borrowing cost of ₹ 0.24 Crores (previous year Nil).

Additional information in respect of Note Nos. 12 and 13:

- Deduction from Gross Block includes Write back of excess capitalisation of ₹ 41.71 Crores (previous year ₹ 107.02 Crores) and ₹ 186.04 Crores (previous year ₹ 186.04 Crores).
- Depreciation and amortisation for the year includes charged to Statement of Profit and Loss ₹ 2,250.42 Crores (previous year ₹ 2,250.42 Crores) and expenses NIL (previous year ₹ 100.72 Crores).
- Deductions from depreciation includes on excess capitalisation ₹ 3.52 Crores (previous year ₹ 7.88 Crores); on withdrawal of assets ₹ 105.50 Crores (previous year ₹ 156.53 Crores); on reclassification of assets ₹ 0.08 Crores (previous year ₹ 2.11 Crores) and ₹ 0.34 Crores (previous year ₹ 0.34 Crores).

14. INTANGIBLE ASSETS UNDER DEVELOPMENT

Particulars	Useful Life (No. Of Months)	Gross Amount				Amortisation			
		As at 01/04/2013	Additions	Capitalisation as Intangible Asset/ Deletions	As at 31/03/2014	Up to 31/03/2013	For the year	Del Recla	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1. Software		2.53	-	2.53	-	-	-		
Total		2.53	-	2.53	-	-	-		
Previous Year		2.53	-	-	2.53	-	-		

There are no internally generated Intangible Assets

15. CAPITAL WORK-IN-PROGRESS

		₹ in Crores	
		31/03/2014	31/03/2013
Capital work-in-progress (at cost)			
Capital Work-in-progress		2,104.45	1,731.18
Capital stores including lying with contractors		588.17	535.02
Capital goods in transit		23.44	30.10
Allocation of Construction period expenses			
	31/03/2014	31/03/2013	
Opening balance	120.91	48.17	
Add: Expenditure during the year			
Establishment charges including Salaries & Wages	79.15	41.92	
Interest	43.23	12.73	
Foreign Exchange Fluctuations	183.10	38.14	
Others	32.12	2.91	
	<u>458.51</u>	<u>143.87</u>	
Less: Allocated to assets capitalised during the year / charged off	(109.47)	(22.96)	
Closing balance pending allocation		349.04	120.91
Total		<u><u>3,065.10</u></u>	<u><u>2,417.21</u></u>

16. NON-CURRENT INVESTMENTS

(At Cost unless otherwise specified)

	No. of Units		Book Value	
	31/03/2014 Nos.	31/03/2013 Nos.	31/03/2014 ₹ in Crores	31/03/2013 ₹ in Crores
Long Term				
(a) Trade - Investment in Equity Instruments				
Quoted				
Equity Shares of ₹10 each (fully paid up)				
Joint ventures				
Petronet LNG Limited	9,37,50,000	9,37,50,000	98.75	98.75
Indraprastha Gas Limited	3,15,00,080	3,15,00,080	31.50	31.50
Others				
Oil India Limited	1,33,75,275	1,33,75,275	561.76	561.76
			692.01	692.01
Unquoted				
Equity Shares of ₹ 10 each (fully paid up)				
Subsidiaries				
Numaligarh Refinery Limited	45,35,45,998	45,35,45,998	453.55	453.55
Bharat PetroResources Limited	2,62,00,02,670	2,37,00,02,670	2,620.00	2,370.00
Joint ventures				
Bharat Oman Refineries Limited	88,86,13,336	88,86,13,336	888.61	888.61
Delhi Aviation Fuel Facility Private Limited	6,06,80,000	6,06,80,000	60.68	60.68
Petronet CCK Limited	4,90,00,000	4,90,00,000	49.00	49.00
Maharashtra Natural Gas Limited	2,24,99,600	2,24,99,600	22.50	22.50
Sabarmati Gas Limited	50,00,000	50,00,000	19.96	19.96
Petronet India Limited	1,60,00,000	1,60,00,000	16.00	16.00
Central UP Gas Limited	1,50,00,000	1,50,00,000	15.00	15.00
Bharat Stars Services Pvt. Ltd	1,00,00,000	1,00,00,000	10.00	10.00
Bharat Renewable Energy Ltd	33,60,000	22,50,000	3.36	2.25
Petronet CI Limited	15,84,000	15,84,000	1.58	1.58
GSPL India Gasnet Ltd.	1,50,72,128	63,56,743	15.07	6.36
GSPL India Transco Ltd.	1,26,50,000	42,41,359	12.65	4.24
Others				
Cochin International Airport Limited	1,05,00,000	1,05,00,000	10.50	10.50
Equity Shares of ₹ 100 each (partly paid up)				
Joint ventures				
Kannur International Airport Limited	1,70,00,000	1,70,00,000	70.00	40.00
Current Year ₹ 41.18 paid up (Previous Year ₹ 23.53 paid up)				
Equity Shares of USD 1 each (fully paid up)				
Joint ventures				
Matrix Bharat Pte. Ltd.	20,00,000	20,00,000	8.41	8.41
Others				
BPCL Trust for investment in shares (Refer Note No. 35)			659.10	659.10
			4,935.97	4,637.74

16. NON-CURRENT INVESTMENTS (CONTD.)

	No. of Units		Book Value	
	31/03/2014 Nos.	31/03/2013 Nos.	31/03/2014 ₹ in Crores	31/03/2013 ₹ in Crores
INVESTMENT IN SHARE WARRANTS				
UNQUOTED				
Joint ventures				
Bharat Oman Refineries Limited				
- of ₹ 10 each (fully paid up)	48,68,86,664	48,68,86,664	486.89	486.89
- of ₹ 15 each (fully paid up)	29,91,94,364	29,91,94,364	448.79	448.79
- of ₹ 18 each (fully paid up)	36,11,11,111	36,11,11,111	650.00	650.00
			1,585.68	1,585.68
INVESTMENT IN DEBENTURES OR BONDS				
UNQUOTED				
6% Optional Convertible Debenture of ₹ 1,00,000 each (fully paid up)				
Joint ventures				
Sabarmati Gas Limited	2,000	2,000	20.00	20.00
			7,233.66	6,935.43
Less : Provision for diminution in value of investment				
Petronet India Limited			(16.00)	(16.00)
Petronet CI Limited			(1.58)	(1.58)
Bharat Renewable Energy Ltd			(3.36)	-
			(20.94)	(17.58)
			7,212.72	6,917.85
(b) NON TRADE -				
INVESTMENT IN EQUITY INSTRUMENTS				
UNQUOTED				
Equity Shares of Kochi Refineries Employees Consumer Co-operative Society Limited (Fully paid up)	500	500	# #	# #
# # Value ₹ 5,000				
Ordinary Shares (Fully paid up) of Sindhu Resettlement Corporation Limited	6	6	#	#
# Value ₹ 19,000				
INVESTMENT IN DEBENTURES OR BONDS				
UNQUOTED				
DEBENTURES (IRREDEEMABLE - FULLY PAID UP)				
5 % debentures of East India Clinic Limited	1	1	0.01	0.01
			0.01	0.01
IN ASSOCIATION OF PERSONS				
UNQUOTED				
Capital Contribution in Petroleum India International			10.00	10.00
Share in accumulated surplus of Petroleum India International			15.37	14.24
			25.37	24.24
Member Companies # # #				
Bharat Petroleum Corporation Limited				
Engineers India Limited				
Hindustan Petroleum Corporation Limited				
Indian Oil Corporation Limited				
Indian Petrochemicals Corporation Limited				
Chennai Petroleum Corporation Limited				
Oil and Natural Gas Corporation Limited				
Oil India Limited				
Total			7,238.10	6,942.10

Aggregate value of Unquoted Securities ₹ 6,546.09 crores (previous year ₹ 6,250.09 crores)

Aggregate value of Quoted Securities ₹ 692.01 crores (previous year ₹ 692.01 crores)

Market value of Quoted Securities ₹ 2,866.35 crores (previous year ₹ 2,820.86 crores)

The total capital is ₹ 55.00 crores of which share of Bharat Petroleum Corporation Limited is ₹ 10.00 crores, Indian Oil Corporation Limited is ₹ 15.00 crores and other members have equal share of ₹ 5.00 crores each.

17. LONG-TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

₹ in Crores

	31/03/2014	31/03/2013
Capital advances	387.10	93.74
Security deposits	23.76	26.07
Loans and advances to subsidiaries		
Bharat PetroResources Limited	300.00	-
Loans and advances to related parties		
Bharat Oman Refineries Limited	1,354.10	1,354.10
Petronet LNG Limited	56.18	-
GSPL India Gasnet Limited *	-	2.12
GSPL India Transco Limited *	-	3.46
Bharat Renewable Energy Limited *	-	0.50
Loans and advances to employees (secured) (Refer Note No. 42)	547.27	537.30
Loans to others :		
Considered good	37.76	37.01
Considered doubtful	0.10	0.10
Less: Provision for doubtful loans	(0.10)	(0.10)
Claims & Deposits :		
Considered good	439.88	403.37
Considered doubtful	47.68	38.17
Less : Provision for doubtful claims	(47.68)	(38.17)
Advance Income Tax (Net of provision for taxation)	120.61	54.37
Total	3,266.66	2,512.04

* Advance against equity shares (pending allotment)

18. OTHER NON-CURRENT ASSETS

(Unsecured, considered good unless otherwise stated)

₹ in Crores

	31/03/2014	31/03/2013
Unamortized Issuance Expenses on Borrowings	100.21	26.69
Gratuity Account Balance (Refer Note No. 39)	64.96	-
Bank deposits with more than twelve months maturity *	0.97	0.96
Total	166.14	27.65

* Includes deposit of ₹ 0.80 crores (previous year ₹ 0.80 crores) that have been pledged / deposited with local authorities.

19. CURRENT INVESTMENTS

(Current Investments are valued at lower of cost or fair market value)

₹ in Crores

	No. in Thousands		Book Value	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
INVESTMENTS IN GOVERNMENT SECURITIES (FACE VALUE ₹ 100 EACH)				
NON TRADE - QUOTED				
1. 6.35% Oil Marketing Companies GOI Special Bonds 2024	2,09,496	234,496	2,094.96	2,344.96
2. 6.90% Oil Marketing Companies GOI Special Bonds 2026 #	2,47,400	247,400	2,474.00	2,474.00
3. 7.59% Oil Marketing Companies GOI Special Bonds 2015	231	231	2.31	2.31
4. 7.61% Oil Marketing Companies GOI Special Bonds 2015	81	81	0.81	0.81
5. 7.95% Oil Marketing Companies GOI Special Bonds 2025	1,063	1,063	10.63	10.63
6. 8.20% Oil Marketing Companies GOI Special Bonds 2024	89,778	89,778	897.78	897.78
			5,480.49	5,730.49
Less : Provision for diminution in value of investment in 6.35% Oil Marketing Companies GOI Special Bonds 2024			(405.09)	(321.99)
in 6.90% Oil Marketing Companies GOI Special Bonds 2026			(405.74)	(247.40)
in 7.59% Oil Marketing Companies GOI Special Bonds 2015			(0.02)	(0.01)
in 7.61% Oil Marketing Companies GOI Special Bonds 2015			(0.01)	-
in 7.95% Oil Marketing Companies GOI Special Bonds 2025			(0.91)	(0.19)
in 8.20% Oil Marketing Companies GOI Special Bonds 2024			(59.93)	-
Total			(871.70)	(569.59)
			4,608.79	5,160.90

Kept as Collateral Security with Clearing Corporation of India Limited for borrowing in CBLO of face Value ₹ 2,450 crores (previous year ₹ 2,450 Crores)

Market value of Quoted Securities ₹ 4,608.79 crores (previous year ₹ 5,160.90 crores)

20. INVENTORIES

(Refer Note No. 1.8)

	31/03/2014	31/03/2013
Raw materials	3,538.35	3,075.03
[Including in transit ₹ 1,365.01 crores (previous year ₹ 657.88 crores)]		
Stock in process	910.90	729.44
Finished goods	8,986.00	6,234.73
Stock -in-trade	5,369.51	6,271.94
[Including in transit ₹ 262.81 crores (previous year ₹ 320.60 crores)]		
Stores and spares	255.46	369.86
[Including in transit ₹ 1.32 crores (previous year ₹ 1.22 crores)]		
Packaging material	10.91	9.37
Total	19,071.13	16,690.37

₹ in Crores

21. TRADE RECEIVABLES

(Unsecured unless otherwise stated)

	31/03/2014	31/03/2013
Outstanding for a period exceeding 6 months from due date of payment		
Considered good *	462.93	488.48
Considered doubtful	386.66	165.21
Less: Provision for doubtful debts	(386.66)	(165.21)
Other debts (considered good)	3,617.23	3,536.65
Total	4,080.16	4,025.13

₹ in Crores

* Includes ₹ 30.44 crores (previous year ₹ 16.01 crores) in respect of which security deposits received.

22. CASH AND BANK BALANCES

	31/03/2014	31/03/2013
Cash on hand	47.07	48.05
Cheques and drafts on hand	55.68	74.46
Balances with Banks:		
On Current Account	98.21	425.35
Demand deposits with Banks with original maturity of less than three months	-	1,778.62
Cash and Cash equivalents	200.96	2,326.48
Earmarked Balances *	2.80	2.38
Total	203.76	2,328.86

₹ in Crores

* Represents unpaid dividend

23. SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

₹ in Crores

	31/03/2014	31/03/2013
Loans and advances to related parties		
Petronet CCK Limited	-	52.06
Dues from subsidiaries	5.09	3.56
Dues from Joint Venture Companies	7.16	9.38
Loans and advances to employees (Secured) (Refer Note No. 42)	65.94	63.09
Loans to Others	7.53	8.60
Advances:		
Advances Recoverable in cash, or in kind or for value to be received	466.41	577.60
Advances considered doubtful	6.81	5.64
Less : Provision for doubtful advances	(6.81)	(5.64)
	552.13	714.29
Advance Income Tax (Net of provision for taxation)	72.69	34.16
Claims (Net)	122.32	236.53
Balances With Customs, Excise, Port Trust, etc.	191.18	168.93
Others	3.03	4.57
Total	941.35	1,158.48

24. OTHER CURRENT ASSETS

₹ in Crores

	31/03/2014	31/03/2013
Interest accrued on investments & bank deposits	69.39	126.88
Interest accrued on Loans to Related Parties	28.65	28.89
Receivable from Government of India	10,615.09	8,689.06
Deferred premium (foreign exchange forward contract)	0.81	140.82
Unamortised Issuance Expenses on Borrowings	32.77	30.20
Total	10,746.71	9,015.85

25. REVENUE FROM OPERATIONS

₹ in Crores

	2013-14	2012-13
(i) a) Sales		
Petroleum products	2,50,380.84	2,21,915.58
Crude oil	1,515.23	6,088.50
	2,51,896.07	2,28,004.08
b) Subsidy on LPG (Domestic) & SKO (PDS)*	639.96	636.88
c) Subsidy from Government of India (Refer Note No. 33(b))	18,374.28	21,896.65
	2,70,910.31	2,50,537.61
Less: Excise duty	(10,976.82)	(10,533.51)
	2,59,933.49	2,40,004.10
(ii) Other operating revenues	127.04	111.65
Total	2,60,060.53	2,40,115.75

* As per the existing scheme of the Government of India

26. OTHER INCOME

₹ in Crores

	2013-14	2012-13
Income from current investments		
Interest on Oil Marketing Companies GOI special bonds	381.26	440.51
Dividend income	2.66	5.10
Income from non-current investments		
Dividend income - Subsidiaries	45.35	45.35
Dividend income - Others	91.21	96.99
Income from Petroleum India International	1.13	1.21
Interest - Others (including on bank deposits)	361.73	397.92
Write back of liabilities no longer required	5.79	11.32
Reversal of provision for doubtful debts & advances	-	19.00
Less: Amount written off	-	(8.50)
	-	10.50
Profit / (Loss) on sale of current investments	-	(155.42)
Reversal towards diminution in value of current investments	-	450.16
Prior period income (Net)	48.02	-
Others # (Refer Note No. 35)	531.51	376.59
Total	1,468.66	1,680.23

Includes amortisation of capital grants ₹ 0.87 Crores (previous year ₹ 0.18 Crores)

27. COST OF RAW MATERIALS CONSUMED

₹ in Crores

	2013-14	2012-13
Opening stock	3,075.03	3,974.14
Add : Purchases (Refer Note No. 33(a))	1,09,660.75	96,590.38
Less: Closing stock	(3,538.35)	(3,075.03)
Total	1,09,197.43	97,489.49

Particulars	Year	Imported		Indigenous		Total
		₹ in Crores	%	₹ in Crores	%	₹ in Crores
Crude oil	2013-14	84,530.96	78.84	22,688.62	21.16	107,219.58
	2012-13	79,612.85	82.98	16,324.85	17.02	95,937.70
Others	2013-14	351.22	17.76	1,626.63	82.24	1,977.85
	2012-13	176.05	11.34	1,375.74	88.66	1,551.79
Total	2013-14	84,882.18	77.73	24,315.25	22.27	109,197.43
	2012-13	79,788.90	81.84	17,700.59	18.16	97,489.49

28. PURCHASES OF STOCK-IN-TRADE

₹ in Crores

	2013-14	2012-13
Petroleum products (Refer Note No. 33(a))	1,29,381.68	1,19,873.11
Crude oil	1,516.19	5,946.49
Total	1,30,897.87	1,25,819.60

29. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

	₹ in Crores	
	2013-14	2012-13
Value of opening stock of		
Finished goods	6,234.73	6,315.12
Stock-in-trade	6,271.94	4,552.98
Stock in process	729.44	896.22
	<u>13,236.11</u>	<u>11,764.32</u>
Less : Value of closing stock of		
Finished goods	8,986.00	6,234.73
Stock-in-trade	5,369.51	6,271.94
Stock in process	910.90	729.44
	<u>15,266.41</u>	<u>13,236.11</u>
Net (increase) / decrease in inventory	<u>(2,030.30)</u>	<u>(1,471.79)</u>

30. EMPLOYEE BENEFITS EXPENSE

	₹ in Crores	
	2013-14	2012-13
Salaries and wages*	2,171.72	2,142.70
Contribution to provident fund	119.73	109.42
Contribution to other funds	209.66	221.16
Staff welfare expenses	268.42	295.59
Voluntary Retirement Scheme	126.82	-
Total	<u>2,896.35</u>	<u>2,768.87</u>

* Includes estimated provision towards pay revision of non-management employees.

31. FINANCE COSTS

	₹ in Crores	
	2013-14	2012-13
Interest expense	449.22	803.92
Interest on shortfall in payment of advance tax	61.93	42.40
Other borrowing costs	51.31	74.05
Applicable loss on foreign currency transactions and translations (net)	796.62	904.87
Total	<u>1,359.08</u>	<u>1,825.24</u>

32. OTHER EXPENSES

₹ in Crores

	2013-14	2012-13
Transportation	4,467.41	3,823.69
Excise Duty on inventory differential	169.47	(36.58)
Rates, taxes and other levies	882.29	1,054.55
Repairs and maintenance		
Machinery	819.61	623.82
Building	43.65	41.20
Others	145.58	125.24
Sub-total	1,008.84	790.26
Power and fuel	5,398.22	5,396.57
Less: Consumption of fuel out of own production	(4,201.33)	(4,491.65)
Power and fuel consumed (Net)	1,196.89	904.92
Stores, spares and materials	511.98	353.89
Less: Charged to other revenue accounts	(446.65)	(287.25)
Stores, spares and materials (Net)	65.33	66.64
Rent	244.29	190.92
Utilities	195.17	172.49
Packages consumed	165.35	158.57
Terminalling and other charges	151.07	139.25
Travelling and conveyance	140.44	121.52
Insurance	51.20	45.75
Communication expenses	23.99	25.97
Remuneration to auditors		
Audit fees	0.25	0.25
Fees for other services - Certification	0.43	0.36
Reimbursement of out of pocket expenses	-	0.01
Sub-total	0.68	0.62
Write off		
Bad debts and claims	2.68	0.11
Other write offs	5.16	76.68
Provision for doubtful debts & advances (Net)	232.14	46.31
Loss on sale of current investments	29.45	-
Provision towards diminution in value of current investments	302.11	-
Provision towards diminution in value of non-current investments	3.36	-
Loss on sale of fixed assets (Net)	12.98	23.85
Loss on foreign currency transactions and translations (Net) (Refer Note No. 49(c))	678.03	769.09
Prior period expenses (Net)	-	128.86
Others	984.63	899.31
Total	11,012.96	9,402.78
Details of stores / spare parts and components		
Imported - Amount	229.12	140.15
Imported - % of total	44.75%	39.60%
Indigenous - Amount	282.86	213.74
Indigenous - % of total	55.25%	60.40%
Sub-total	511.98	353.89
Less: Charged to other revenue accounts	(446.65)	(287.25)
Total	65.33	66.64

33. Consequent to non-revision in Retail Selling Prices corresponding to the international prices and applicable foreign exchange rates prevailing during the year, the Corporation has suffered gross under-recovery of ₹ 34,462.56 crores (previous year ₹ 38,990.43 crores) on sale of sensitive petroleum products.
As advised by the Ministry of Petroleum & Natural Gas, the Corporation has accounted compensation towards sharing of under-recoveries on sale of sensitive petroleum products as follows:
a) ₹ 15,576.78 crores (previous year ₹ 16,844.49 crores) discount on crude oil / products purchased from ONGC/ GAIL/NRL which has been adjusted against purchase cost;
b) ₹ 18,374.28 crores (previous year ₹ 21,896.65 crores) subsidy from Government of India has been accounted as Revenue from operations.
After adjusting the above compensation, the net under-recovery absorbed by the Corporation is ₹ 511.50 crores (previous year ₹ 249.29 crores).
34. Pursuant to the Ministry of Corporate Affairs Notification G.S.R. 914 (E) dated 29th December 2011, the Corporation had exercised the option under Para 46 A of AS-11 (notified under the Companies (Accounting Standards) Rules, 2006) (as amended) and has changed its accounting policy from financial year 2011-12 onwards for recognition of exchange differences arising on reporting of long term foreign currency monetary items. For the current financial year, the impact on account of this change (net of depreciation and amortization) is increase in profit before tax of ₹ 209.76 crores (previous year ₹ 100.31 crores). The net gain remaining unamortised under Foreign Currency Monetary Item Translation Difference Account as at 31st March 2014 is ₹ 184.25 crores (previous year Nil).
35. As per the scheme of Amalgamation of the erstwhile Kochi Refineries Limited (KRL) with the Corporation approved by the Government of India, 3,37,28,737 equity shares of the Corporation were allotted (in lieu of the shares held by the Corporation in the erstwhile KRL) to a trust for the benefit of the Corporation in the financial year 2006-07. After the 1:1 Bonus issue in July 2012, presently the trust holds 6,74,57,474 equity shares of the Corporation. Accordingly the cost of the original investment of ₹ 659.10 crores is included in Non Current Investments (Refer Note no.16). The income distributed by the trust during the year 2013-14 amounting to ₹ 74.20 crores (previous year ₹ 37.10 crores) have been included in 'Other income' (Refer Note No.26).
36. **Impairment of Assets:** It is assumed that suitable mechanism would be in place, in line with earlier / current year(s), to provide compensation towards under-recoveries of margin, if any, on account of sale of sensitive petroleum products in subsequent years. Hence, there is no indication of impairment of assets of the Corporation as at 31st March 2014.
37. **Segment Reporting:** The Corporation operates in a single segment - Refinery and Marketing activities, i.e. downstream petroleum sector. Considering the nature of business and operation, there is no reportable segment (business and/or geographical) in accordance with the requirements of Accounting Standard 17.
38. The Corporation has numerous transactions with other oil companies. The outstanding balances from them including certain other outstanding credit and debit balances are subject to confirmation/reconciliation. Adjustments, if any, arising therefrom are not likely to be material on settlement and are accounted as and when ascertained.
39. **Disclosure as per requirements of Accounting Standard 15 - "Employee Benefits" :**
The Corporation's contribution to the Provident Fund is remitted to a separate trust established for this purpose based on a fixed percentage of the eligible employee's salary and charged to Statement of Profit and Loss. Shortfall, if any, in the fund assets, based on the Government specified minimum rate of return, will be made good by the Corporation and charged to Statement of Profit and Loss.
Gratuity: The Corporation has a defined benefit gratuity plan managed by a trust. The contribution based upon actuarial valuation is paid / payable to a trust which is invested as per investment pattern prescribed by the Government in plan assets. Gratuity is paid to a staff member who has put in a minimum qualifying period of 5 years of continuous service on superannuation, resignation, termination or to his nominee on death.
Leave Encashment: The Employees are entitled to accumulate Earned Leave and Sick Leave, which can be availed during the service period. Employees are also allowed to encash the accumulated earned leave during the service period. Further, the accumulated earned leave and sick leave can be encashed by the employees on superannuation, resignation and termination or by nominee on death.
Other Defined Benefits: These are (a) Post Retirement Medical Scheme benefit (managed by a trust) to employees, spouse, dependent children and dependent parents; (b) Pension/ex-gratia scheme to the retired employees who are entitled to receive the monthly pension / ex-gratia for life; (c) Death in service / Permanent disablement given to employee, the spouse of the employee, provided the deceased's family/disabled employee deposits retirement dues such as Provident Fund, Gratuity, Leave encashment payable to them with the Corporation; and (d) Resettlement allowance paid to employees to permanently settle down at a place other than the location of last posting at the time of retirement.

Disclosures as per requirements of Accounting Standard 15 continued:

a) Reconciliation of balances of Defined Benefit Obligations.	Gratuity- Funded		Post Retirement Medical - Funded		Leave Encashment - Non Funded		Burmah Shell Pension- Non Funded		Death / Permis-
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Defined Obligations at the beginning of the year	647.35	603.50	476.74	429.10	740.44	624.78	74.20	64.33	7.73
Interest Cost	51.79	51.30	40.00	38.00	57.45	53.01	5.41	4.83	0.37
Current Service Cost	4.00	4.35	20.20	25.70	38.23	44.90	-	-	-
Past service cost	-	-	-	-	-	-	-	-	-
Benefits paid	(35.70)	(31.52)	(20.34)	(17.94)	(121.01)	(91.96)	(17.17)	(15.00)	(6.45)
Actuarial (Gains) / Losses on obligations	(72.68)	19.72	35.24	1.88	68.04	109.71	26.02	20.04	7.10
Defined Obligations at the end of the year	594.76	647.35	551.84	476.74	783.15	740.44	88.46	74.20	8.75
b) Reconciliation of balances of Fair Value of Plan Assets in respect of Gratuity / Post Retirement Medical Fund									
Fair Value at the beginning of the year	556.20	510.55	475.22	393.21					
Expected Return (a)	48.39	40.84	41.81	39.14					
Actuarial gains / (losses) (b)	(0.37)	24.36	12.59	(10.04)					
Actual Return on Plan assets (a+ b)	48.02	65.20	54.40	29.10					
Contribution by employer	91.24	11.97	21.08	70.85					
Benefits paid	(35.70)	(31.52)	(20.34)	(17.94)					
Fair Value of Plan Assets at the end of the year	659.76	556.20	530.36	475.22					
c) Amount recognised in Balance Sheet (a-b)	(65.00)	91.15	21.48	1.52	783.15	740.44	88.46	74.20	8.75
d) Amount recognised in Statement of Profit and Loss									
Current Service Cost	4.00	4.35	20.20	25.70	38.23	44.90	-	-	-
Past Service cost	-	-	-	-	-	-	-	-	-
Interest Cost	51.79	51.30	40.00	38.00	57.45	53.01	5.41	4.83	0.37
Expected Return on Plan Asset	(48.39)	(40.84)	(41.81)	(39.14)	-	-	-	-	-
Actuarial (Gains) / Losses	(72.31)	(4.64)	22.65	11.92	68.04	109.71	26.02	20.04	7.10
Expenses for the year	(64.91)	10.17	41.04	36.48	163.72	207.62	31.43	24.87	7.47
e) Major Actuarial Assumptions									
Discount Rate (%)	9.25	8.00	9.27	8.25	9.25	8.00	9.27	8.25	9.27
Salary Escalation / Inflation (%)	8.00	7.00	7.00	7.00	8.00	7.00	-	-	-
Expected Return on Plan assets (%)	8.70	8.70	8.60	8.60	-	-	-	-	-
f) Investment pattern for Fund as on									
Category of Asset	31.03.2014	31.03.2013	31.03.2014	31.03.2013	g) As per our best estimate, ₹ Nil is the expected contribution to				
	%	%	%	%	h) Effect of Increase / Decrease of 1% is assumed for medical c				
Government of India Asset	25.23	30.23	10.33	4.68	Change in liability for 1% increase in Discount Rate				
Corporate Bonds	19.56	24.03	6.95	48.83	Change in service cost for 1% increase in Discount Rate				
Insurer Managed funds	30.01	11.64	-	-	Change in liability for 1% decrease in Discount Rate				
State Government	7.94	10.56	61.87	17.91	Change in service cost for 1% decrease in Discount Rate				
Others	17.26	23.54	20.85	28.58					
Total	100.00	100.00	100.00	100.00					

The estimates for future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors
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

Disclosures as per requirements of Accounting Standard 15 continued.

(i) Details of present value of defined benefit obligation, fair value of plan assets, surplus/deficit in the plan and experience adjustments

Particulars	₹ in		
	2013-14	2012-13	2011-12
Present value of obligation			
Funded*	1,146.60	1,124.09	1,048.50
Unfunded**	1,158.31	1,078.47	998.50
Sub-total	2,304.91	2,202.56	2,047.00
Fair value of plan assets	1,190.12	1,031.42	998.50
Deficit / (Surplus)	1,114.79	1,171.14	1,048.50
Experience adjustments			
Gain / (Loss) on funded plan liabilities	51.83	(33.44)	(10.00)
Gain / (Loss) on funded plan assets	(0.37)	24.36	(10.00)
Gain/(Loss) on un-funded plan liabilities	(157.72)	(100.63)	(100.00)

* Gratuity & Post Retirement Medical Benefit Scheme. The Post Retirement Medical Benefit Scheme has become funded from 2011-12.

** Leave encashment, Burmah Shell Pension, Death / Permanent Disablement, Resettlement Allowance and Ex-Gratia Scheme.

40. To the extent, the Corporation has received intimation from the “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, the details are provided as under:

	31/03/2014	₹ in Crores 31/03/2013
Amount Due and Payable at the year end		
- Principal	58.24	96.88
- Interest on above Principal	-	-
Payment made during the year after the due date		
- Principal	-	-
- Interest	-	-
Interest due and payable for Principal already paid	-	-
Total Interest accrued and remained unpaid at year end	-	-

The Corporation is in the process of compiling interest payable to such vendors and the same is not likely to be material.

41. Related Party Disclosures as per Accounting Standard 18

Names of the Related parties (Joint Venture Companies)

Indraprastha Gas Limited
 Petronet India Limited *
 Petronet CCK Limited
 Petronet CI Limited *
 Petronet LNG Limited
 Bharat Oman Refineries Limited
 Maharashtra Natural Gas Limited
 Central UP Gas Limited
 Sabarmati Gas Limited
 Bharat Stars Services Private Limited
 Bharat Renewable Energy Limited
 Matrix Bharat Pte. Ltd.
 Delhi Aviation Fuel Facility Private Limited
 Kannur International Airport Limited
 GSPC India Gasnet Limited
 GSPC India Transco Limited
 IBV (Brazil) Petroleo Ltda.

* Companies under liquidation

The nature wise transactions with the above related parties are as follows :

S.No.	Nature of Transactions	₹ in Crores	
		2013-14	2012-13
1.	Purchase of Goods	37,534.10	32,121.22
2.	Sale of Goods	6,826.85	9,386.16
3.	Rendering of Services	29.66	48.36
4.	Receiving of Services	130.59	112.20
5.	Interest Income	129.92	192.13
6.	Dividend Received	51.98	57.85
7.	Investment and Advance for Investments	48.24	706.68
8.	Loans and Advances	56.18	30.36
9.	Management Contracts (Employees on deputation / consultancy services)	22.35	22.76
10.	Lease Rental & Other Charges received	29.78	30.06
11.	Lease Rental & Other Charges paid	0.29	0.20
12.	Receivables as at period end	1,799.50	1,701.83
13.	Payables as at period end	1,886.28	2,195.42

Disclosure with respect to Related Party Transactions during the year (more than 10% of the total transaction value) :

1. Purchase of Goods: Bharat Oman Refineries Limited ₹ 30,971.47 Crores (previous year ₹ 26,625.92 Crores) and Petronet LNG Limited ₹ 6,018.80 Crores (previous year ₹ 5,095.69 Crores).
2. Sale of Goods: Matrix Bharat Pte. Ltd. ₹ 4,676.70 Crores (previous year ₹ 2,187.47 Crores) and Bharat Oman Refineries Limited ₹ 1,158.61 Crores (previous year ₹ 6,090.64 Crores).
3. Rendering of Services: Bharat Oman Refineries Limited ₹ 24.71 Crores (previous year ₹ 46.67 Crores) and Indraprastha Gas Limited ₹ 4.57 Crores (previous year ₹ 1.17 Crores)
4. Receiving of Services: Petronet CCK Limited ₹ 104.39 Crores (previous year ₹ 101.59 Crores) and Petronet LNG Limited ₹ 13.25 Crores (previous year Nil)
5. Interest Income: Bharat Oman Refineries Limited ₹ 128.96 Crores (previous year ₹ 186.93 Crores)
6. Dividend Received: Petronet LNG Limited ₹ 23.44 Crores (previous year ₹ 23.44 Crores), Indraprastha Gas Limited ₹ 17.33 Crores (previous year ₹ 15.75 Crores) and Delhi Aviation Fuel Facility Private Limited ₹ 7.28 Crores (previous year ₹ 15.17 Crores)
7. Investment and Advances for Investments: Kannur International Airport Limited ₹ 30.00 Crores (previous year ₹ 40.00 crores), GSPL India Gasnet Limited ₹ 8.72 Crores (previous year ₹ 8.48 crores) and GSPL India Transco Limited ₹ 8.41 Crores (previous year ₹ 7.70 crores)
8. Loans and Advances: Petronet LNG Limited ₹ 56.18 Crores (previous year NIL)
9. Management Contracts (Employees on deputation / consultancy services): Bharat Oman Refineries Limited ₹ 16.75 Crores (previous year ₹ 18.39 Crores)
10. Lease Rental & Other Charges received: Bharat Oman Refineries Limited ₹ 29.21 Crores (previous year ₹ 29.26 Crores)
11. Lease Rental & Other Charges paid: Delhi Aviation Fuel Facility Private Limited ₹ 0.21 Crores (previous year ₹ 0.15 crores) and Bharat Star Services Private Limited ₹ 0.08 Crores (previous year Nil)
12. Receivables as at period end: Bharat Oman Refineries Limited ₹ 1,385.83 Crores (previous year ₹ 1,557.58 Crores), which is mainly on account of Subordinated loan of ₹ 1,354.10 Crores (previous year ₹ 1,354.10 Crores) and Matrix Bharat Pte. Ltd. ₹ 309.77 Crores (previous year ₹ 31.94 Crores)
13. Payable as at period end: Bharat Oman Refineries Limited ₹ 1,592.05 Crores (previous year ₹ 1,950.30 Crores) and Petronet LNG Limited ₹ 255.54 Crores (previous year ₹ 214.75 Crores)

Key Management Personnel (Whole time directors):

Shri S. Varadarajan, (Chairman & Managing Director) w.e.f. 01.10.2013 and Director (Finance) up to 31.03.2014

Shri R.K. Singh, (Chairman & Managing Director) up to 30.09.2013

Shri K.K. Gupta, Director (Marketing)

Shri B.K. Datta, Director (Refineries)

Shri S.P. Gathoo, Director (Human Resources)

Remuneration to Key Managerial Personnel

₹ in Crores

Key Managerial Personnel	2013-14	2012-13
Shri S. Varadarajan	0.50	0.37
Shri R.K. Singh	0.75	0.50
Shri K.K. Gupta	0.52	0.42
Shri B.K. Datta	0.57	0.39
Shri S.P. Gathoo	0.52	0.51
Total	2.86	2.19

In view of the exemption provided under Accounting Standard 18 'Related Party Disclosures', related party relationships with other state-controlled enterprises and transactions with such enterprises are not included in the above.

42. Dues from Directors is ₹ 0.25 Crores (previous year ₹ 0.34 Crores) and Dues from Officers is ₹ 3.74 Crores (previous year ₹ 3.93 Crores).

43. Disclosure for Operating Leases as per Accounting Standard 19

The Corporation has entered into cancellable operating lease arrangements for office premises, staff quarters and others. The lease rentals paid for the same are charged to the Statement of Profit and Loss. The other disclosures as required under para 25 of Accounting Standard 19 are in the process of compilation.

44. Earnings per share

Particulars	Unit	2013-14	2012-13
Profit after Tax	₹ in Crores	4,060.88	2,642.90
Weighted average number of shares outstanding during the year	Core nos.	72.31	72.31
Basic earnings per share	₹	56.16	36.55
Diluted earnings per share	₹	56.16	36.55

45. In compliance with Accounting Standard 27 'Financial Reporting of Interests in Joint Ventures', the required information is as under:

(a) Jointly controlled entities	Country of Incorporation	Percentage of ownership interest as on	
		31/03/2014	31/03/2013
Indraprastha Gas Limited	India	22.50	22.50
Petronet India Limited (#)	India	16.00	16.00
Petronet CCK Limited	India	49.00	49.00
Petronet CI Limited (#)	India	11.00	11.00
Petronet LNG Limited	India	12.50	12.50
Bharat Oman Refineries Limited	India	50.00	50.00
Central UP Gas Limited	India	25.00	25.00
Maharashtra Natural Gas Limited	India	22.50	22.50
Sabarmati Gas Limited	India	25.00	25.00
Bharat Stars Services Private Limited	India	50.00	50.00
Bharat Renewable Energy Limited	India	33.33	33.33
Matrix Bharat Pte. Ltd.	Singapore	50.00	50.00
Delhi Aviation Fuel Facility Private Limited	India	37.00	37.00
Kannur International Airport Limited	India	17.00	21.68
GSPC India Gasnet Limited	India	11.00	11.00*
GSPC India Transco Limited	India	11.00	11.00*

Company under liquidation

* After considering advance against equity as per Joint Venture Agreement.

BPRL Ventures B.V., a 100% step- down subsidiary of the Corporation holds 50% equity in IBV (Brazil) Petroleo Ltda., a joint venture company incorporated in Brazil.

- (b) In respect of jointly controlled entities, the Corporation's share of assets, liabilities, income, expenditure, contingent liabilities and capital commitments compiled on the basis of unaudited / audited financial statements received from these joint ventures are as follows:

Particulars	₹ in Crores	
	31/03/2014	31/03/2013
(i) Assets		
- Non Current Assets	7,190.37	7,317.31
- Current Assets	4,823.58	4,244.92
- Deferred Tax Asset	419.00	-
(ii) Liabilities		
- Non Current Liabilities	5,459.70	4,803.25
- Current Liabilities	4,532.98	4,427.45
- Deferred Tax Liability	117.29	85.53
(iii) Revenue	22,913.17	19,539.42
(iv) Expenses	22,792.14	19,446.09
(v) Contingent Liabilities	259.55	183.90
(vi) Capital & Other Commitments	548.23	337.74

46. In compliance of Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets", the required information is as under:

Nature	₹ in Crores				
	Opening balance	Additions during the year	Utilisation during the year	Reversals during the year	Closing balance
Excise	47.07	4.49	-	0.96	50.60
Customs	51.98	13.14	-	-	65.12
Service Tax	-	0.03	-	-	0.03
Sales Tax	181.85	173.66	-	1.69	353.82
Property Tax	-	54.91	-	-	54.91
Total	280.90	246.23	-	2.65	524.48
Previous year	253.58	37.71	6.12	4.27	280.90

The above provisions are made based on estimates and the expected timing of outflows is not ascertainable at this stage.

47. Disclosure as required by Clause 32 of Listing Agreement

Particulars	₹ in Crores			
	Balance as on		Maximum amount outstanding during the period	
	31/03/2014	31/03/2013	2013-14	2012-13
(a) Loans and advances in the nature of Loans :				
(i) To Subsidiary Company- BharatPetro Resources Limited	300.00	-	300.00	861.85
(ii) To Associates	-	-	-	-
(iii) Where there is :				
a) No repayment schedule or repayment beyond 7 years- Petronet CCK Limited	-	52.06	52.06	84.12
b) No interest or interest below section 372A of Companies Act, 1956	-	-	-	-
(iv) To Firms/ Companies in which directors are interested- Bharat Oman Refineries Limited	1,354.10	1,354.10	1,354.10	2,004.10
(b) Investment by the loanee in the shares of BPCL and its subsidiary companies	-	-	-	-

48. Capital Commitments and Contingent Liabilities :

	31/03/2014	31/03/2013
₹ in Crores		
(a) Capital Commitments :		
i) Estimated amount of contracts remaining to be executed on capital account and not provided for	9,662.74	2,333.00
ii) Uncalled liability on shares and other investments partly paid	100.00	130.00
(b) Contingent Liabilities :		
i) In respect of Income Tax matters	84.13	112.87
ii) Other Matters :		
(a) Claims against the Corporation not acknowledged as debts * :		
Excise, Service Tax and Customs matters	1,146.12	867.85
Sales Tax matters	3,191.77	2,863.14
Land Acquisition cases for higher compensation	139.87	156.02
Others	399.02	295.26
* These include ₹ 1,065.60 crores (previous year ₹ 725.54 crores) against which the Corporation has a recourse for recovery and ₹ 75.55 crores (previous year ₹ 28.35 crores) which are on capital account.		
(b) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	13.28	15.36
(c) Guarantees given on behalf of Subsidiaries/JV's	2,661.06	4,694.44

- 49.(a)** The Corporation has on the Balance Sheet date, outstanding forward contracts amounting to **USD 175 Million** i.e. an equivalent of **₹ 1,051.75 crores** (previous year USD 1,718.46 Million i.e. an equivalent of ₹ 9,346.58 crores) to hedge the foreign currency exposure towards loans. The Corporation also hedges the currency risks on account of foreign exposure for the payment of crude oil. However, there are no outstanding forward contracts for hedging the currency risks on account of foreign exposure for the payment of crude oil for the year ending 31st March 2014.

Following are the unhedged foreign currency on account of exposures :

Exposure Type	31/03/2014		31/03/2013	
	USD Million	₹ Crores	USD Million	₹ Crores
Imports	973.37	5,849.91	589.96	3,208.73
Buyers Credit Loan (Short Term)	716.61	4,306.80	1,274.03	6,929.35
ECB (Long Term)	1,853.29	11,138.23	825.00	4,487.12
Export Debtors	227.20	1,365.45	232.55	1,264.84

- (b)** The Corporation has on the Balance Sheet date, outstanding forward contracts amounting to **USD 1,229 Million** i.e. an equivalent of **₹ 7,386.27 Crores** (previous year USD Nil) to hedge the foreign currency exposure arising out of RBI Swap window transactions; Total RBI Swap window transactions entered in financial year 2013-14 for **USD 2,163 Million** out of which **USD 934 Million** have been settled in financial year 2013-14.
- (c)** In line with the ICAI announcement of 29th March 2008 on Accounting for Derivatives and based on the concept of prudence, the mark to market losses of **₹ 324.35 Crores** on the outstanding forward contracts in respect of RBI Swap window transactions (Refer Note No. 49 (b) above) has been recognised as expense and included under 'Loss on Foreign currency transactions and translations' (Refer Note No. 32) while the mark to market gains on the RBI Swap window transactions amounting to **₹ 521.14 Crores** have not been recognized. Further, the Corporation has raised **Swiss Franc (CHF) 200 Million** of 3% CHF Bonds 2019 on 20th March 2014, the proceeds of which were swapped into **USD 228.29 Million** on the same day. The mark to market losses of **₹ 15.41 Crores** in respect of this CHF-USD Swap transaction have also been recognized as expense and included under 'Loss on Foreign currency transactions and translations' (Refer Note No. 32)
- (d)** The Corporation has on the Balance Sheet date the following outstanding derivatives for hedging purposes:

Instrument	Description	Quantity
OTC Swap	Spread between Petroleum Products and Crude Oil	1.80 million barrels

There are no mark to market losses to be accounted as on 31st March 2014, in respect of these derivative contracts.

50. Value of imports calculated on C.I.F. basis

		₹ in Crores
	2013-14	2012-13
(a) Raw Materials (including crude oil)	85,221.96	76,391.33
(b) Capital goods	268.84	266.72
(c) Components and spare parts (including packages, chemicals and catalysts)	124.83	152.35

51. Expenditure in foreign currency :

		₹ in Crores
	2013-14	2012-13
(a) Purchase of products	5,109.48	4,315.67
(b) Know-how	-	0.17
(c) Professional Consultancy Fees	11.84	85.05
(d) Freight	256.08	175.90
(e) Interest	362.07	484.42
(f) Royalty	1.24	-
(g) Other matters	115.30	21.76

52. Earnings in foreign exchange :

		₹ in Crores
	2013-14	2012-13
Exports on FOB basis #	19,122.06	18,455.61

Includes receipt of ₹ 1,858.70 Crores (previous year ₹ 1,712.33 crores) in Indian currency out of the repatriable funds of foreign airline customers and ₹ 54.42 Crores (previous year ₹ 98.88 crores) of INR exports to Nepal and Bhutan.

53. Research and development

		₹ in Crores
	2013-14	2012-13
(a) Revenue expenditure	23.89	21.74
(b) Capital expenditure	12.93	12.92

54. Figures of the previous year have been regrouped wherever necessary, to conform to current period presentation.

Signature to Notes '1' to '54'

For and on behalf of the Board of Directors

As per our attached report of even date

For and on behalf of

Sd/-
S.VARADARAJAN
Chairman and Managing Director

CNK & ASSOCIATES LLP
Chartered Accountants
FR No. 101961W

HARIBHAKTI & CO.
Chartered Accountants
FR No. 103523W

Sd/-
P.BALASUBRAMANIAN
Director (Finance)

Sd/-
S.V. KULKARNI
Company Secretary

Sd/-
HIMANSHU KISHNADWALA
Partner
Membership No. 37391

Sd/-
CHETAN DESAI
Partner
Membership No. 17000

Place : Mumbai
Dated : 29th May, 2014

AUDITORS' REPORT TO THE MEMBERS OF BHARAT PETROLEUM CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **Bharat Petroleum Corporation Limited** ("the Corporation"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 (together the 'Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
2. As required by section 227(3) of the Companies Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

- b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per Notification No. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.
- f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For and on behalf of
T R CHADHA & Co.
Chartered Accountants
FR No: 006711N

Sd/-
Vikas Kumar
Partner
Membership No: 75363

Place: Mumbai
Dated: 29th May, 2013

For and on behalf of
K. VARGHESE & Co.
Chartered Accountants
FR No: 004525S

Sd/-
Sam Varghese
Partner
Membership No: 216979

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph (1) of our report of even date on the accounts of **BHARAT PETROLEUM CORPORATION LIMITED** for the year ended 31st March 2013)

1. Fixed Assets

- a) The Company has maintained proper records showing full particulars including the quantitative details and situation of fixed assets. In respect of continuous process plants, the records are maintained on consolidated basis and not for individual components of the same.
- b) The fixed assets of the Company, other than LPG cylinders and pressure regulators with customers, are generally physically verified by the Management in a phased manner of two/three years cycle which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The Company has identified certain discrepancies on such verifications which are under reconciliation and consequent adjustment, which in view of management would not be material.
- c) The disposals of fixed assets during the year are not of a significant value and do not affect the going concern assumption.

2. Inventories

- a) The management during the year under audit carried out the physical verification of inventories (except those lying with third parties and in transit) at regular intervals. In respect of inventories lying with third parties, these have generally been confirmed by them and the inventory in transit has been verified with subsequent receipts.
- b) Taking into consideration the nature of business, we are of the opinion that the procedures of physical verification and frequency of such verification is reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and records were not material in relation to the operation of the Company and the same have been properly dealt with in the books of account.

3. Secured or Unsecured Loans Granted or Taken

The company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clause (b) to (d), (f) and (g) of sub-para (iii) of para 4 of the Order are not applicable.

4. Internal Control

In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist, there is generally an 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. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

5. Transactions under Section 301

According to the information and explanation given to us and as verified by us, there were no transactions exceeding the value of Rs. five lakhs in case of any party that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.

6. Public Deposits

According to the information and explanation given to us, the Company has not accepted any deposits from the public.

7. Internal Audit System

The Company has an internal audit system which is carried out by the in-house department and also by outsourced firms for certain areas. In our view, the same is generally commensurate with the size and the nature of its business.

8. Cost Records

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

9. Statutory Dues

- a) The company has been generally regular in depositing its undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance Fund, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues as applicable with the appropriate authorities during the year.

According to the information and explanation given to us, no material undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance Fund, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues were in arrears as at 31.3.2013 for a period of more than six months from the date they became payable.

- b) The details of disputed dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty, cess, etc. which have not been deposited, are given in **Annexure I**.
10. The company does not have any accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not defaulted in repayment of dues to Financial Institutions / Banks.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 13 of Para 4 of the Companies (Auditor's Report) Order are not applicable to the Company.
14. According to the information and explanations given to us and as verified by us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. The Company has given guarantees for loans taken by others from banks or financial institutions, aggregating to ₹ 1,881.44 Crores where the terms and conditions, in our opinion, are not prima facie prejudicial to the interest of the Company.
16. On the basis of review of utilization of funds pertaining to term loans on overall basis and the related information made available to us, the term loans obtained during the year, prima facie, have been applied for the purpose for which the loans were raised.
17. According to the information and explanation given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that funds raised on short-term basis have not been used for long-term investment.
18. According to the information and explanations given to us and verified by us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of Companies Act, 1956.

19. The Company has created necessary securities / charge as per the debenture trust deed in respect of debentures issued and outstanding at the year end.
20. The Company has not raised any money by way of public issues during the year.
21. As represented to us by the management and based on our examination in the course of our audit, except for the instances at (a), (b) and (c) below, no other material fraud on or by the Company has been noticed or reported during the year.
- a) The Company has identified a fraud in respect of Petro card operations committed by two service engineers of an outsourced service provider amounting to Rs.21.75 Lacs. The said amount has since been recovered from the party.
 - b) The Company has identified an incident of irregularity in Public deposit payments by an employee (since deceased). The matter is under investigation. The amount of irregularity is around Rs.64 Lacs.
 - c) The Company has identified a fraud made by an advocate relating to misappropriation of disbursement of compensation amounting to Rs. 5 Lacs to beneficiaries in LPG accident cases, The amount has since been recovered.

For and on behalf of
T R CHADHA & Co.
Chartered Accountants
FR No: 006711N

Sd/-
Vikas Kumar
Partner
Membership No: 75363

Place: Mumbai
Dated: 29th May, 2013

For and on behalf of
K. VARGHESE & Co.
Chartered Accountants
FR No:004525S

Sd/-
Sam Varghese
Partner
Membership No: 216979

CONSOLIDATED SUMMARY

Annexure 1
(Amount in ₹ Crores)

Nature of Statute / Nature of Dues	Period Block	Forum where Dispute is pending					Grand Total
		Supreme Court	High Court	Appellate Tribunal*	Appellate Authority**	Adjudicating Authority***	
Central Excise Act, 1944 (Excise Duty Including Penalty & Interest, wherever applicable)	1980 to 1985			0.07			0.07
	1985 to 1990				0.07		0.07
	1990 to 1995			5.69	0.62		6.31
	1995 to 2000	3.17		90.85	0.16	35.93	130.11
	2000 to 2005	551.48	2.23	141.98	1.99	1,057.02	1,754.70
	2005 to 2010	70.96	23.44	264.60	61.43	2,710.03	3,130.46
	2010 to 2013			284.35	2.31	63.51	350.17
Excise Duty Total		625.61	25.67	787.54	66.58	3,866.49	5,371.89
Customs Act, 1962	1995 to 2000			64.06	95.51	3.25	162.82
	2000 to 2005			10.59	14.90	6.75	32.24
	2005 to 2010					12.25	12.25
	2010 to 2013					0.31	0.31
Customs Act, 1962 Total		-	-	74.65	110.41	22.56	207.62
Sales Tax/ VAT Legislations (Sales Tax Including Penalty & Interest, wherever applicable)	1980 to 1985		22.13				22.13
	1985 to 1990	1.51	0.19	0.01	34.05	1.13	36.89
	1990 to 1995	12.95		1.84	11.66	62.01	88.46
	1995 to 2000	5.54	8.59	199.40	38.20	203.94	455.67
	2000 to 2005	0.34	5.07	1,725.65	1,495.93	560.40	3,787.39
	2005 to 2010	49.88	25.80	1.72	97.57	470.92	645.89
	2010 to 2013				6.63		6.63
Sales Tax Total		70.22	61.78	1,928.62	1,684.04	1,298.40	5,043.06
Income Tax Act, 1961 (Income Tax including Penalty & Interest, wherever applicable)	1995 to 2000				1.35		1.35
	2005 to 2010				8.13		8.13
	2010 to 2013				0.05		0.05
Income Tax Total		-	-	-	9.53	-	9.53
Finance Act, 1994 (Service Tax)	2000 to 2005				0.10	1.76	1.86
	2005 to 2010			1.90	1.08	33.76	36.74
	2010 to 2013					6.79	6.79
Service Tax Total		-	-	1.90	1.18	42.31	45.39
Grand Total		695.83	87.45	2,792.71	1,871.74	5,229.76	10,677.49

* Appellate Tribunal includes Sales Tax Tribunal, CESTAT and ITAT.

** Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals.

*** Adjudicating Authority includes Collector of Sales Tax, Sales Tax Officer and Deputy Commissioner Sales Tax, Joint / Deputy/ Additional Commissioner of Commercial Taxes

BALANCE SHEET AS AT 31st MARCH, 2013

	Note no.	As at 31/03/2013	₹ Crores As at 31/03/2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	723.08	361.54
Reserves and Surplus	3	15,910.94	14,552.32
		<u>16,634.02</u>	<u>14,913.86</u>
Non-current liabilities			
Long-term borrowings	4	5,508.37	2,159.09
Deferred tax liabilities (Net)	5	1,655.72	1,400.56
Other long-term liabilities	6	60.82	55.96
Long-term provisions	7	435.06	409.96
		<u>7,659.97</u>	<u>4,025.57</u>
Current liabilities			
Short-term borrowings	8	18,058.42	19,087.35
Trade payables	9	8,783.11	12,866.40
Other current liabilities	10	13,533.62	13,366.10
Short-term provisions	11	2,318.25	1,347.70
		<u>42,693.40</u>	<u>46,667.55</u>
TOTAL		<u>66,987.39</u>	<u>65,606.98</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	16,624.03	16,536.24
Intangible assets	13	66.38	76.14
Intangible assets under development	14	2.53	2.53
Capital work-in-progress	15	2,417.21	1,116.53
Non-current investments	16	6,942.10	4,970.29
Long-term loans and advances	17	2,528.40	3,458.97
Other non-current assets	18	16.93	0.95
		<u>28,597.58</u>	<u>26,161.65</u>
Current assets			
Current investments	19	5,160.90	5,947.13
Inventories	20	16,690.37	15,948.06
Trade receivables	21	4,025.13	6,378.34
Cash and cash equivalents	22	2,328.86	978.85
Short-term loans and advances	23	1,244.98	792.58
Other current assets	24	8,939.57	9,400.37
		<u>38,389.81</u>	<u>39,445.33</u>
TOTAL		<u>66,987.39</u>	<u>65,606.98</u>
Significant Accounting Policies	1		
Other Notes to Accounts	33 to 53		

For and on behalf of the Board of Directors

Sd/-
R.K. SINGH
Chairman and Managing Director

Sd/- **S. VARADARAJAN**
Director (Finance)

Sd/- **S.V. KULKARNI**
Company Secretary

Place: Mumbai
Dated: 29th May, 2013

As per our attached report of even date
For and on behalf of

T.R CHADHA & CO.
Chartered Accountants
FR No: 006711N

Sd/- **VIKAS KUMAR**
Partner
Membership No.75363

K.VARGHESE & CO.
Chartered Accountants
FR No: 004525S

Sd/- **SAM VARGHESE**
Partner
Membership No. 216979

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2013

	Note No.	2012-13	₹ Crores 2011-12
Revenue from Operations	25	240,115.75	211,972.97
Other Income	26	<u>1,680.23</u>	<u>1,701.78</u>
Total Revenue		<u>241,795.98</u>	<u>213,674.75</u>
Less : Expenses			
Cost of raw materials consumed	27	97,489.49	85,562.97
Purchases of stock-in-trade	28	125,819.60	112,159.15
Changes in inventories of finished goods, work-in-progress and stock-in-trade	29	(1,471.79)	(601.60)
Employee benefits expense	30	2,768.87	2,261.07
Finance costs	31	1,825.24	1,799.59
Depreciation and amortisation expense	12,13	1,926.10	1,884.87
Other expenses	32	<u>9,402.78</u>	<u>8,724.53</u>
Total expenses		<u>237,760.29</u>	<u>211,790.58</u>
Profit before tax		4,035.69	1,884.17
Less: Tax Expense			
Current tax		1,173.29	280.00
Less : MAT Credit entitlement		-	(101.93)
Deferred Tax		255.16	393.01
Short/(Excess) provision in earlier years provided for		(35.66)	1.82
Total Tax Expense		<u>1,392.79</u>	<u>572.90</u>
Profit/ (Loss) after tax for the year		<u>2,642.90</u>	<u>1,311.27</u>
Basic and Diluted Earnings per share (Face value ₹ 10) (Refer Note No. 46)		36.55	18.13
Significant Accounting Policies	1		
Other Notes to Accounts	33 to 53		

For and on behalf of the Board of Directors

As per our attached report of even date

For and on behalf of

Sd/-

R.K. SINGH

Chairman and Managing Director

T.R CHADHA & CO.

Chartered Accountants

FR No: 006711N

K.VARGHESE & CO.

Chartered Accountants

FR No: 004525S

Sd/-

S. VARADARAJAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

Sd/-

VIKAS KUMAR

Partner

Membership No.75363

Sd/-

SAM VARGHESE

Partner

Membership No. 216979

Place: Mumbai

Dated: 29th May, 2013

CASH FLOW STATEMENT

	₹ Crores	
For the year ended 31st March	2013	2012
A Cash Flow from Operating Activities		
Net Profit Before Tax	4,035.69	1,884.17
Adjustments for :		
Depreciation	1,926.10	1,884.87
Interest	1,782.84	1,799.59
Foreign Exchange Fluctuations (Refer explanatory note 3)	151.82	1,090.47
(Profit) / Loss on Sale of fixed assets	23.85	(77.19)
(Profit) / Loss on Sale of investments	155.42	141.30
Income from Investments	(839.64)	(719.57)
Dividend Received	(147.44)	(135.59)
Other Non-Cash items (Refer explanatory note 4)	(118.82)	(78.13)
Operating Profit before Working Capital Changes	6,969.82	5,789.92
(Invested in)/Generated from :		
Trade Receivables	2,307.39	(3,732.45)
Other Receivables	(153.99)	(4,703.25)
Inventory	(742.31)	(572.98)
Current Liabilities & Payables	(2,255.42)	4,576.67
Cash generated from Operations	6,125.49	1,357.90
Direct Taxes paid	(646.51)	(432.06)
Net Cash Flow from Operating Activities	5,478.98	925.84

CASH FLOW STATEMENT (CONTD.)

	₹ Crores	
For the year ended 31st March	2013	2012
B Cash Flow from Investing Activities		
Purchase of fixed assets	(3,386.95)	(2,560.32)
Sale of fixed assets	3.53	101.96
Capital Grant Received	0.30	-
Investment, Loans and Advances to Joint Venture Companies		
Bharat Oman Refineries Limited	(650.00)	-
Bharat Renewable Energy Limited	(0.50)	(0.75)
Petroleum India International	(1.21)	-
Petronet CCK Limited (Loan)	35.92	18.23
GSPC India Gasnet Limited	(8.48)	-
GSPC India Transco Limited	(7.70)	-
Kannur International Airport Limited	(40.00)	-
Investment, Loans and Advances to Subsidiaries		
Bharat PetroResources Limited	(1,270.00)	(120.00)
Bharat PetroResources Limited (Loan)	906.85	(151.75)
Sale of Investments	1,080.98	957.42
Income from Investment	804.13	729.08
Dividend Received	147.44	135.59
Net Cash Flow from Investing Activities	(2,385.69)	(890.54)
C Cash Flow from Financing Activities		
Long term Borrowings	3,478.33	600.00
Repayment of loans	(1,675.01)	(2,645.95)
Interest paid	(1,855.10)	(1,823.97)
Dividend Paid	(397.73)	(506.54)
Corporate Dividend Tax	(57.16)	(71.08)
Realised gains of exchange differences on foreign currency loans	(207.68)	(265.60)
Net Cash Flow from Financing Activities	(714.35)	(4,713.14)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)	2,378.94	(4,677.84)

	₹ Crores	
Cash and Cash equivalents as at 31st March	2012	2011
Cash in Hand	75.00	133.85
Cash at Bank	903.85	245.18
Cash Credit from scheduled banks	(210.11)	(2,021.55)
Unsecured loans from scheduled banks / ICDs / CPs	(18,877.24)	(11,788.14)
	(18,108.50)	(13,430.66)
Cash and Cash equivalents as at 31st March	2013	2012
Cash in Hand	122.51	75.00
Cash at Bank	2,206.35	903.85
Cash Credit from scheduled banks	(660.47)	(210.11)
Collateralized Borrowing and Lending Obligation	(622.00)	-
Unsecured loans from scheduled banks / ICDs / CPs	(16,775.95)	(18,877.24)
	(15,729.56)	(18,108.50)
Net change in Cash and Cash equivalents	2,378.94	(4,677.84)

Explanatory notes to Cash Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 as notified by the Central Government.
2. In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
3. The net profit / loss arising due to conversion of current assets / current liabilities, receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations".
4. "Other Non-Cash items" include excess provisions written back, foreign exchange adjustments, diminution in value of investment, amortisation of Capital grant, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. "Cash at Bank" includes a balance of ₹ 2.38 Crores (previous year ₹ 2.41 Crores) towards unclaimed dividend.
6. Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

For and on behalf of the Board of Directors

Sd/-
R.K. SINGH
Chairman and Managing Director

Sd/-
S. VARADARAJAN
Director (Finance)

Sd/-
S.V. KULKARNI
Company Secretary

Place: Mumbai
Dated: 29th May, 2013

As per our attached report of even date

For and on behalf of
T.R CHADHA & CO.
Chartered Accountants
FR No: 006711N

K.VARGHESE & CO.
Chartered Accountants
FR No: 004525S

Sd/-
VIKAS KUMAR
Partner
Membership No.75363

Sd/-
SAM VARGHESE
Partner
Membership No. 216979

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

Company Overview

Bharat Petroleum Corporation Limited referred to as “BPCL” or “the Corporation” was incorporated on 3rd November, 1952. BPCL is a Government of India Enterprise listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Corporation is engaged in the business of refining of crude oil and marketing of petroleum products. It has refineries at Mumbai and Kochi, LPG bottling plants and Lube blending plants. The Corporation’s marketing infrastructure includes a vast network of Installations, Depots, Retail Outlets, Aviation Service Stations and LPG distributors.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS FOR PREPARATION

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Corporation has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis (unless otherwise stated) and under historical cost convention. The accounting policies are consistent with those used in previous year except for the policy in respect of amortisation of Right of Way referred to in para 1.3.(ii) (b) and depreciation on Paver blocks and Canopy referred to in para 1.6 (d).

1.2 USE OF ESTIMATES

The preparation of financial statements requires the management of the Corporation to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences, if any, between actual amounts and estimates are recognised in the period in which the results are known.

1.3 FIXED ASSETS

i) TANGIBLE FIXED ASSETS

- a) Fixed Assets are stated at cost net of accumulated depreciation.
- b) Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.
- c) Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding ₹ 1,000 per item are charged to revenue.
- d) Machinery spares that are specific to a fixed asset are capitalised along with the fixed asset. Replacement of such spares is charged to revenue.
- e) Land acquired on lease where period of lease exceeds 99 years is treated as freehold land.
- f) **Expenditure during construction period:** Direct expenses including borrowing cost incurred during construction period on capital projects are capitalised. Indirect expenses of the project group are also capitalised and (which are allocated to projects costing ₹ 5 crores and above). Crop compensation expenses incurred in the process of laying pipelines are capitalised as part of pipeline cost. Expenditure incurred during construction period on projects like electricity transmission lines, roads, culverts etc. the ownership of which is not with the Corporation are charged to revenue in the accounting period of incurrence of such expenditure.

ii) INTANGIBLE ASSETS

- a) Intangible assets are carried at cost less accumulated amortisation.
- b) Cost of right of way is amortised over the period of 99 years as it is perpetual and absolute in nature.
- c) Expenditure incurred for creating/acquiring other intangible assets of ₹ 0.50 crores and above, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit.
- d) In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

1.4 IMPAIRMENT OF ASSETS

The values of tangible and intangible assets of respective Cash Generating Units are reviewed by the management for impairment at each Balance Sheet date, if events or circumstances indicate that the carrying values may not be recoverable. If the carrying value is more than the net selling price of the asset or present value, the difference is recognised as an impairment loss.

1.5 BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets till the month in which the asset is ready for use. All other borrowing costs are charged to revenue.

1.6 DEPRECIATION

- i. Depreciation on fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956, except in following cases :
 - a) Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.
 - b) Fixed assets costing not more than ₹ 5,000 each, LPG cylinders and pressure regulators are depreciated @ 100 percent in the year of acquisition.
 - c) Computer equipments and peripherals, and mobile phones are depreciated over a period of four years. Furniture provided at the residence of management staff is depreciated over a period of seven years.
 - d) Paver Blocks and Canopy capitalised under Buildings are depreciated based on the estimated useful life of 30 years.
- ii. Depreciation is charged on addition / deletion on pro-rata monthly basis including the month of addition / deletion.

1.7 INVESTMENTS

- i. Current investments are valued at lower of cost or fair value determined on an individual investment basis.
- ii. Long-term investments are valued at cost. Provision for diminution in value is made to recognise a decline, other than of temporary nature, in the value of such investments.

1.8 INVENTORY

- i. Inventories are stated at cost or net realisable value, whichever is lower. Cost is determined on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing inventories to their present location including appropriate overheads apportioned on a reasonable and consistent basis.
- ii. The net realisable value of finished goods and stock in trade are based on the inter-Company transfer prices and final selling prices (applicable at the location of stock) for sale to oil companies and retail consumers respectively. For the purpose of stock valuation, the proportion of sales to oil companies and retail sales are determined on all India basis and considered for stock valuation at all locations.
- iii. The cost of Stock-in-Process is determined at raw material cost plus cost of conversion.
- iv. Obsolete, slow moving, surplus and defective stocks are identified at the time of physical verification of stocks and where necessary, provision is made for such stocks.

1.9 REVENUE RECOGNITION

- i. Sales represents invoiced value of goods supplied net of trade discounts, and include applicable excise duty, surcharge and other elements as are allowed to be recovered as part of the price but excludes VAT / Sales Tax. Further, it includes other elements allowed by the Government from time to time.
- ii. Claims including subsidy on LPG and SKO from Government of India are booked on in principle acceptance thereof on the basis of available instructions/clarifications subject to final adjustments after necessary audit, as stipulated.
- iii. Other claims are booked when there is a reasonable certainty of recovery. Claims are reviewed on a periodical basis and if recovery is uncertain, provision is made in the accounts.
- iv. Income from sale of scrap is accounted for on realisation.
- v. Dividend income is recognised when the Corporation's right to receive the dividend is established.
- vi. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

1.10 CLASSIFICATION OF INCOME/EXPENSES

- i. Expenditure on Research, other than capital expenditure, is charged to revenue in the year in which the expenditure is incurred.
- ii. Income/expenditure upto ₹ 0.05 crore in each case pertaining to prior year(s) is charged to the current year.
- iii. Prepaid expenses upto ₹ 0.05 crore in each case, are charged to revenue as and when incurred.
- iv. Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment.

1.11 EMPLOYEE BENEFITS

- i. Contributions to defined contribution schemes such as Pension, Superannuation, Provident Fund, etc. are charged to the Statement of Profit and Loss as and when incurred.
- ii. The Corporation also provides for retirement/ post-retirement benefits in the form of gratuity, leave encashment, post retirement benefits and other long term benefits. Such defined benefits are charged to the Statement of Profit and Loss based on valuations made by independent actuaries using the Projected Unit Credit Method, as at the balance sheet date.
- iii. Payments made under Voluntary Retirement Scheme are charged to Statement of Profit and Loss as and when incurred.

1.12 DUTIES ON BONDED STOCKS

- i. Customs duty on Raw materials/Finished goods lying in bonded warehouse are provided for at the applicable rates except where liability to pay duty is transferred to consignee.
- ii. Excise duty on finished stocks lying in bond is provided for at the assessable value applicable at each of the locations at maximum rates based on end use.

1.13 FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

- i. Transactions in foreign currency are accounted in the reporting currency at the exchange rate prevailing on the date of transaction.
- ii. Monetary items denominated in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet.
- iii. Foreign Exchange differences arising at the time of translation or settlement are recognised as income or expense in the Statement of Profit and Loss either under foreign exchange fluctuation or interest, as the case may be.
- iv. However, foreign exchange differences on long term foreign currency monetary items relating to acquisition of depreciable assets are adjusted to the carrying cost of the assets and depreciated over the balance life of the asset and in other cases, if any, accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of the asset or liability.
- v. Premium/discount arising at the inception of the forward exchange contracts to hedge foreign currency risks are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of Profit and Loss.
- vi. Gains / losses arising on settlement of Derivative transactions entered into by the Corporation to manage the commodity price risk and exposures on account of fluctuations in interest rates and foreign exchange are recognised in the Statement of Profit and Loss. Provision for losses in respect of outstanding contracts as on balance sheet date is made based on mark to market valuations of such contracts.

1.14 GOVERNMENT GRANTS

- i. When the grant relates to an expense item or depreciable fixed assets, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. The grant relating to future years are treated as Deferred Income and reflected as Capital Reserve in Balance Sheet.
- ii. Government grants of the nature of promoters' contribution or relating to non-depreciable assets are credited to capital reserve and treated as a part of shareholders' funds.

1.15 PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- i. A provision is recognised when an enterprise has a present obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made.
- ii. Contingent Liabilities are not recognised but are disclosed in the Notes. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.
- iii. Capital commitments and Contingent liabilities disclosed are in respect of items which exceed ₹ 0.05 crore in each case.

1.16 TAXES ON INCOME

- Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
- Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date.
- The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future. However, in respect of unabsorbed depreciation or carry forward losses, the deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realized in future.
- The carrying amount of deferred tax assets and unrecognised deferred tax assets are reviewed at each balance sheet date.

1.17 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends, if any, and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

2. SHARE CAPITAL

		₹ Crores	
		31/03/2013	31/03/2012
i	Authorised		
	2,50,00,00,000 equity shares (previous year 45,00,00,000 equity shares)	<u>2,500.00</u>	<u>450.00</u>
ii	Issued, subscribed and paid-up		
	72,30,84,248 (previous year 36,15,42,124) equity shares fully paid-up	<u>723.08</u>	<u>361.54</u>
	Total	<u>723.08</u>	<u>361.54</u>

- The Corporation has only one class of shares namely equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Corporation, the holders of equity shares will be entitled to receive the remaining assets of the Corporation in proportion to the number of equity shares held.

The Corporation declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the period ended 31st March 2013, the amount of dividend per share is ₹ 11 (previous year ₹ 11). The total dividend appropriation for the year ended 31st March 2013 amounted to ₹ 922.86 crores (previous year ₹ 454.86 crores) including Corporate Dividend Tax of ₹ 127.47 crores (previous year ₹ 57.16 crores)

- During the period, the Corporation has issued Bonus Shares in the ratio of 1:1 by capitalisation of General Reserve. The total number of Bonus Shares issued is 36,15,42,124 equity shares having face value of ₹ 10 each.

- Reconciliation of No. of Equity Shares

	31/03/2013	31/03/2012
A. Opening Balance	36,15,42,124	36,15,42,124
B. Shares Issued		
- Bonus Shares	36,15,42,124	-
C. Shares Bought Back	-	-
D. Closing Balance	72,30,84,248	36,15,42,124

- Shareholders holding more than 5% shares

Name of shareholder	31/03/2013		31/03/2012	
	% Holding	No. of shares	% Holding	No. of shares
Government of India	54.93	39,72,00,120	54.93	19,86,00,060
BPCL Trust for Investment in shares	9.33	6,74,57,474	9.33	3,37,28,737
Life Insurance Corporation of India	5.14	3,71,73,606	6.80	2,45,86,734

3. RESERVES AND SURPLUS

	31/03/2013	₹ Crores 31/03/2012
Capital Reserve		
As per last Balance Sheet	16.15	16.32
Add: Grant received during the year	0.30	-
Less : Amortisation of Capital Grant	<u>(0.18)</u>	<u>(0.17)</u>
	<u>16.27</u>	<u>16.15</u>
Debenture Redemption Reserve		
As per Last Balance Sheet	1,000.00	1,000.00
Less : Transfer to General Reserve	<u>(873.70)</u>	<u>-</u>
	<u>126.30</u>	<u>1,000.00</u>
General Reserve		
As per last Balance Sheet	13,036.17	12,179.76
Add : Transfer from Debenture Redemption Reserve	873.70	-
Add : Transfer from Statement of Profit & Loss	1,720.04	856.41
Less : Utilised towards issue of Bonus Shares	<u>(361.54)</u>	<u>-</u>
	<u>15,268.37</u>	<u>13,036.17</u>
Balance as per Statement of Profit & Loss		
As per last Balance Sheet	500.00	500.00
Add : Profit for the year	2,642.90	1,311.27
Less : Proposed Dividend	(795.39)	(397.70)
Less : Corporate Dividend Tax	(127.47)	(57.16)
Less : Transfer to General Reserve	<u>(1,720.04)</u>	<u>(856.41)</u>
	<u>500.00</u>	<u>500.00</u>
Total	<u><u>15,910.94</u></u>	<u><u>14,552.32</u></u>

4. LONG-TERM BORROWINGS

	31/03/2013		31/03/2012	
	Current #	Non-Current	Current #	Non-Current
Debentures				
Secured				
8.65% Secured Non-Convertible Debentures*	-	700.00	-	-
7.73% Secured Non-Convertible Debenture 2012**	-	-	1,000.00	-
Other Loans				
Unsecured				
Loan from Oil Industry Development Board	272.25	321.25	247.25	496.50
External Commercial Borrowings	-	1,767.65	-	1,662.59
4.625% International Bonds	-	2,719.47	-	-
Inter-corporate deposit	-	-	500.00	-
	<u>272.25</u>	<u>5,508.37</u>	<u>1,747.25</u>	<u>2,159.09</u>

Classified under other current liabilities (Refer Note No.10)

4. LONG-TERM BORROWINGS (CONTD.)

Terms of Repayment Schedule of Long-term borrowings as on 31/03/2013:

	₹ Crores	Date of Maturity
Non-Current		
8.65% Secured Non-Convertible Debentures 2017	700.00	8-Oct-2017
Loan from Oil Industry Development Board - 2017	172.00	30-Mar-2017
Loan from Oil Industry Development Board - 2015	38.50	20-Apr-2015
Loan from Oil Industry Development Board - 2014	110.75	15-Sep-2014
4.625% International Bonds	2,719.47	25-Oct-2022
External Commercial Borrowings	543.89	3-Feb-2017
	1,087.79	20-Feb-2016
	135.97	25-Nov-2014
Current		
Loan from Oil Industry Development Board - 2017	25.00	31-Mar-2014
Loan from Oil Industry Development Board - 2013	19.25	20-Apr-2013
Loan from Oil Industry Development Board - 2014	110.75	Apr-Sep 2013
Loan from Oil Industry Development Board - 2015	117.25	Sep 2013

* The Corporation had allotted redeemable non-convertible 8.65% Debentures of face value of ₹ 700 crores on 8th October 2012 redeemable on 8th October 2017 with a put call option on 8th October 2015. These are secured by first legal mortgage in English form by way of a Registered Debenture Trust Deed over the fixed assets of the Company, mainly Plant and Machinery at Mumbai Refinery.

** The Corporation had allotted redeemable non-convertible 7.73% Debentures of face value of ₹ 1,000 crores on 12th October 2009. These are secured by first legal mortgage in English form by way of a Registered Debenture Trust Deed over the fixed assets of the Company, mainly Plant and Machinery at Mumbai Refinery. The same have been repaid in October 2012.

5. DEFERRED TAX LIABILITIES (NET)

The deferred tax expense of ₹ **255.16 Crores** (previous year ₹ 393.01 Crores) is recognised during the year. The breakup of components of deferred tax assets / liabilities are as under :

	31/03/2013	₹ Crores 31/03/2012
Deferred tax liability:		
On account of depreciation	2,489.29	2,305.09
Deferred tax asset:		
Disallowance u/s 43B of the Income tax Act, 1961 including employee benefits.	550.42	483.03
Provisions for mark to market for investments & loans, doubtful debts, claims etc.	256.79	390.22
Voluntary Retirement Scheme & Long term Capital loss	26.36	31.28
Total deferred tax asset	833.57	904.53
Net deferred tax liability	1,655.72	1,400.56

6. OTHER LONG-TERM LIABILITIES

	31/03/2013	₹ Crores 31/03/2012
Security/Earnest Money Deposits	15.56	15.84
Others	45.26	40.12
Total	60.82	55.96

7. LONG-TERM PROVISIONS

	31/03/2013	₹ Crores 31/03/2012
Provision for employee benefits	435.06	409.96
Total	435.06	409.96

8. SHORT-TERM BORROWINGS

	31/03/2013	₹ Crores 31/03/2012
Loans repayable on demand		
From banks		
Secured		
Working Capital loans / Cash Credit *	660.47	210.11
Collateralized Borrowing and Lending Obligation **	622.00	-
Unsecured		
Rupee Loans	70.00	200.00
Foreign Currency Loans	16,275.95	18,677.24
Commercial Papers	430.00	-
Total	18,058.42	19,087.35

* Secured in favour of the participating banks ranking pari passu inter-alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future.

** Secured by Oil Marketing Companies GOI Special Bonds 2026 of ₹ 2,450 crores and a bank guarantee of ₹ 500 crores issued in favour of Clearing Corporation of India Limited.

9. TRADE PAYABLES

	31/03/2013	₹ Crores 31/03/2012
Dues to subsidiaries	610.81	731.06
Dues to others	8,172.30	12,135.34
Total	8,783.11	12,866.40

10. OTHER CURRENT LIABILITIES

	₹ Crores	
	31/03/2013	31/03/2012
Current maturities of long-term borrowings (Refer Note No. 4)	272.25	1,747.25
Interest accrued but not due on borrowings	129.69	189.21
Deposits from Customers	26.53	24.74
Deposits for Containers	5,590.79	4,938.09
Advances from Customers	486.52	517.02
Unclaimed Dividend *	2.38	2.41
Unclaimed Deposits *	0.15	0.19
Unclaimed Interest on Deposits *	0.07	0.08
Sales tax, Excise, Customs etc.	2,016.51	1,844.47
Contractual obligations	3,221.73	2,544.73
Dues to micro and small enterprises **	0.96	1.13
Others #	1,786.04	1,556.78
Total	13,533.62	13,366.10

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

** To the extent, the Corporation has received intimation from the “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, the details are provided as under:

	₹ Crores	
	31/03/2013	31/03/2012
Amount Due and Payable at the year end		
-Principal	0.96	1.13
-Interest on above Principal	-	-
Payment made during the year after the due date		
-Principal	-	-
-Interest	-	-
Interest due and payable for Principals already paid	-	-
Total Interest accrued and remained unpaid at year end	-	-

Includes ₹ 21,000 Share Application Money Suspense Account

11. SHORT TERM PROVISIONS

	₹ Crores	
	31/03/2013	31/03/2012
Provision for Taxation (Net of tax paid)	590.55	201.62
Proposed dividend	795.39	397.70
Corporate Dividend Tax on Proposed Dividend	127.47	57.16
Provision for employee benefits	804.84	691.22
Total	2,318.25	1,347.70

12. TANGIBLE ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION		
	AS AT 01-04-2012	ADDITIONS	OTHER ADJUST- MENTS	RECLASSIFI- CATIONS/ DEDUCTIONS ON ACCOUNT OF RETIREMENT/ DISPOSAL	AS AT 31-03-2013	UPTO 31-03-2012	2012-13	RECL- CA DEDUC- ON AC- RETIRE- DIS
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1. LAND								
(a) Freehold	458.87	7.58	-	(2.93)	469.38	-	-	
(b) Leasehold	180.63	15.18	-	(0.06)	195.87	26.85	4.22	
2. BUILDINGS	5,288.00	504.91	36.27	89.81	5,739.37	778.12	239.54*	
3. PLANT and EQUIPMENT	9,126.17	227.40	-	124.07	9,229.50	4,006.51	434.77	
4. FURNITURE and FIXTURES	237.09	27.89	-	5.16	259.82	101.53	15.42	
5. VEHICLES	169.92	16.67	-	10.54	176.05	114.41	12.36	
6. OFFICE EQUIPMENT	475.19	24.02	-	44.04	455.17	329.51	46.43	
7. RAILWAY SIDINGS	297.96	6.44	-	-	304.40	144.00	13.17	
8. TANKS and PIPELINES	5,996.88	161.87	-	8.29	6,150.46	2,774.37	370.50	
9. DISPENSING PUMPS	1,941.78	296.47	24.37	8.79	2,253.83	556.69	118.98	
10. LPG CYLINDERS & ALLIED EQUIPMENT	5,405.25	612.47	36.23	10.83	6,043.12	5,405.25	648.70	
11. OTHERS #	1,986.70	227.91	8.15	(5.78)	2,228.54	790.96	116.00	
TOTAL	31,564.44	2,128.81	105.02	292.76	33,505.51	15,028.20	2,020.09	
Previous Year	29,204.36	2,375.17	160.24	175.33	31,564.44	13,268.04	1,868.45	

OTHERS mainly include electrical and mechanical equipments, firefighting equipments and servers.

* Paver blocks and Canopy, capitalised under Buildings, have been depreciated based on the revised estimated useful life of 30 years. This has resulted in were depreciated @1.63 % till previous year.

Additional information in respect of note no. 12:

a) Other adjustments include capitalisation of foreign exchange differences of ₹ **105.02 crores** (previous year ₹ 149.73 crores) and borrowing costs of **Nil** (previous year ₹ 10.51 crores).

b) Land:

- Freehold land includes ₹ **32.07 crores** (previous year ₹ 32.07 crores) with more than 99 years lease period.
- Freehold land includes ₹ **60.34 crores** (previous year ₹ 145.06 crores) capitalised at various locations for which conveyance deeds are yet to be executed and/or mutation is pending.
- Freehold land includes ₹ **2.20 crores** (previous year ₹ 2.20 crores) which is in the process of being surrendered to the Competent Authority
- Leasehold land includes the following which though in the possession of Corporation, the lease deeds are yet to be registered :

- Land acquired on lease for a period ₹ 0.91 crores).

- Other leasehold land - Gross Block ₹ **0.41 crores** (previous year ₹ 0.41 crores)

c) Buildings include Ownership flats of ₹ **47.8** existing co-operative societies and others.

d) Land, Plant & Machinery, Tanks & Pipelines, extent with other Oil Companies / Railways : crores), Cumulative Depreciation ₹ **107.59** crores (previous year ₹ 97.17 crores).

e) Gross Block includes ₹ **105.54 crores** (previous year ₹ 105.54 crores) as held for disposal during the period in respect of which (previous year ₹ 5.29 crores) has been provided

13. INTANGIBLE ASSETS

	PARTICULARS	USEFUL LIFE	GROSS AMOUNT				AMORTISATION		
		(NO. OF MONTHS)	AS AT 01-04-2012	ADDITIONS	RECLASSIFICATIONS/ DELETIONS	AS AT 31-03-2013	UPTO 31-03-2012	2012-13	RECLASSIFICATIONS/ DELETIONS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	RIGHT OF WAY	1,188	35.93	0.25	-	36.18	-	2.16 *	
2	SOFTWARE	24 - 60	47.81	6.76	(0.21)	54.78	33.62	6.49	
3	DEVELOPMENT RIGHTS	60	1.50	-	-	1.50	1.50	-	
4	PROCESS LICENSE	60	77.11	0.21	0.51	76.81	51.09	8.09	
	TOTAL		162.35	7.22	0.30	169.27	86.21	16.74	
	PREVIOUS YEAR		129.87	27.98	(4.50)	162.35	66.86	19.15	

* The Company has assessed the useful life of Right of Way at 99 years, based on the perpetual and absolute nature of the right, which was considered from the date of capitalisation till March 2013 is ₹ 2.16 crores.

Additional information in respect of note nos. 12 and 13:

- Deduction from Gross Block includes write back of excess capitalisation of ₹ 107.02 crores (previous year ₹ 39.76 crores) and Deletions during the period ₹ 1.08 crores).
- Depreciation and amortisation for the period includes charged to Statement of Profit & Loss ₹ 1,936.11 crores (previous year ₹ 1,886.53 crores) and credited to Prior Period ₹ 1.08 crores).
- Deductions from depreciation includes depreciation on excess capitalisation ₹ 7.88 crores (previous year ₹ 1.41 crores); on withdrawal of depreciation on assets ₹ 106.06 crores; on reclassification of assets ₹ 2.11 crores (previous year ₹ 0.24 crores) and credited to Prior Period ₹ 0.34 crores (previous year ₹ 0.34 crores).

14. INTANGIBLE ASSETS UNDER DEVELOPMENT *

	PARTICULARS	USEFUL LIFE	GROSS AMOUNT				AMORTISATION		
		(NO. OF MONTHS)	AS AT 01-04-2012	ADDITIONS	CAPITALISATIONS/ DELETIONS	AS AT 31-03-2013	UPTO 31-03-2012	2012-13	DELETIONS/ RECLASSIFICATIONS
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	SOFTWARE		2.53	-	-	2.53	-	-	
	TOTAL		2.53	-	-	2.53	-	-	
	PREVIOUS YEAR		2.53	-	-	2.53	-	-	

* To be amortised from the time the Intangible Asset starts providing economic benefits
There are no internally generated Intangible Assets

15. CAPITAL WORK-IN-PROGRESS

			₹ Crores	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Capital work-in-progress (at cost)				
Capital Work-in-progress	1,731.18	757.01		
Capital stores including lying with contractors	535.02	309.67		
Capital goods in transit	30.10	1.68		
Allocation of Construction period expenses				
	31/03/2013	31/03/2012		
Opening balance	48.17	42.86		
Add: Expenditure during the year				
Establishment charges	41.92	33.55		
Interest	12.73	13.60		
Foreign Exchange Fluctuations	38.14	-		
Others	2.91	2.46		
	143.87	92.47		
Less: Allocated to assets capitalised during the year/ charged off	(22.96)	(44.30)		
Closing balance pending allocation			120.91	48.17
Total			<u>2,417.21</u>	<u>1,116.53</u>

16. NON-CURRENT INVESTMENTS

	31/03/2013 Nos.	31/03/2012 Nos.	Book Value	
			31/03/2013 ₹ Crores	31/03/2012 ₹ Crores
LONG TERM				
(a) TRADE-				
INVESTMENT IN EQUITY INSTRUMENTS				
QUOTED				
Equity Shares of ₹ 10 each (fully paid up)				
Joint ventures				
Petronet LNG Limited	9,37,50,000	9,37,50,000	98.75	98.75
Indraprastha Gas Limited	3,15,00,080	3,15,00,080	31.50	31.50
Others				
Oil India Limited	1,33,75,275	1,33,75,275	561.76	561.76
			<u>692.01</u>	<u>692.01</u>
UNQUOTED				
Equity Shares of ₹ 10 each (fully paid up)				
Subsidiaries				
Numaligarh Refinery Limited	45,35,45,998	45,35,45,998	453.55	453.55
Bharat PetroResources Limited	2,37,00,02,670	1,10,00,02,610	2,370.00	1,100.00
Joint Ventures				
Bharat Oman Refineries Limited	88,86,13,336	88,86,13,336	888.61	888.61
Delhi Aviation Fuel Facility Private Limited	6,06,80,000	6,06,80,000	60.68	60.68
Petronet CCK Limited	4,90,00,000	4,90,00,000	49.00	49.00
Maharashtra Natural Gas Limited	2,24,99,600	2,24,99,600	22.50	22.50
Sabarmati Gas Limited	50,00,000	50,00,000	19.96	19.96
Petronet India Limited	1,60,00,000	1,60,00,000	16.00	16.00
Central UP Gas Limited	1,50,00,000	1,50,00,000	15.00	15.00
Bharat Stars Services Private Limited	1,00,00,000	1,00,00,000	10.00	10.00
Bharat Renewable Energy Limited	22,50,000	22,50,000	2.25	2.25
Petronet CI Limited	15,84,000	15,84,000	1.58	1.58
GSPL India Gasnet Limited	63,56,743	-	6.36	-
GSPL India Transco Limited	42,41,359	-	4.24	-
Equity Shares of ₹ 100 each (partly paid up)				
Joint Ventures				
Kannur International Airport Limited (₹ 23.53 paid up)	1,70,00,000	-	40.00	-
Equity Shares of USD 1 each (fully paid up)				
Joint Ventures				
Matrix Bharat Pte. Ltd.	20,00,000	20,00,000	8.41	8.41
Others				
Cochin International Airport Limited	1,05,00,000	1,05,00,000	10.50	10.50
BPCL Trust for investment in shares (Refer Note No. 35)			659.10	659.10
			<u>4,637.74</u>	<u>3,317.14</u>
INVESTMENT IN SHARE WARRANTS				
UNQUOTED				
Share Warrants of ₹ 10 each (fully paid up)				
Joint Ventures				
Bharat Oman Refineries Limited	48,68,86,664	48,68,86,664	486.89	486.89
Share Warrants of ₹ 15 each (fully paid up)				
Joint Ventures				
Bharat Oman Refineries Limited	29,91,94,364	29,91,94,364	448.79	448.79
Share Warrants of ₹ 18 each (fully paid up)				
Joint Ventures				
Bharat Oman Refineries Limited	36,11,11,111	-	650.00	-
			<u>1,585.68</u>	<u>935.68</u>
INVESTMENT IN DEBENTURES OR BONDS				
UNQUOTED				
6% Optional Convertible Debenture of ₹ 1,00,000 each (fully paid up)				
Joint Ventures				
Sabarmati Gas Limited	2,000	2,000	20.00	20.00
			<u>6,935.43</u>	<u>4,964.83</u>

16. NON-CURRENT INVESTMENTS (CONTD.)

	31/03/2013 Nos.	31/03/2012 Nos.	Book Value	
			31/03/2013 ₹ Crores	31/03/2012 ₹ Crores
Less : Provision for diminution in value of investment				
Petronet India Limited			(16.00)	(16.00)
Petronet CI Limited			(1.58)	(1.58)
			<u>(17.58)</u>	<u>(17.58)</u>
			6,917.85	4,947.25
(b) NON TRADE INVESTMENT IN EQUITY INSTRUMENTS UNQUOTED				
Equity Shares of Kochi Refineries Employees Consumer Co-operative Society Limited (Fully paid up) ## Value ₹ 5,000	500	500	##	##
Ordinary Shares (Fully paid up) of Sindhu Resettlement Corporation Limited # Value ₹ 19,000	6	6	#	#
INVESTMENT IN DEBENTURES OR BONDS UNQUOTED				
Debentures (Irredeemable - Fully Paid up) 5 % debentures of East India Clinic Limited	1	1	0.01	0.01
			<u>0.01</u>	<u>0.01</u>
IN ASSOCIATION OF PERSONS UNQUOTED				
Capital Contribution in Petroleum India International			10.00	10.00
Share in accumulated surplus of Petroleum India International			14.24	13.03
			<u>24.24</u>	<u>23.03</u>
Member Companies ### Bharat Petroleum Corporation Limited Bongaigaon Refinery & Petrochemicals Limited Engineers India Limited Hindustan Petroleum Corporation Limited Indian Oil Corporation Limited Indian Petrochemicals Corporation Limited Chennai Petroleum Corporation Limited Oil and Natural Gas Corporation Limited Oil India Limited ### The total capital is ₹ 55.00 crores of which share of Bharat Petroleum Corporation Limited and Indian Oil Corporation Limited is ₹ 10.00 crores each and other members have equal share of ₹ 5 crores each.				
Total			6,942.10	4,970.29

Aggregate value of Unquoted Securities ₹ 6,250.09 crores (previous year ₹ 4,278.28 crores)

Aggregate value of Quoted Securities ₹ 692.01 crores (previous year ₹ 692.01 crores)

Market value of Quoted Securities ₹ 2820.86 crores (previous year ₹ 3,452.32 crores)

17. LONG TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Capital advances	93.74	91.09
Security deposits	26.07	24.79
Loans and advances to subsidiaries		
Bharat PetroResources Limited *	-	906.85
Loans and advances to related parties		
Bharat Oman Refineries Limited	1,354.10	1,354.10
GSPL India Gasnet Limited **	2.12	-
GSPL India Transco Limited **	3.46	-
Petronet CCK Limited	-	35.92
Bharat Renewable Energy Limited **	0.50	-
Loans and advances to employees (secured) - (Refer Note No.42)	537.30	525.07
Loans to others	37.11	41.46
Less : Provision for doubtful loans	(0.10)	(0.10)
Claims :		
Considered good	292.01	297.21
Considered doubtful	38.17	34.46
Less : Provision for doubtful claims	(38.17)	(34.46)
Advance Income Tax	54.37	54.63
Deposit others	127.72	127.95
Total	2,528.40	3,458.97

* Includes Nil (previous year ₹ 120 crores) advance against equity shares (pending allotment).

** Advance against equity shares (pending allotment).

18. OTHER NON-CURRENT ASSETS

(Unsecured, considered good unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Discount on issue of Bonds	15.97	-
Bank deposits with more than twelve months maturity *	0.96	0.95
Total	16.93	0.95

* Includes deposit of ₹ 0.80 crores (previous year ₹ 0.80 crores) that have been pledged / deposited with local authorities.

19. CURRENT INVESTMENTS

(Current Investments are valued at lower of cost or fair market value)

		No. in Thousands		Book Value	
		31/03/2013	31/03/2012	31/03/2013	31/03/2012
₹ Crores					
INVESTMENT IN GOVERNMENT SECURITIES (Face Value ₹ 100 each)					
NON TRADE - QUOTED					
1	6.35% Oil Marketing Companies GOI Special Bonds 2024	2,34,496	2,99,996	2,344.96	2,999.96
2	6.90% Oil Marketing Companies GOI Special Bonds 2026 #	2,47,400	2,83,900	2,474.00	2,839.00
3	7.00% Oil Marketing Companies GOI Special Bonds 2012	-	339	-	3.39
4	7.59% Oil Marketing Companies GOI Special Bonds 2015	231	231	2.31	2.31
5	7.61% Oil Marketing Companies GOI Special Bonds 2015	81	81	0.81	0.81
6	7.95% Oil Marketing Companies GOI Special Bonds 2025	1,063	1,063	10.63	10.63
7	8.00% Oil Marketing Companies GOI Special Bonds 2026	-	11,300	-	113.00
8	8.20% Oil Marketing Companies GOI Special Bonds 2024	89,778	99,778	897.78	997.79
				5,730.49	6,966.89
Less : Provision for diminution in value of investment					
in 6.35% Oil Marketing Companies GOI Special Bonds 2024				(321.99)	(549.72)
in 6.90% Oil Marketing Companies GOI Special Bonds 2026				(247.40)	(420.62)
in 7.00% Oil Marketing Companies GOI Special Bonds 2012				-	(0.02)
in 7.59% Oil Marketing Companies GOI Special Bonds 2015				(0.01)	(0.05)
in 7.61% Oil Marketing Companies GOI Special Bonds 2015				-	(0.02)
in 7.95% Oil Marketing Companies GOI Special Bonds 2025				(0.19)	(0.66)
in 8.00% Oil Marketing Companies GOI Special Bonds 2026				-	(6.84)
in 8.20% Oil Marketing Companies GOI Special Bonds 2024				-	(41.83)
				(569.59)	(1,019.76)
Total				5,160.90	5,947.13

Kept as Collateral Security with Clearing Corporation of India Limited for borrowing in CBLO (Face Value ₹ 2,450 crores)

Market value of Quoted Securities ₹ **5,160.90 crores** (previous year ₹ 5,947.13 crores)

20. INVENTORIES

(Refer Note No. 1.8 for valuation policy)

	31/03/2013	₹ Crores 31/03/2012
Raw materials [Including in transit ₹ 657.88 crores (previous year ₹ 70.29 crores)]	3,075.03	3,974.14
Stock in process	729.44	896.22
Finished goods	6,234.73	6,315.12
Stock-in-trade [Including in transit ₹ 320.60 crores (previous year ₹ 273.27 crores)]	6,271.94	4,552.98
Stores and spares [Including in transit ₹ 1.22 crores (previous year ₹ 0.10 crores)]	369.86	200.60
Packaging material	9.37	9.00
Total	16,690.37	15,948.06

21 TRADE RECEIVABLES

(Unsecured unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Outstanding for a period exceeding 6 months from due date of payment		
Considered good *	488.48	600.69
Considered doubtful	165.21	142.93
Less : Provision for doubtful debts	(165.21)	(142.93)
Other debts (considered good)	3,536.65	5,777.65
Total	# 4,025.13	6,378.34

* Includes ₹ 16.01 crores (previous year ₹ 14.14 crores) which are secured.

Includes an amount of ₹ 787.71 crores out of which, overdue amount ₹ 400.60 crores (previous year ₹ 645.78 crores out of which, overdue amount ₹ 427.59 crores) from a loss making Public Sector Undertaking (PSU). The PSU has assured to settle the dues and as such the management is confident of recovery.

22. CASH AND CASH EQUIVALENTS

	31/03/2013	₹ Crores 31/03/2012
Cash on hand	1.13	1.09
Cheques & drafts on hand	121.38	73.91
Balances with Banks:		
On Current Account	425.35	101.44
Demand deposits with Banks with original maturity of less than three months *	1,778.62	800.00
Unpaid dividend	2.38	2.41
Total	2,328.86	978.85

* The Corporation raised USD 500 million (₹ 2,719.47 crores as on 31-03-2013) through an International Bond issue in FY 2012-13, for funding specific capex requirements of the Corporation. Out of the total proceeds, an amount of ₹ 1,778.62 crores remains unutilised as on 31st March, 2013.

23.SHORT TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	31/03/2013	₹ Crores 31/03/2012
Loans and advances to related parties		
Petronet CCK Limited	52.06	48.20
Interest accrued on loans	28.89	29.46
Dues from subsidiaries	3.56	5.14
Dues from JVCs	10.44	12.85
Loans and advances to employees (secured) - (Refer Note No. 42)	63.09	58.66
Loans to Others	8.60	7.27
Advances:		
Advances Recoverable in cash, or in kind or for value to be received	615.60	205.54
Advances considered doubtful	5.64	4.33
Less : Provision for doubtful advances	(5.64)	(4.33)
	<u>782.24</u>	<u>367.12</u>
Advance Income Tax (Net of provision for taxation)	34.16	34.16
MAT Credit Entitlement	-	101.93
Claims (net)	236.53	115.65
Balances With Customs, Excise, Port Trust etc.	168.43	169.07
Others	23.62	4.65
Total	<u><u>1,244.98</u></u>	<u><u>792.58</u></u>

24.OTHER CURRENT ASSETS

	31/03/2013	₹ Crores 31/03/2012
Interest accrued on investments & bank deposits	126.88	90.16
Subsidy receivable from Government of India	8,670.01	9,153.23
Deferred premium (foreign exchange forward contract)	140.82	156.98
Discount on issue of Bonds	1.86	-
Total	<u><u>8,939.57</u></u>	<u><u>9,400.37</u></u>

25. REVENUE FROM OPERATIONS

	2012-13	₹ Crores 2011-12
(i) a) Sales		
Petroleum Products	2,21,915.58	1,91,833.80
Crude Oil	6,088.50	10,224.03
	<u>2,28,004.08</u>	<u>2,02,057.83</u>
b) Subsidy on LPG(Domestic) & SKO (PDS)*	636.88	664.50
c) Subsidy from Government of India (Refer Note No. 33)	21,896.65	19,671.39
	<u>2,50,537.61</u>	<u>2,22,393.72</u>
Less : Excise duty	(10,533.51)	(10,527.50)
	<u>2,40,004.10</u>	<u>2,11,866.22</u>
(ii) Other operating revenues	111.65	106.75
Total	<u><u>2,40,115.75</u></u>	<u><u>2,11,972.97</u></u>

* As per the existing scheme of the Government of India

26. OTHER INCOME

	2012-13	₹ Crores 2011-12
Interest on Oil Marketing Companies GOI Special Bonds	440.51	520.85
Interest on bank deposits and others	397.92	198.06
Income from Petroleum India International	1.21	0.75
Dividend Income		
from subsidiaries	45.35	68.03
from others	102.09	67.56
Write back of liabilities no longer required (net)	11.32	14.88
Profit on sale of fixed assets (net)	-	77.19
Reversal of provision for doubtful debts & advances	19.00	69.00
Less: Amount Written Off	(8.50)	-
	<u>10.50</u>	<u>69.00</u>
Profit / (Loss) on sale of Current Investments	(155.42)	-
Reversal towards diminution in value of investments	450.16	-
Prior period income (net)	-	94.16
Others # (Refer Note No. 35)	376.59	591.30
Total	<u><u>1,680.23</u></u>	<u><u>1,701.78</u></u>

Includes amortisation of capital grants ₹ 0.18 crores (previous year ₹ 0.17 crores)

27.COST OF RAW MATERIALS CONSUMED

	2012-13	2011-12
Opening Stock	3,974.14	4,009.33
Add : Purchases (Refer Note No. 33)	96,590.38	85,527.78
Less: Closing Stock	<u>(3,075.03)</u>	<u>(3,974.14)</u>
Total	<u>97,489.49</u>	<u>85,562.97</u>

		Imported		Indigenous		Total
		₹ CRORES	%	₹ CRORES	%	₹ CRORES
Crude Oil	2012-13	79,612.85	82.98	16,324.85	17.02	95,937.70
	2011-12	68,738.94	81.82	15,274.64	18.18	84,013.58
Others	2012-13	176.05	11.34	1,375.74	88.66	1,551.79
	2011-12	339.81	21.93	1,209.58	78.07	1,549.39
Total	2012-13	79,788.90	81.84	17,700.59	18.16	97,489.49
	2011-12	69,078.75	80.73	16,484.22	19.27	85,562.97

28.PURCHASES OF STOCK-IN-TRADE

	2012-13	2011-12
Petroleum Products (Refer Note No. 33)	1,19,873.11	1,01,941.49
Crude Oil	5,946.49	10,217.66
Total	<u>1,25,819.60</u>	<u>1,12,159.15</u>

29. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

	2012-13	₹ Crores 2011-12
Value of opening stock of		
Finished goods	6,315.12	5,567.28
Stock-in-trade	4,552.98	4,564.19
Stock in process	896.22	1,031.25
	<u>11,764.32</u>	<u>11,162.72</u>
Less : Value of closing stock of		
Finished goods	6,234.73	6,315.12
Stock-in-trade	6,271.94	4,552.98
Stock in process	729.44	896.22
	<u>13,236.11</u>	<u>11,764.32</u>
Net (Increase)/Decrease in Inventory	<u>(1,471.79)</u>	<u>(601.60)</u>

30. EMPLOYEE BENEFITS EXPENSE

	2012-13	₹ Crores 2011-12
Salaries and wages *	2,142.70	1,682.24
Contribution to provident fund	109.42	99.69
Contribution to gratuity fund	10.17	24.77
Contribution to other funds	210.99	149.43
Staff Welfare expenses	295.59	210.62
Voluntary Retirement Scheme	-	94.32
Total	<u>2,768.87</u>	<u>2,261.07</u>

* Includes estimated provision towards pending pay revision of non - management employees which is under negotiation. The same is pending w.e.f January 2007 for workmen at Mumbai Refinery; w.e.f. August 2008 for workmen at Kochi Refinery and w.e.f. June 2008 for workmen at Marketing division.

31. FINANCE COSTS

	2012-13	₹ Crores 2011-12
Interest expense	838.43	968.00
Interest on shortfall in payment of advance tax	42.40	6.24
Other borrowing costs	39.54	81.28
Applicable net loss on foreign currency transactions and translations	904.87	744.07
Total	<u>1,825.24</u>	<u>1,799.59</u>

32. OTHER EXPENSES

	2012-13	2011-12
		₹ Crores
Transportation	3,823.69	3,320.38
Excise Duty on Inventory differential	(36.58)	(239.35)
Rates, Taxes & other levies	1,054.55	904.31
Repairs and maintenance :		
Machinery	623.82	490.17
Building	41.20	40.28
Others	125.24	106.38
Total	790.26	636.83
Power and Fuel	5,396.57	4,845.83
Less: Consumption of fuel out of own production	(4,491.65)	(4,129.75)
Power and Fuel consumed (net)	904.92	716.08
Stores, spares and materials	353.89	261.84
Less: Charged to other revenue accounts	(287.25)	(203.41)
Stores, spares and materials (net)	66.64	58.43
Rent	190.92	191.77
Utilities	172.49	150.97
Packages consumed	158.57	156.26
Charges paid to other oil companies	139.25	157.16
Travelling and conveyance	121.52	115.96
Insurance	45.75	41.59
Communication Expenses	25.97	24.62
Remuneration to auditors		
Audit fees	0.25	0.20
Fees for other services - certification	0.36	0.18
Reimbursement of out of pocket expenses	0.01	0.01
Total	0.62	0.39
Write Off		
Bad debts and claims	0.11	59.97
Less: Provision made earlier	-	(58.56)
	0.11	1.41
Other write offs (net)	76.68	11.63
Provision for doubtful debts & advances	46.31	3.63
Loss on sale of current Investments	-	141.30
Provision/(Reversal) towards diminution in value of investments	-	22.05
Loss on sale of fixed assets (net)	23.85	-
Foreign Exchange fluctuations (net)	769.09	1,420.43
Prior Period Expenses(net)	128.86	-
Others	899.31	888.68
Total	9,402.78	8,724.53
Details of Stores/ Spare parts and Components		
Imported - Amount	140.15	64.90
	39.60%	24.79%
Indigenous - Amount	213.74	196.94
	60.40%	75.21%
Total	353.89	261.84
Less: Charged to other revenue accounts	(287.25)	(203.41)
Total	66.64	58.43

33. Consequent to non-revision in Retail Selling Prices corresponding to the international prices and applicable foreign exchange rates prevailing during the year, the Corporation has suffered Gross Under-recovery of ₹ **38,990.43 crores** (previous year ₹ 32,638.27 crores) on sale of sensitive petroleum products.

As advised by the Ministry of Petroleum & Natural Gas, the Corporation has accounted compensation towards sharing of under-recoveries on sale of sensitive petroleum products as follows:

- a) ₹ **16,844.49 crores** (previous year ₹ 12,957.20 crores) discount on crude oil/products purchased from ONGC/GAIL/NRL which has been adjusted against Purchase cost;
- b) ₹ **21,896.65 crores** (previous year ₹ 19,671.39 crores) subsidy from Government of India has been accounted as Revenue from operations.

After adjusting the above Compensation, the net under-recovery absorbed by the Corporation is ₹ **249.29 crores** (previous year ₹ 9.68 crores).

34. Pursuant to the Ministry of Corporate Affairs Notification G.S.R. 914 (E) dated 29th December 2011, the Corporation had exercised the option under Para 46 A of AS-11 (notified under the Companies (Accounting Standards) Rules, 2006) and has changed its accounting policy in 2011-12 for recognition of exchange differences arising on reporting of long term foreign currency monetary items. For the current financial year, the impact on account of this change (net of depreciation) is increase in profit before tax of ₹ **100.31 crores** (previous year ₹ 110.58 crores).

35. As per the scheme of amalgamation of the erstwhile Kochi Refineries Limited (KRL) with the Corporation which was approved by the Government of India, 3,37,28,737 equity shares of the Corporation were allotted (in lieu of the shares held by the Corporation in the erstwhile KRL) to a trust for the benefit of the Corporation in the financial year 2006-07. After the 1:1 Bonus issue in July 2012, presently the trust holds 6,74,57,474 equity shares of the Corporation. Accordingly the cost of the original investment of ₹ 659.10 crores is included in Note No.16- Non Current Investments. The income distributed by the trust during the year 2012-13 amounting to ₹ **37.10 crores** (previous year ₹ 47.22 crores) have been included in 'Other income' in Note No. 26.

One shareholder of erstwhile KRL has challenged the amalgamation before Delhi High Court, which is pending adjudication.

36. Short/(Excess) provision for earlier years accounted in current year includes MAT Credit Entitlement of ₹ 36.37 crores pertaining to assessment year 2012-13.

37. **Impairment of Assets:** It is assumed that a suitable mechanism would be in place, in line with earlier/ current year(s), to provide compensation towards under recoveries of margin, if any, on account of sale of sensitive petroleum products in subsequent years. Hence, there is no indication of impairment of assets of the Corporation. Accordingly, impairment is not considered as at 31st March 2013.

38. **Segment Reporting:** The Corporation operates in a single segment - Refinery and Marketing activities, i.e. downstream petroleum sector. Considering the nature of business and operation, there is no reportable segment (business and/or geographical) in accordance with the requirements of Accounting Standard 17.

39. The Corporation has numerous transactions with other oil companies. The outstanding balances from them including certain other outstanding credit and debit balances are subject to confirmation/reconciliation. Adjustments, if any, arising therefrom are not likely to be material on settlement and are accounted as and when ascertained.

40. **Disclosure as per requirements of Accounting Standard 15 - "Employee Benefits" :**

The Corporation's contribution to the Provident Fund is remitted to a separate trust established for this purpose based on a fixed percentage of the eligible employee's salary and charged to Statement of Profit and Loss. Shortfall, if any, in the fund assets, based on the Government specified minimum rate of return, will be made good by the Corporation and charged to Statement of Profit and Loss.

Gratuity: The Corporation has a defined benefit gratuity plan managed by a trust. The contribution based upon actuarial valuation is paid /payable to a trust which is invested as per investment pattern prescribed by the Government in plan assets. Gratuity is paid to the Staff member who has put in a minimum qualifying period of five years of continuous service on superannuation, resignation, termination or to his nominee on death.

Leave Encashment: The employees are entitled to accumulate Earned Leave and Sick Leave, which can be availed during the service period. Employees are also allowed to encash the accumulated earned leave during the service period. Further, the accumulated earned leave and sick leave can be encashed by the employees on superannuation, resignation, and termination or by nominee on death.

Other Defined Benefits: These are (a) Post Retirement Medical Scheme benefit (managed by a trust) to employees, spouse, dependent children and dependent parents; (b) Pension/ex-gratia scheme to the retired employees who are entitled to receive the monthly pension / ex-gratia for life; (c) Death in service / Permanent disablement given to employee, the spouse of the employee, provided the deceased's family/disabled employee deposits retirement dues such as PF, Gratuity, Leave encashment payable to them with the Corporation; and (d) Resettlement allowance paid to employees to permanently settle down at a place other than the location of last posting at the time of retirement.

Disclosures as per requirements of Accounting Standard 15 continued:

a) Reconciliation of balances of Defined Benefit Obligations.	Gratuity - Funded		Post Retirement Medical - Funded		Leave Encashment - Non Funded		Burmah Shell Pension - Non Funded		Death / Permanent disablement - Non Funded	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Defined Obligations at the beginning of the year	603.50	600.75	429.10	370.94	624.78	553.66	64.33	66.39	6.18	7.38
Interest Cost	51.30	49.57	38.00	32.00	53.01	44.87	4.83	4.96	0.27	0.38
Current Service Cost	4.35	10.10	25.70	23.86	44.90	33.92	-	-	-	-
Past service cost	-	-	-	-	-	-	-	-	-	-
Benefits paid	(31.52)	(55.33)	(17.94)	(12.38)	(91.96)	(87.38)	(15.00)	(12.60)	(5.90)	(5.43)
Actuarial (Gains)/ Losses on obligations	19.72	(1.59)	1.88	14.68	109.71	79.71	20.04	5.58	7.18	3.85
Defined Obligations at the end of the year	647.35	603.50	476.74	429.10	740.44	624.78	74.20	64.33	7.73	6.18
b) Reconciliation of balances of Fair Value of Plan Assets in respect of Gratuity / Post Retirement Medical Fund										
Fair Value at the beginning of the year	510.55	457.00	393.21							
Expected Return	40.84	40.39	39.14							
Actuarial gains/ (losses)	24.36	(7.08)	(10.04)	3.08						
Actual Return on Plan assets	65.20	33.31	29.10	3.08						
Contribution by employer	11.97	75.57	70.85	402.51						
Benefits paid	(31.52)	(55.33)	(17.94)	(12.38)						
Fair Value of Plan Assets at the end of the year	556.20	510.55	475.22	393.21						
c) Amount recognised in Balance sheet (a-b)	91.15	92.95	1.52	35.89	740.44	624.78	74.20	64.33	7.73	6.18
d) Amount recognised in Statement of Profit and Loss										
Current Service Cost	4.35	10.10	25.70	23.86	44.90	33.92	-	-	-	-
Past Service cost	-	-	-	-	-	-	-	-	-	-
Interest Cost	51.30	49.57	38.00	32.00	53.01	44.87	4.83	4.96	0.27	0.38
Expected Return on Plan Assets	(40.84)	(40.39)	(39.14)	-	-	-	-	-	-	-
Actuarial (Gains)/ Losses	(4.64)	5.49	11.92	11.60	109.71	79.71	20.04	5.58	7.18	3.85
Expenses for the period	10.17	24.77	36.48	67.46	207.62	158.50	24.87	10.54	7.45	4.23
e) Major Actuarial Assumptions										
Discount Rate (%)	8.00	8.50	8.25	8.50	8.00	8.50	8.25	8.50	8.25	8.50
Salary Escalation/ Inflation (%)	7.00	7.00	7.00	7.00	7.00	7.00	-	-	-	-
Expected Return on Plan assets (%)	8.70	8.00	8.60	8.60	-	-	-	-	-	-
f) Investment pattern for Fund as on										
	31.3.2013	31.3.2012	31.03.2013	31.03.2012	g) As per our best estimate, ₹ 92.08 crores is the expected contribution to b					
Category of Asset	%	%	%	%	h) Effect of Increase / Decrease of 1% is assumed for medical cost trend to					
Government of India Asset	30.23	25.36	4.68	-	Change in liability for 1% increase in Discount Rate Change in service cost for 1% increase in Discount Rate Change in liability for 1% decrease in Discount Rate Change in service cost for 1% decrease in Discount Rate					
Corporate Bonds	24.03	24.07	48.83	-						
Insurer Managed funds	11.64	12.20	-	-						
State Government	10.56	3.92	17.91	-						
Others	23.54	34.45	28.58	100.00						
Total	100.00	100.00	100.00	100.00						

The estimates for future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors
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

41. Related Party Disclosures as per Accounting Standard 18

Names of the Related parties (Joint Venture Companies):

Indraprastha Gas Limited
Petronet India Limited
Petronet CCK Limited
Petronet CI Limited
Petronet LNG Limited
Bharat Oman Refineries Limited
Maharashtra Natural Gas Limited
Central UP Gas Limited
Sabarmati Gas Limited
Bharat Stars Services Private Limited
Bharat Renewable Energy Limited
Matrix Bharat Pte. Ltd.
Delhi Aviation Fuel Facility Private Limited
Kannur International Airport Limited
GSPC India Gasnet Limited
GSPC India Transco Limited
IBV (Brazil) Petroleo Pvt Ltda.

The nature wise transactions with the above related parties are as follows:

S.No.	Nature of Transactions	₹ Crores	
		2012-13	2011-12
1.	Purchase of Goods	32,121.22	11,708.66
2.	Sale of Goods	9,386.16	12,697.58
3.	Sale of Fixed Assets	-	95.87
4.	Rendering of Services	48.36	16.02
5.	Receiving of Services	112.20	81.05
6.	Interest Income	192.13	162.40
7.	Dividend Received	57.85	36.50
8.	Investments and Advance for Investments	706.68	0.75
9.	Loans and Advances	30.36	29.97
10.	Management Contracts (Employees on Deputation)	22.76	22.17
11.	Lease Rental & Other Charges received	30.06	47.53
12.	Lease Rental & Other Charges paid	0.20	-
13.	Receivables as at period end	1,701.83	4,739.76
14.	Payables as at period end	2,195.42	920.43

Disclosure with Respect of Material Related Party Transactions during the Year:

1. Purchase of goods includes mainly Bharat Oman Refineries Limited ₹ **26,625.92 crores** (previous year ₹ 8,331.42 crores) and Petronet LNG Limited ₹ **5,095.69 crores** (previous year ₹ 3,105.31 crores).
2. Sale of goods includes mainly Bharat Oman Refineries Limited ₹ **6,090.64 crores** (previous year ₹ 9,932.89 crores) and Matrix Bharat Pte. Ltd. ₹ **2,187.47 crores** (previous year ₹ 2,160.13 crores).
3. Sale of Fixed Assets includes mainly Delhi Aviation Fuel Facility Private Limited **NIL** (previous year ₹ 95.05 crores).
4. Rendering of Services includes mainly Bharat Oman Refineries Limited ₹ **46.67 crores** (previous year ₹ 16.02 crores).
5. Receiving of Services includes Petronet CCK Limited ₹ **101.59 crores** (previous year ₹ 69.50 crores) and Bharat Stars Services Private Limited ₹ **10.61 crores** (previous year ₹ 11.55 crores)
6. Interest Income includes mainly Bharat Oman Refineries Limited ₹ **186.93 crores** (previous year ₹ 155.77 crores).
7. Dividend received includes mainly Petronet LNG Limited ₹ **23.44 crores** (previous year ₹ 18.75 crores), Indraprastha Gas Limited ₹ **15.75 crores** (previous year ₹ 15.75 crores), Delhi Aviation Fuel Facility Private Limited ₹ **15.17 crores** (previous year NIL).
8. Investment and Advances for Investments includes mainly Bharat Oman Refineries Limited ₹ **650.00 crores** (previous year NIL), Kannur International Airport Limited ₹ **40.00 crores** (previous year NIL), GSPL India Gasnet Limited ₹ **8.48 crores** (previous year NIL), GSPL India Transco Limited ₹ **7.70 crores** (previous year NIL).
9. Loans and Advances includes mainly Petronet CCK Limited ₹ **30.36 crores** (previous year ₹ 29.97 crores)
10. Management Contracts (Employees on Deputation) includes mainly Bharat Oman Refineries Limited ₹ **18.39 crores** (previous year ₹ 15.79 crores).
11. Lease Rental & Other Charges received includes mainly Bharat Oman Refineries Limited ₹ **29.26 crores** (previous year ₹ 45.58 crores) and Bharat Star Services Private Limited ₹ **0.31 crores** (previous year ₹ 1.69 crores).
12. Lease Rental & Other Charges paid includes mainly Delhi Aviation Fuel Facility Private Limited ₹ **0.15 crores** (previous year NIL).
13. Receivables as at period end includes mainly Bharat Oman Refineries Limited ₹ **1,557.58 crores** (previous year ₹ 4,569.73 crores), which is mainly on account of Subordinated loan of ₹ **1354.10 crores** (previous year ₹ 1354.10 crores) and Sabarmati Gas Limited ₹ **35.36 crores** (previous year ₹ 34.99 crores).
14. Payables as at period end includes mainly Bharat Oman Refineries Limited ₹ **1,950.30 crores** (previous year ₹ 734.73 crores) and Petronet LNG Limited ₹ **214.75 crores** (previous year ₹ 158.91 crores).

Key Management Personnel (Whole time Directors): Shri R.K. Singh (Chairman & Managing Director)

Shri K.K. Gupta, Director (Marketing)

Shri B.K. Datta, Director (Refineries)

Shri S. Varadarajan, Director (Finance)

Shri S.P. Gathoo, Director (Human Resources)

Remuneration to Key Managerial Personnel:

	2012-13	2011-12
Salary and Allowances	0.84	0.71
Contribution to Provident Fund and Other Funds	0.20	0.72
Other Benefits	1.15	1.35
Total	2.19	2.78

42. Dues from Directors is ₹ **0.34 crores** (previous year ₹ 0.43 crores) and Dues from Officers is ₹ **3.93 crores** (previous year ₹ 3.49 crores).

43. In compliance with AS – 27 ‘Financial Reporting of Interests in Joint Ventures’, the required information is as under:

a) Jointly controlled entities:	Country of Incorporation	Percentage of ownership interest as on	
		31.03.2013	31.03.2012
Indraprastha Gas Limited	India	22.50	22.50
Petronet India Limited	India	16.00	16.00
Petronet CCK Limited	India	49.00	49.00
Petronet CI Limited (#)	India	11.00	11.00
Petronet LNG Limited	India	12.50	12.50
Bharat Oman Refineries Limited	India	50.00	50.00
Central UP Gas Limited	India	25.00	25.00
Maharashtra Natural Gas Limited	India	22.50	22.50
Sabarmati Gas Limited	India	25.00	25.00
Bharat Stars Services Private Limited	India	50.00	50.00
Bharat Renewable Energy Limited	India	33.33	33.33
Matrix Bharat Pte. Ltd.	Singapore	50.00	50.00
Delhi Aviation Fuel Facility Private Limited	India	37.00	37.00
Kannur International Airport Limited	India	21.68	-
GSPC India Gasnet Limited	India	11.00	-
GSPC India Transco Limited	India	11.00	-

Company under liquidation

BPRL Ventures B.V., a 100% step-down subsidiary of the Corporation holds 50% equity in IBV(Brazil) Petroleo Ltda, a joint venture Company incorporated in Brazil.

b) In respect of jointly controlled entities, the Corporation’s share of assets, liabilities, income, expenditure, contingent liabilities and capital commitments compiled on the basis of unaudited / audited financial statements received from these Joint Ventures are as follows:

	₹ Crores	
	31.03.2013	31.03.2012
(i) Assets		
- Non Current Assets	7,317.31	6,956.70
- Current Assets	4,244.92	4,658.00
(ii) Liabilities		
- Non Current Liabilities	4,803.25	4,710.90
- Current Liabilities	4,427.45	4,920.35
- Deferred Tax	85.53	73.37
(iii) Revenue	19,539.42	9,728.27
(iv) Expenses	19,446.09	10,050.28
(v) Contingent Liabilities	183.90	137.23
(vi) Capital Commitments	337.74	314.50

44. In compliance of Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets", the required information is as under:

₹ Crores					
Nature	Opening balance	Additions during the year	Utilisation during the year	Reversals during the year	Closing balance
Excise	45.85	3.86	-	2.64	47.07
Customs	51.75	6.61	6.12	0.26	51.98
Sales Tax	155.98	27.24	-	1.37	181.85
Total	253.58	37.71	6.12	4.27	280.90
Previous year	156.81	144.67	12.10	35.80	253.58

The above provisions are made based on estimates and the expected timing of outflows is not ascertainable at this stage.

45. Disclosure as required by Clause 32 of Listing Agreement

₹ Crores				
	Balance as on		Maximum amount outstanding during the period	
	31.03.2013	31.03.2012	2012-13	2011-12
(a) Loans and advances in the nature of Loans :				
(i) To Subsidiary Company- Bharat PetroResources Limited	-	786.85	861.85	794.35
(ii) To Associates	-	-	-	-
(iii) Where there is :				
a) No repayment schedule or repayment beyond 7 years- Petronet CCK Limited	52.06	84.12	84.12	85.81
b) No interest or interest below Section 372A of Companies Act, 1956	-	-	-	-
(iv) To Firms/ Companies in which Directors are interested- Bharat Oman Refineries Limited	1,354.10	1,354.10	2,004.10	1,354.10
(b) Investment by the loanee in the shares of BPCL and its subsidiary companies	-	-	-	-

46. Earnings per share

		2012-13	2011-12
Profit / (Loss) after Tax	₹ Crores	2,642.90	1,311.27
Weighted average number of shares outstanding during the year	Core nos.	72.31	72.31*
Basic earnings per share	₹	36.55	18.13*
Diluted earnings per share	₹	36.55	18.13*

* Adjusted for 1:1 bonus issue in July, 2012

47. Capital Commitments and Contingent Liabilities :

	31/03/2013	₹ Crores 31/03/2012
(a) Capital Commitments :		
i) Estimated amount of contracts remaining to be executed on capital account and not provided for	2,333.00	816.15
ii) Uncalled liability on shares and other investments partly paid	130.00	-
(b) Contingent Liabilities :		
In respect of Income Tax matters	112.87	122.63
Other Matters :		
i) Claims against the Corporation not acknowledged as debts :		
Excise and Customs matters	823.14	645.34
Sales Tax matters	2,863.14	2,802.22
Land Acquisition cases for higher compensation	156.02	91.56
Others	339.96	296.21
These include ₹ 725.54 crores (previous year ₹ 1,234.00 crores) against which the Corporation has a recourse for recovery and ₹ 28.35 crores (previous year ₹ 28.31 crores) on capital account.		
ii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	15.36	13.44
iii) Guarantees given on behalf of Subsidiaries/JVs	4,694.44	4,618.30

48. (a) The Corporation has on the Balance Sheet date, outstanding forward contracts amounting to USD 1,718.46 Million i.e. an equivalent of ₹ **9,346.58 crores** (previous year USD 1,857.51 Million i.e. an equivalent of ₹ 9,502.38 crores) to hedge the foreign currency exposure towards loans; this includes **Nil** (previous year Nil) in respect of long term loans. The Corporation is now hedging the currency risks on account of foreign exposure for the payment of crude oil. However, there are no outstanding forward contracts for hedging the currency risks on account of foreign exposure for the payment of crude oil for the period ending 31st March 2013.

Following are the unhedged foreign currency on account of exposures :

Exposure Type	31/03/2013		31/03/2012	
	USD Million	₹ Crores	USD Million	₹ Crores
Imports	589.96	3,208.73	1,975.58	10,106.38
Buyers Credit Loan (Short Term)	1,274.03	6,929.35	1,793.49	9,174.87
ECB (Long Term)	825.00	4,487.12	325.00	1,662.59
Export Debtors	232.55	1,264.84	344.91	1,764.44

- (b) The Corporation has on the Balance Sheet date the following outstanding derivatives for hedging purposes:

Instrument	Description	Quantity
OTC Swap	Spread between Petroleum Products and Crude Oil	1.45 million barrels

For the year ended 31st March, 2013, the Corporation has not incurred any losses on Mark-to-Market basis for outstanding derivatives in accordance with the principle of prudence and other applicable guidelines. Accordingly, **Nil** (previous year ₹ 1.17crores) has been provided for losses on the outstanding derivatives.

49. Value of imports calculated on C.I.F. basis:

	2012-13	2011-12
(a) Raw Materials (including crude oil)	76,391.33	68,784.29
(b) Capital goods	266.72	148.29
(c) Components and spare parts (including packages, chemicals and catalysts)	152.35	53.95

50. Expenditure in foreign currency :

	2012-13	2011-12
(a) Purchase of products	4,315.67	5,481.13
(b) Know-how	0.17	0.12
(c) Professional Consultancy Fees	85.05	2.22
(d) Freight	175.90	179.34
(e) Interest	484.42	317.73
(f) Other matters	21.76	93.18

51. Earnings in foreign exchange :

	2012-13	2011-12
Exports on FOB basis #	18,455.61	19,315.61

Includes receipt of ₹ **1,712.33 crores** (previous year ₹ 2,210.72 crores) in Indian currency out of the repatriable funds of foreign airline customers and ₹ **98.88 crores** (previous year ₹ 48.81 crores) of INR exports to Nepal and Bhutan.

52. Research and Development

	2012-13	2011-12
(a) Revenue expenditure	21.74	32.09
(b) Capital expenditure	12.92	13.02

53. Figures of the previous year have been regrouped wherever necessary, to confirm to current period presentation.

Signature to Notes '1' to '53'

For and on behalf of the Board of Directors

As per our attached report of even date

For and on behalf of

Sd/-

R.K. SINGH

Chairman and Managing Director

T.R CHADHA & CO.

Chartered Accountants

FR No: 006711N

K.VARGHESE & CO.

Chartered Accountants

FR No: 004525S

Sd/-

S. VARADARAJAN

Director (Finance)

Sd/-

S.V. KULKARNI

Company Secretary

Sd/-

VIKAS KUMAR

Partner

Membership No.75363

Sd/-

SAM VARGHESE

Partner

Membership No. 216979

Place: Mumbai

Dated: 29th May 2013

THE ISSUER

Bharat Petroleum Corporation Limited

Bharat Bhavan
4 & 6 Currimbhoy Road
Ballard Estate
Mumbai - 400 001
India

TRUSTEE

Citicorp International Limited

39th Floor, Citibank Tower
3 Garden Road
Central, Hong Kong

AGENT

Citibank, N.A., London Branch

c/o Citibank, N.A. Dublin
Ground Floor
1 North Wall Quay
Dublin 1
Ireland

REGISTRAR

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

LEGAL ADVISERS

*To the Dealers and
the Trustee as to English law*

Allen & Overy

9th Floor
Three Exchange Square
Central
Hong Kong

To the Issuer as to Indian law

J. Sagar Associates

Vakils House
18-Sprott Road
Ballard Estate
Mumbai - 400 001
India

SINGAPORE LISTING AGENT

Allen & Overy

24 Raffles Place
#22-00 Clifford Centre
Singapore 048621

AUDITORS

CNK & Associates LLP

Jash Chambers, 3rd Floor
7-A, Sir Pherozeshah Mehta Road
Fort, Mumbai - 400 001
India

Haribhakti & Co. LLP

701, Leela Business Park
Andheri Kurla Road
Andheri (E)
Mumbai - 400 059
India

SOLE DEALER AND ARRANGER

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom



BHARAT PETROLEUM CORPORATION LIMITED

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